



Empowered lives.
Resilient nations.

26 July 2013

Dear Ms. Khatiwada,

Subject: Micro enterprise Development Programme (Phase IV)

Please find attached, for your information and records, a fully signed copy of project document for the above-mentioned project.

Yours sincerely,


Shoko Noda
Country Director

Ms. Yam Kumari Khatiwada
Joint Secretary/NPD- MEDEP III
Planning and Policy Analysis Division
Ministry of Industry
Singha Durbar

cc: - Ms. Tara Gurung, Country Manager, AusAID, Australian Embassy
- Dr. Lakshman Pun, National Project Manager, MEDEP III

**United Nations Development Programme
Country: NEPAL
Programme Document**

Programme Title	Micro-Enterprise Development Programme (MEDEP) IV
UNDAF Outcome(s):	Vulnerable groups have improved access to economic opportunities and adequate social protection
Expected CP Outcome(s): <i>(Those linked to the Programme and extracted from the CPAP)</i>	
Expected Output(s): <i>(Those that will result from the Programme and extracted from the CPAP)</i>	Output 2.2.1 : 35,000 micro-entrepreneurs created and 40,000 existing ones scaled up for poverty reduction, employment generation and sustainability Output 2.2.2 : Government has increased capacity to design, implement and monitor a multi-partner supported micro-enterprise development programme
Implementing Partner:	Ministry of Industry, Government of Nepal
Responsible Parties:	MoF, MoFALD, MoFSC, MoAD, NRB, NPC, FNCCI, FNCSI, AYON

Brief Description


The goal of the Microenterprise Development Programme (MEDEP) is to contribute to the poverty reduction and employment generation efforts of the Government of Nepal (GoN) through micro-entrepreneurship development. This approach is in line with the strategy of the GoN's periodic plans.

During the fourth phase of MEDEP, 73,000 new micro entrepreneurs will be created (30,000 with MEDEP resources, 32,000 by MEDPA and 11,000 Local Bodies) with particular focus on supporting households that are living below the national poverty line, women and the socially excluded, by strengthening the national system to support the establishment of micro-enterprise start-ups. This will be achieved by building the capacities of government at central and local levels to develop and implement policies for the support of micro-entrepreneurship, as well as by strengthening access to markets, finance and business development services.

Building on its experience of 14 years of providing support to micro-entrepreneurs in Nepal, MEDEP will create micro-enterprises indirectly, by mentoring and supporting the strengthening of the GoN's Micro Enterprise Development for Poverty Alleviation (MEDPA). The programme will be implemented in partnership with central and local government institutions, as well as by supporting non-government and private sector organisations. MEDEP's outcome therefore will not be limited to just creating new entrepreneurs. Its main contribution will instead be to endow Nepal with a sustainable institutional setup for the delivery and support of entrepreneurship even after the end of the programme.

MEDEP will also support peace and stability in Nepal, by significantly contributing to addressing poverty and social exclusion, which are among the root causes of conflict in the country.

Programme Period: August 2013- July 2018	YYYY AWP budget: US\$ 34,270,429
Key Result Area (Strategic Plan): <u>Poverty Eradication</u>	Total resources required _____
Allas Award ID: <u>00070800</u>	Total allocated resources: _____
Start date: <u>1 August 2013</u>	• Regular US\$ 2,544,279
End Date <u>31 July 2018</u>	• Other:
PAC Meeting Date <u>18 July 2013</u>	o AusAID US\$ 31,652,700
Management Arrangements: <u>National Implementation (NIM)</u>	o CQU US\$73,450
	o Donor _____
	o Government _____
	Unfunded budget: _____
	In-kind Contributions _____

Agreed by (Implementing Partner): *Yam Khatiwada*

Joint Secretary

Agreed by UNDP: *[Signature]*
26 July 2013

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ACRONYMS

ADBL	Agricultural Development Bank Limited
AEPC	Alternative Energy Promotion Centre
APSO	Area Programme Support Office
AusAid	Australian Agency for International Development
AWP	Annual Work Plan
AYON	Association of Youth Organization Nepal
BDSPO	Business Development Service Providing Organization
CIDA	Canadian International Development Agency
CPAP	Country Programme Action Plan
CQU	Central Queensland University
CSIDB	Cottage and Small Industries Development Board
CSIO	Cottage and Small Industries Office
CTEVT	Council for Technical Education and Vocational Training
DMEGA	District Micro-entrepreneurs Group Association
DCSI	Department of Cottage and Small Industry
DDC	District Development Committee
DEDIC	District Enterprise Development and Implementation Committee
DEDP	District Enterprise Development Plan
DFID	Department for International Development
EAFS	Enhancing Access to Financial Services
EDF	Enterprise Development Facilitator
EDO	Enterprise Development Officer
EDU	Enterprise Development Unit
FHAN	Federation of Handicraft Association of Nepal
FNCCI	Federation of Nepalese Chambers of Commerce and Industries
FNCSI	Federation of Nepalese Cottage and Small Industries
FSP	Financial Service Provider
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nepal
HDI	Human Development Index
IN	Indigenous Nationalities
JICA	Japan International Cooperation Agency
LGCDP	Local Governance and Community Development Programme
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MECD	Micro-Enterprise Creation & Development
MED	Micro-Enterprise Development
MEDEP	Micro-Enterprise Development Programme
MEDF	Micro-Enterprise Development Fund
MEDP	Municipal Enterprise Development Plan
MEDPA	Micro-enterprise Development for Poverty Alleviation
MED SP	Micro-entrepreneurship Development Service Provider
MEG	Micro-entrepreneurs' Group
MEGA	Micro-entrepreneurs' Groups Association
MEU	Micro-enterprise Unit
MFALD	Ministry of Federal Affairs and Local Development
MFI	Microfinance Institution
MoAD	Ministry of Agriculture Development
MoF	Ministry of Finance
MoFSC	Ministry of Forest and Soil Conservation

Mol	Ministry of Industry
MoWCSW	Ministry of Women, Children, and Social Welfare
MRC	Micro-enterprise Resource Centre
MSME	Micro, small and medium enterprises
NIM	National Implementation
NLSS III	National Living Standard Survey III
NMEFEN	National Micro-entrepreneurs Federation Nepal
NPC	National Planning Commission
NPD	National Programme Director
NPM	National Programme Manager
NPSO	National Programme Support Office
NRB	Nepal Rastra Bank
NSTB	National Skill Testing Board
NTFP	Non Timber Forest Products
NZAID	New Zealand Agency for International Development
PB	Programme Board
PPP	Purchasing power parity
PRA	Participatory Rural Appraisal
PAF	Poverty Alleviation Fund
QPR	Quarterly Progress Reports
RMC	Rural Market Centers
RMDC	Rural Micro-finance Development Centre
RREP	Renewable and Rural Energy Programme
RSRF	Rural Self Reliance Fund
SBAA	Standard Basic Assistance Agreement
SIYB	Start and Improve Your Business
SME	Small and medium enterprises
SNV	Netherlands Development Organization
T.S.L.C	Technical School Leaving Certificate
TOEE	Training for Existing Entrepreneurs
TOGE	Training for Growing Entrepreneurs
TOPE	Training for Potential Entrepreneurs
TOR	Terms of Reference
TOSE	Training of Starting Entrepreneurs
TOT	Training of Trainers
TYP	Three Year Plan
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
VDC	Village Development Committee
VEDP	Village Enterprise Development Plan
VSLA	Village Savings and Loan Association
WB	World Bank

1.1 Economic and Political Context

Being a naturally beautiful country with series of snowy mountains and numerous beauties from east to west, Nepal attracts large numbers of visitors from other countries. Nepal has huge resource potential but the gap between the availability of resources and their usage is wide. Due to the lack of employment opportunities as well as few production oriented activities, Nepal's GDP per capital remains low. According to the Nepal Central Bureau of Statistics 25.2% of the population live below the poverty line, currently set at Rs. 19,261 (US\$ 250)¹ per person per year. The approach paper of the thirteenth plan estimates the poverty level at 23.8 percent. Poverty is pervasive and chronic, and this state of pervasiveness is reflected by Nepal's global ranking in the 2011 Human Development Index at 157 out of 187 countries.²

In Nepal, the development-related results of gender discrimination, like poverty, varies between urban and rural areas, and between regions. With regard to gender-related development, the Mid and Far-Western Regions, again, have the lowest rankings in the country on both the Gender Empowerment Measure³ as well as on the Gender-related Development Index⁴— the composite indices which measure the inequality between men and women. Gender-based discrimination persistent in Nepali cultures has led to women falling behind in most development indicators. For example, less than 6% of women are employed in the formal sector, and there was no change in women's employment patterns in almost two decades between 1990 and 2008 in the non-agricultural sector.⁵ In addition, cultural norms in some communities constrain women's mobility in public spaces, their participation in the public domain including the markets, and therefore limit them in becoming homemakers whose contributions to the economy in general and to the household economy in particular are not recognized. The adult literacy rate for women remains at 44% compared to 72% for men; and 83% of Tarai Dalit women are illiterate. According to NLSS 2010-12, poverty is higher among those with low levels of education/literacy which suggests that women are more vulnerable to being poor and remaining poor.

Over the last decade the country has however made considerable progress in its path to reducing poverty. Poverty rates declined significantly across all of Nepal's development regions and ecological belts, an impressive achievement given the country's politically difficult and conflict-ridden environment. Headcount poverty rate declined from 42% to the current 25.2% between FY95/96 and FY10/11. Urban poverty declined from 22% to 15.5% and rural poverty declined from 43% to 27.4%.⁶ This is a significant achievement. Nepal is

¹ Nepal Living Standard Survey (NLSS), 2010/11, Central Bureau of Statistics (CBS), National Planning Commission (NPC). It is approximately PPP \$1.30 per capita per day as per World Bank estimations.

² United Nations Development Programme; Human Development Index, 2011.

³ NHDR 2009; Table 2.9, and p.

⁴ NHDR 2009; Table 2.7, and p.

⁵ The share of women aged 15 years and above in wage employment in the non-agriculture sector was 18.9% in 1990 and 19.9% in 2008 (Nepal Labour Force Survey 2009).

⁶ Source: NLSS 2010/11.

also on track to achieve many of the MDGs including halving absolute poverty by 2015 (from 42 to 21% as defined by the national poverty line).

Progress in poverty reduction, however, is not driven by sustainable economic growth, but mainly by improvements in remittance, agricultural wage, connectivity, urbanization and starting in the 1980s a decline in fertility, household size and dependency ratio. In Nepal people are poor not only because of low income, but also because of low access to opportunities or participation.⁷

Economic growth has in fact remained slow even in the post-revolution period, averaging 4.4% a year from 2007 to 2012 with negligible economic structural transformation. The contribution of manufacturing to GDP has been on a constant decline since 2005/06, moving from 9.38% to 6.2% in 2012/13. The agricultural sector remains large; contributing to more than 34.3% of GDP,⁸ but it fails to grow as fast as it should, with poverty remaining largely an agricultural phenomenon. Several constraints impede growth in agriculture. Not more than a fifth of irrigable land has access to year round irrigation while use of improved seeds and technology is quite disappointing. The sole reliance on import for supply of chemical fertilizer renders the availability uncertain and costly. Agriculture is also overwhelmed by subsistence family farming, with 53% of farmers operating less than 0.5 ha of land.

Reductions in poverty rates in rural and remote areas are further challenged by large regional and social disparities, due to geographical barriers and a social structure that is still characterized by the discrimination and exclusion of some groups. For instance, statistics show that poverty is considerably above the national average in the Far Western and the Mid-Western development regions (45.6% and 31.7% respectively), while it is well below in the Western, Central and Eastern regions (22.25%, 21.7% and 21.44% respectively).⁹ According to the Ministry of Federal Affairs and Local Development's (MoFALD) Disadvantaged Group mapping, 465 out of 636 of the Village Development Committees (VDCs) in these areas fall into the most disadvantaged categories.¹⁰ Hill and Terai Dalits

⁷ UNDP, "Nepal Human Development Report 2009: State Transformation and Human Development."

⁸ Economic Survey 2012/13, Ministry of Finance.

⁹ However, taking population density into consideration, Tarai (or southern plains in Nepal from the east to the west bordering India to the south) holds 48.7% of the country's population and has 45.4% of the poor with incidence of poverty being 23.44%. Within the Tarai, the rural Central Tarai area has 23.13% poverty but has the highest concentration of the poor (13.3%) with 15.15 of the country's population residing here.

¹⁰ The MFALD DAG mapping categories range from 1 to 4; 4 being the most disadvantaged. The six indicators used in DAG mapping to measure the VDCs' degree of disadvantage are:

- i. *Food sufficiency of less than 3 months* (concentration of daily-wage labourers, out-migration in search of labor, bonded labor)
- ii. *Presence of marginalized groups* (such as Dalits, janajati, etc., resulting in socio-cultural discrimination, untouchability, verbal abuse, social exclusion in public gatherings and non-acceptability of ethnic cultures)
- iii. *Access to basic services*: primary-level school and sub health post
- iv. *Representation/participation of women, Dalits and janajati in formal decision-making bodies* such as VDC, School Management Committees, Health Management Committees, local NGOs, etc.
- v. *Prevalence of gender discrimination* such as early marriage, girls not sent to school, superstition of witch, violence against women, dowry deaths, seclusion, Chhaupadi
- vi. *Prevalence of vulnerable groups* such as victims of conflict (orphans, widows, single female-headed households, out-migration, etc.), trafficking, physical disability, natural calamities, HIV/AIDS.

remain the poorest segment of the population, and seem to be benefiting less from the decline in poverty.¹¹

The Diagnostic Study on Critical Growth Constraints for Nepal¹² cites lack of productive opportunities, particularly in rural areas, unequal access to opportunities to improve agricultural productivity, engage in non-agricultural activities or migrate abroad (due to poor infrastructure, communications, access to productive assets, education and skills), and inadequate social protection and public service delivery as the main constraints to economic growth.

1.1.1 Youth unemployment and migration - a national challenge

Low economic growth, a substantial working population involved in low paying and less productive agriculture and informal employment, low skill base and low level of human development, pervasive vulnerability and uncertainty, large economic and social disparities, and persistence of the semblance of conflict and after conflict scenario – all these make Nepal unique in the multiplicity of its challenges and opportunities to generate productive employment. Promoting employment growth is difficult in peace time, and Nepal's post-conflict environment compounds these challenges.

Nepal, due to weak development strategies, exacerbated by conflict and political instability, has been unable to create adequate employment opportunities. The gap in employment creation with the estimated 400,000-450,000 new entrants into the labour market each year while the annual additional employment creation is estimated at 200,000-300,000 that has led youths to migrate abroad for jobs.

The challenge is particularly great, with the level of unemployment being higher among youth, meaning that when they enter the job market the chances that they may not get a job are high. Against the national employment level of 2.1%, the youth unemployment rate is 3.5% and is even more pronounced in urban areas at 13.0% unemployment as shown by the Labour Force Survey (2008-09). This does not augur well for the nation. Continuation of traditional agricultural practices that are not operated year round is another explanation for high levels of under employment. But for foreign employment opportunity, which itself is reported to have numerous consequences besides not being sustainable from a long term perspective, there could have serious effects to the nation state.

The lack of economic opportunities, particularly in rural areas, determines high levels of unemployment and migration. Landless farmers and youth are gradually leaving agriculture and rural areas, as it is hard to eke out a livelihood there without holding land assets.¹³ Lack of adequate knowledge, skill, technology and entrepreneurship to transform the prevailing traditional farming into a commercial farming system constrains farmers to subsistence farming. The National Living Standard Survey 2010/11 estimates that 33% of households have an absentee living outside the country.

¹¹ Please refer to Annex 2 for a detailed gender and social analysis.

¹² ADB, DFID, ILO (2009). Nepal Critical Growth Constraints 2009: Country Diagnostic Study.

¹³ The NLSS 2010/11 shows that about 5% of agricultural households do not hold land. An even bigger issue is however the fragmentation of land, since the majority of the agricultural households depend on small farm size for cultivation. Of the total farmers about 53 percent are "small" farmers (operating less than 0.5 ha of land).

Although the official unemployment rate is 2.1%, government recognizes that such a low rate is mostly due to a large number of migrants.¹⁴ Many migrants are in their mid-20s, and are draining resources from the local and national economies. As a result, the labour supply in rural areas has fallen significantly, raising real wages in many cases. Many male members of remittance-receiving households have less incentive to work and have reduced their labour supply, exacerbating labour shortages, including for development activities.

Migration, however, does have some temporary beneficial effects. Remittances from migrants (mainly to the countryside) have temporarily mitigated poverty and inequality. The NLSS 2010/11 estimates that 55.8% of all households in Nepal receive remittances, and that remittances represent more than 30% of these households income. Remittances from urban to rural areas have contributed to a reduction in inequality, with the ratio of urban to rural per capita income falling from 3.04 in 1995 to 1.48 in 2011; although, disparities have widened within regions between households receiving remittances and households who do not.

Of the large flow of remittances, however, only 2% of transfers are translated into productive investments,¹⁵ mainly in urban areas, whilst the vast majority pay for everyday consumption, posing issues of sustainability. In addition, the heavy reliance on remittances is creating distortive incentives for citizens' engagement, entrepreneurship, service delivery and government accountability, in a vicious policy cycle. In this cycle, migrants seek jobs abroad because there are limited opportunities within their own country and send remittances home to recipients, who then become less eager to hold the government accountable for good economic policy than if there had been no remittance income. As a result, the government does not feel pressed by public opinion to improve economic policy. Due to lack of improvement in economic policy, growth and job creation, more migrants need to leave the country for lack of domestic opportunities.

1.2 Entrepreneurship as a viable strategy for the Government of Nepal

The government recognises the need to create economic opportunities to retain the youth in the country and improve social stability and security. For this reason the latest government policies place a lot of emphasis on the need to promote employment opportunities for Nepali youth, both at home and abroad.

Recent development plans state that the prime responsibility of the state is to "promote employment opportunities by imparting knowledge and skills to national human resources in line with national and international labour markets". They also call for instituting a "tripartite bond among government, employers as well as workers and to create an investment friendly environment" by investing in labour management infrastructure. The key objective of the Thirteenth Plan, as defined by its approach paper, is: to make people feel directly the change in quality of life by reducing income poverty and human poverty. Emphasis is particularly placed on increasing access of youth, women, indigenous people, people with disabilities, Madhesi, Dalits, and conflict affected people to productive employment. The Industrial Policy 2010 brings the emphasis on developing micro-enterprise, whilst the Micro-

¹⁴Economic Survey 2011/12, Ministry of Finance.

¹⁵Pant, Bhubanesh (2011), *Harnessing Remittances for Productive Use in Nepal*, Economic Review (Occasional Paper) No 23, Nepal Rastra Bank.

enterprise Development Policy (2008) completes the set of policies that promote micro-entrepreneurship by mandating the creation of an enabling environment for microenterprise development.

It should also be emphasised that Nepal is still passing through a momentous and prolonged political transition. The country is still emerging from a violent ten year-long conflict (1996-2006). While some progress has been made towards implementing the Comprehensive Peace Agreement that concluded the armed conflict in 2006, there is still progress to be made. Out of this transitional experience the government is realising today that fundamental drivers of peace and prosperity must be embedded in inclusive political institutions, employment creation, and equitable development to ensure that progress does not further exacerbate splinters in society.

In this respect, Nepal has been implementing a number of programmes and activities that target poverty alleviation with diverse perspectives, strategies and approaches. The broad, planned development initiatives are guided by a focus on poverty alleviation; however, the impact of these programmes has been small, as evidenced by slow growth of approximately four percent per annum over the last two decades, due to weak linkages between these programmes. Poverty elasticity of growth is estimated at 0.4, meaning that total development efforts will reduce poverty by 1.6 percent per annum on average. Besides this, there are a number of efforts and studies to indicate varying impacts of these efforts on poverty alleviation. The Poverty Alleviation Fund (PAF) which focuses more on small infrastructure development and income generating activities, implements through NGOs, not local bodies. Also unlike MEDEP, it does not follow entrepreneurship development and preparatory efforts, which is essential for sustainability of income generating activities. Other similar projects include: Livelihoods and Forestry Project (LFP), which focuses on improving livelihoods by promoting equitable, efficient and sustainable access to forestry and other natural resources; Rural Access Programme (RAP), which follows the strategies of improving access while also emphasizing income generating activities; Kamali Employment Scheme, which follows cash transfer strategies; and HELVETAS' ELAM project, which has a similar approach to MEDEP, but does not work through DDC works directly with the private sector and for the development of enterprise support providers as commercial entities. However the goal of all these programmes/projects is to contribute to poverty alleviation in Nepal. Hence MEDEP should coordinate with these similar projects/programme in order to improve the sustainability of enterprises and have greater impact at the grassroots level.

Similar new initiatives exist, such as DANIDA's Unnati – a programme being implemented in 2014-19 for the promotion of sustainable inclusive growth that reduces poverty and raises living standards through the strategies of sustained improvement of selected value chains, sustained improvement of rural infrastructure and sustained improvement of enabling environment. This initiative focuses on broader aspects, including policies and infrastructure. In addition, IFAD is going to implement Rural Enterprises and Jobs with five components viz. enterprise promotion and job creation, business development services, financial services, support infrastructure and institutional development and project management during the period 2015-22. MoI is also implementing Nepal Market Development Programme during 2009-2017 to improve the income and growth of poor and disadvantaged people in key sub-sectors of agricultural and rural market centres with the financial assistance of DfID. UNDP Asia Pacific is implementing Promoting Micro, Small and

Medium Enterprises (MSMEs) to build, strengthen and enhance the capacity of MSMEs that are women-led and owned in Bangladesh, Bhutan, India, Nepal and Sri Lanka to derive greater benefits from regional markets and value chains, with the support of AusAID, UNDP, Commonwealth Secretariat, and International Finance Corporation during 2013-2016. In view of similar goals, close cooperation and linkage should be established with the project. MEDEP, being an operational programme, does not compete with these programmes; they are, in fact, complementary to MEDEP, although MEDEP focuses more on empowering the poorest of poor people. Working closely with these initiatives will lead to greater synergy and better results. There are several poverty alleviation programmes and they should be streamlined under one-roof to promote effective use of resources and avoid duplication. This phase will help the GoN to bring most of the similar programmes and projects under one roof and ultimately help to develop SWAP.

MEDEP has already been working to build the capacity of the government and service providers to make this programme sustainable. The MEDEP impact study (2010) indicated that MEDEP can be considered one of the most successful development initiatives implemented by GoN in partnership with UNDP and other development partners including AusAID, NZAID and DfID between 1998 and 2008. From the perspective of sustainability, the cost-effective model has been rated high despite effective integration of all six components. Overall, for enterprise and entrepreneurship development, the MEDEP modality is highly result oriented and also appears to be sustainable in the prospect of continuing entrepreneurial operation by a substantial portion of MEDEP developed entrepreneurs.

On the basis of these findings, the Government of Nepal is now approaching micro-enterprise development with determination. Since 1998 the Ministry of Industry, in partnership with the UNDP, has been implementing the Microenterprise Development Programme (MEDEP), a multi-million US dollars programme aimed at creating micro-entrepreneurs in the most remote and disadvantaged areas of Nepal. While UNDP's support to MEDEP is expected to be coming to an end in June 2013, since 2010 GoN has been mainstreaming MEDEP's approach into a new programme called Micro-enterprise Development for Poverty Alleviation (MEDPA). MEDEP and MEDPA are the cornerstones of GoN's micro-entrepreneurship development strategy and policy.

In order to succeed in these efforts, the Government of Nepal has requested the UNDP to extend the MEDEP programme by an additional five years, with the aim of building the institutional capacity of the Ministry of Industry and its partners in the delivery of MED.

1.3 A brief overview of MEDEP

As stated, MEDEP started in 1998 from the collaboration between the GoN and UNDP. The Programme is currently in its third phase, which will come to an end in June 2013. During its life, MEDEP has been supported by a number of development partners, including AusAID, CIDA, DFID and NZAID. AusAID has become a major donor for this programme.

Over the years, MEDEP's coverage has been extended to a total of 38 districts, 989 VDCs, 27 Municipalities and 482 rural market centres (see the Map presented in Figure 2). Although the primary target group of MEDEP is those living below the national poverty line,

level, 12% are members in group enterprises, 4% are working as employees/workers in others' enterprises and only 20% did not have enterprise business.

- * MEDEP participants have experienced 512.5% increase in income compared to 192% of non-participants.
- * More women (74%) moved out of poverty as compared to men (69%). Similarly, involvement in micro-enterprise activity contributed to more women having ownership of assets (e.g. land, house, bank balance/savings), as well as holding share/equity in co-operatives compared to men. Greater proportion of women participants (14.3%) perceived that their status within households as economic agents/income earners had increased as compared to men (3.3%).
- It was primarily as a result of MEDEP's strong and persistent advocacy that the GoN incorporated micro-enterprise development into its Three Year Plan (2007/2008 – 2009/2010)—the guiding framework for the current Three Year Plan—as an integral part of its strategy to create productive self-employment to backward, poor, and targeted groups.
- MEDEP helped MoI to systematically conceptualize the national Micro-enterprise Development for Poverty Alleviation (MEDPA) programme document as well as its Implementation Guidelines.
- MEDEP has established networks and forums of micro-entrepreneurs to strengthen them as a group at all levels: the National Micro-entrepreneurs Federation of Nepal¹⁸ (NMEFEN), the District Micro-entrepreneurs Groups Associations (DMEGAs), the Micro-entrepreneurs Groups Association (MEGAs), and the Micro-entrepreneurs Groups (MEGs) at the community level.
- MEDEP has established proficient Micro-enterprise Development Service Providers (called Business Development Service Providers Organisations –BDSPOs) at district level, and a national association that brings them together called the National Entrepreneurship Development Centre (NEDC).

1.3.1 MEDEP's approach to deliver resilient micro-entrepreneurs

With over 14 years of direct Micro-entrepreneurship development MEDEP has gained a strong understanding of the challenges of Nepali micro-entrepreneurs and has been able to develop a successful approach to MED.

At the initial stages, MEDEP carries out a resource/market potential study to determine the most feasible entrepreneurship activities in a local area. In particular, the aim of this study is to determine potential market demand and local resource availability. Subsequently, MEDEP's approach supports a potential micro-entrepreneur through six steps that offer a mix of training and service provision. These steps are represented in Figure 4 below and are:

¹⁸ A federated body of District Micro-entrepreneur Group Associations (DMEGAs)

- I) Social Mobilisation – Use of Participatory Rural Appraisal for identification of target candidates, formation of micro-entrepreneur groups to provide basic support to entrepreneurs, socialization of ideas and basis for impact measurement.
- II) Entrepreneurship training – Provision of Start and Improve Your Business¹⁹ and Micro Enterprise Creation & Development (MECD) training.
- III) Technical skills development – Provision of basic technical training according to the type of enterprise that the candidate intends to start.
- IV) Access to financial services – Establishment of linkages between financial institutions (MFI, cooperatives) and start-up enterprises.
- V) Access to appropriate technology – Provision of low-cost technology to start a business through the so called Common Facility Centres.
- VI) Market linkages and business counselling – Consolidation of production by micro-entrepreneurs and linkages with wholesale buyers and markets.



Figure 2 – MEDEP's integrated approach to MED

¹⁹ SYIB, with three levels is a training package designed by ILO to promote entrepreneurship. It has been implemented in many countries and the package, in certain countries, is observed to be not very successful. MEDEP, in order to suit the local conditions, simplified and modified it. Additionally, SYIB is only one of the components of the integrated package. If SYIB alone is considered adequate, it may not yield results. However, MEDEP is implementing a holistic approach and it has proved to be successful.

Entrepreneurs that are developed through the Integrated Approach go through two stages. First they develop *start-up enterprises*, and then they *graduate* into profitable businesses and *resilient entrepreneurs*.

In MEDEP's experience, an entrepreneur needs on average 12 months to start-up a business; however, starting up is not sufficient to guarantee resilience, as most start-ups require further support to access input, financial and sale markets to become profitable. MEDEP has, therefore, typically supported start-ups to *graduate* into profitable businesses by providing them with targeted technical support in the form of higher levels of entrepreneurship training, linkage with financial service providers, linkage with markets, business counselling, branding, packaging, and other services. In MEDEP's experience, start-ups take up to a maximum of 2 years to graduate, for a total of a maximum of 3 years from the start to end of the process.

In addition to start-up and graduation, MEDEP IV will also aim to develop resilient enterprises, or micro-entrepreneurs that are sufficiently connected to service and output markets to be able to grow their businesses and overcome economic shocks.²⁰ Resilient entrepreneurs are therefore measured as those entrepreneurs who are still in business at least two years after *graduating* from MEDEP's support. The figure below depicts MEDEP's MED process from selection to growth through start-up and graduation, while the table provides a summary of the stages of micro-entrepreneurship creation.

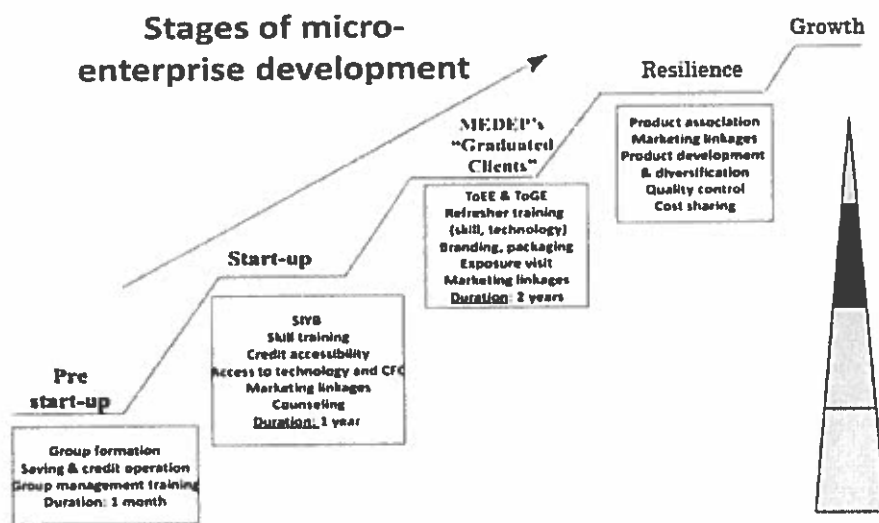


Figure 3 – MEDEP's MED phases

²⁰ According to the Webster English Dictionary resilience is the "ability to recover from or adjust easily to misfortune or change". Resilient entrepreneurs are therefore those who last in business without MEDEP's help, and are measured as entrepreneurs who are still in business at least two years after "graduation".

Stages	Start-up phase	Graduation	Resilience
Definition of stage	ME has established a company but profit is nil or does not exceed her/his opportunity costs (the hourly wage of an alternative employment)	ME has recovered initial investment and is running a profitable business, earning more than its opportunity cost. ²¹	ME has market linkages to be able to innovate, grow his/her business and overcome economic shocks.
Indicator used	Number of MEs who have started a businesses	Number of MEs running a profitable businesses	Number of MEs running a profitable business two years or more after graduation

1.4 Lessons Learned and Challenges

A number of lessons and challenges have been identified over 15 years of MEDEP implementation. These are as follows:

Lessons

- MED is useful tool to develop a number of sectors in a country with such low industrial base and high levels of poverty like Nepal. For instance, micro-entrepreneurs can play a relevant role in agriculture, forestry, tourism, service and handicraft industries. For this reason, all relevant ministries and government agencies need to be brought together to successfully develop entrepreneurs. In other words, the sustainability of MED in Nepal depends on the capacity of different government ministries to see it as a valid tool to promote development in their respective area of competence, and of the Government of Nepal overall to understand the effectiveness of well-targeted MED as a tool for poverty reduction.
- More employment can be created when micro-enterprise activities are based on agro-based and forest-based products, all of which have a potential for value addition.
- Access to finance, market linkages and follow up support are essential for enterprise sustainability and growth. Hence, MED should encompass integrated strategies according priority to these critical elements of enterprise sustainability and growth.
- Empowering the Districts Development Committees (DDCs) in the delivery of MED is pivotal, as it ensures coordination at the implementation level, improved targeting, and allows for resource pooling between district-level agencies, which is the only possible

²¹ Profitability in this context means that the entrepreneur has recovered initial investment costs and the micro-enterprise earns sufficient revenue to pay its costs and remunerate the entrepreneur's effort. Computation of profitability will need to be made over a business year. Since during this period the micro-entrepreneur will receive training and mentoring from the programme, graduation may happen right after training (or training may be terminated because the entrepreneur is deemed to have graduated).

route to achieving MED sustainability. The delivery of MED in Nepal therefore needs be framed within the Local Self Governance Act (LSGA 1999) that mandates DDCs to lead and coordinate district-level development activities. DDCs also benefit from a high degree of freedom in determining development priorities and allocating resources from national block grants following the participatory planning process outlined in the LGSA. Allowing DDCs to lead on MED is essential to leverage the use of block grants and other local resources for MED.

- Given the intensity required for MED using the Integrated Approach, in order to reach out to as many poor people as possible, the most effective way of delivering is by outsourcing training and coaching to private business development service providers. With MEDPA, government has embraced this approach, limiting its role to planning, procuring, and monitoring the delivery of services by contracted business development service providers. Effective use of consultants and technical assistance however is required for government to have strong capacity in managing contracts and monitoring results.
- MEDEP's experience shows that the strong reliance on procurement is successful only if coupled with a functioning governance structure at DDC and central level. For this purpose, District Enterprise Development Committees (DEDC) are created to help shield DDCs from political pressures, and ensure co-ordination and proper use of resources (as well as resource pooling). Key to a sustainable implementation of MED is also applying a procurement mechanism that can guarantee efficacy, transparency and value for money through contracting scale and competition.
- For the purpose of having control over the quality of the training and support provided to new micro-entrepreneurs, over the years MEDEP has trained more than 713 Enterprise Development Facilitators (EDFs), and helped them to form NGOs and become MED service providers. Each district has one MEDEP-created MED Service Provider. MEDEP has however come to realise that this approach is a major limiting factor in the expansion of MED to more areas of the country, as access to bids is largely limited to a small number of MED service providers.
- A critical factor of success and of sustainability for MED delivery is to have motivated staff that can drive the implementation of MED and push for service delivery to reach out to the most remote areas.

Challenges

The commitment of leadership by the MoI to fully institutionalise the lessons and experience of MEDEP into MEDPA is encouraging, and the increasing trend in the allocation of government funds to MEDPA shows some real buy-in of government in the process. The process of institutionalisation of MED activities, however, is facing some considerable challenges.

- As stated, the decentralisation of MED in the districts is a key element to raise local funds and establish sustainability. The capacity of DDCs to deliver this type of services is however very heterogeneous, meaning that MED may not be delivered at the same time in every district and with the same intensity.

- Mechanisms to streamline the flow of funds from the central government to decentralised, district-level MED activities still needs to be fully realised. In order to incentivise DDC's to pool funding for MED, it is important that MEDPA resources are channelled through MEDF and controlled by DDCs. Successful MED therefore requires strong collaboration between Mol and the DDCs/MFALD.
- To train Enterprise Development Facilitators, MEDEP has taken a formal approach, working in partnership with the Council for Technical Education & Vocational Training (CTEVT) to develop an EDF curriculum. At the moment, an individual can qualify as EDF through two channels; either going through a 15 month-long study and training course, or, if already possessing SLC certificate, she/he can qualify by sitting for the appropriate National Skill Testing Board (NSTB) Examinations. The result of this process is that MEDEP-sponsored EDF end up earning a legal certificate which gives them access to a number of positions and employers, other than being an EDF for MEDEP (which mostly involves working in remote rural areas). As a consequence, over the years MEDEP has trained 713 EDFs, but today only 510 remain available in the market, either working in MEDEP or MEDPA.
- In addition to creating an intrinsic lack of EDF, the current formal training and graduation process is not adequately flexible since the shortest training course to lead to the CTEVT exam is almost two-months long. This is discouraging service providing companies from investing in training their personnel, and is a de-facto barrier for new service providers to enter the market and compete with the existing MED service providers. But to maintain the quality of EDF services NSTB/CTEVT skill test or completing 15 months Technical School Leaving Certificate (TSLC) under CTEVT are required.
- The procurement of service providers in MEDEP is so far being carried out by UNDP to ensure value for money and transparency. In delivering MED, GoN is instead following the Public Procurement Act. According to the latter, services worth below NPR 300,000 can be sole sourced, instead of being openly tendered. This provision creates a strong incentive to break large assignments into smaller contracts to avoid the complication of the tendering process, and have more control over the procurement process. The excessive apportioning of large assignments into smaller contracts, however, undermines the capacity of government to manage contracts and hold service providers fully accountable for delivery. An appropriate procurement system that can deliver quality and efficiency in procurement whilst allowing DDCs to have control over when to use resources will need to be developed. MEDEP will provide technical support to DEDC and the central government, especially the Micro-enterprise Section, Mol to run the pre-qualification process for selecting service providers through national public tenders. The procurement committee will be formed representing the Mol, MoFALD, DCSI, and CSIDB for the screening process. The final endorsement will be done by the Steering Committee of the MEDPA. DDCs will make use of the services of these pre-qualified service providers on a need basis.

2.1 Goal of MEDEP IV

The primary goal of the new phase of MEDEP (phase IV) will be to contribute to poverty reduction and employment generation in Nepal. MEDEP will be in line with GoN's efforts to reduce poverty through employment creation as outlined in the Three Year interim Plans (2007/08- 2009/10 and 2010/2011 – 2012/13) and the Thirteenth Plan (2013/14 – 2015/16), the Micro-Enterprise Policy (2007), Industrial Policy 2010 and the Government's Micro-Entrepreneurs Development for Poverty Alleviation Programme (MEDPA) document that plan to deliver MED in 75 districts by 2017/18 creating about 73,000 entrepreneurs. MEDEP will also directly help Nepal towards achieving the first Millennium Development Goal (MDG) of reducing the population living below the national poverty line to 21% by 2015 and indirectly to achieve other MDGs.

MEDEP is anchored in UNDP Nepal's Country Programme Action Plan (CPAP 2013-2017) and the United Nations Development Assistance Framework (UNDAF) through the delivery of its outcomes and outputs. In particular, MEDEP IV will contribute to:

- 1) UNDAF Outcome 2 - *"Vulnerable groups have improved access to economic opportunities and adequate social protection"*;
- 2) UNDAF Output 2.2 - *"Government has improved capacity to design, execute and manage economic development programmes and strategies"*.

CPAP Output 2.2.1: 35,000 micro-entrepreneurs created and 40,000 existing ones scaled up for poverty reduction, employment generation and sustainability

CPAP Output 2.2.2: Government has increased capacity to design, implement and monitor a multi-partner supported micro-enterprise development programme

MEDEP will also be targeting socially excluded groups as primary beneficiaries following the recommendations of the UN Nepal Country Analysis 2011 *"A Country Analysis with a Human Face."*

2.2 Objectives of MEDEP IV

The objectives of MEDEP phase IV are:

1. To support the Government to take over the delivery of MED activities through MEDPA programme;
2. To build the capacity of GoN and the private sector including NGOs (MED service providers) to sustainably deliver MED;
3. To strengthen the capacity of micro-entrepreneurs associations to sustainably provide members with a number of business development services such as access to markets; access to finance; improved technologies and advocacy.

2.3 Expected Outputs and Outcome

To achieve its objectives MEDEP IV will deliver the following Outputs:

Output 1) *A sustainable delivery system for Micro-Entrepreneurship Development in Nepal* with at least 73,000 new micro-entrepreneurs created in 5 years, 60,000 of which are resilient, targeting Women - 70%, Men – 30%, Dalits – 30%, Indigenous Nationalities (Adibasi – Janajatis) – 40% (should focus more on Groups 1 to 4 categorised by National Foundation for the Development of Indigenous Nationalities - NEFIN, Government of Nepal), Other Castes – 30%, Unemployed Youths as per government policy of age group between 16 to 40 years – 60%, Unemployed Youths of age group between 16 to 30 years – 40% (mainly Unemployed Youths this age group migrates for job abroad), Madheshi – 40% (it will include all Madhesh origin Dalits, IN, Women, Men, Youths, Other castes, etc.)

Output 2) Micro-entrepreneurs' have sustainable access to a number of business development services such as social mobilisation for enterprise development, access to technical skills, access to markets; access to finance; improved technologies and advocacy mobilizing micro-entrepreneurs associations and MED service providers (on a cost-recovery basis).

These two Outputs will contribute to the delivery of the following programme Outcome for MEDEP IV:

- At least 73,000²² new micro-entrepreneurs will be created in 5 years, 60,000 of which will be resilient²³. Among the beneficiaries, Women - 70%, Men – 30%, Dalits – 30%, Indigenous Nationalities (Adibasi – Janajatis) – 40% (should focus more on Groups 1 to 4 categorised by National Foundation for the Development of Indigenous Nationalities - NEFIN, Government of Nepal), Other Castes – 30%, Unemployed Youths as per government policy of age group between 16 to 40 years – 60%, Unemployed Youths of age group between 16 to 30 years – 40% (mainly Unemployed Youths in this age group migrate for job abroad), Madheshi – 40% (it will include all Madhesh origin Dalits, IN, Women, Men, Youths, Other castes, etc.).
- A clear hierarchy between UNDAF's impact logic and MEDEP's impact logic exist, with MEDEP's expected impact directly contributing to UNDAF Outcome 2, and MEDEP's Outcomes contributing to the achievement of UNDAF Output 2.2 and CPAP Output 2.2.1 and CPAP Output 2.2. 2. The diagram and table below explain this relationship.

²² Although in phase IV MEDEP will hand-over micro-entrepreneurship creation to the MEDPA, disengagement for the 38 districts where MEDEP is currently operating will be gradual. 30,000 of the 73,000 micro-entrepreneurs delivered will therefore be delivered through MEDEP's direct support in districts where MEDEP is still active. Among the proposed total, 11,000 micro-entrepreneurs are targeted to be created with the support of local agencies.

²³ According to the Webster English Dictionary resilience is the "ability to recover from or adjust easily to misfortune or change". Resilient entrepreneurs are therefore those who last in business without MEDEP's help, and are measured as entrepreneurs who are still in business at least two years after "graduation".

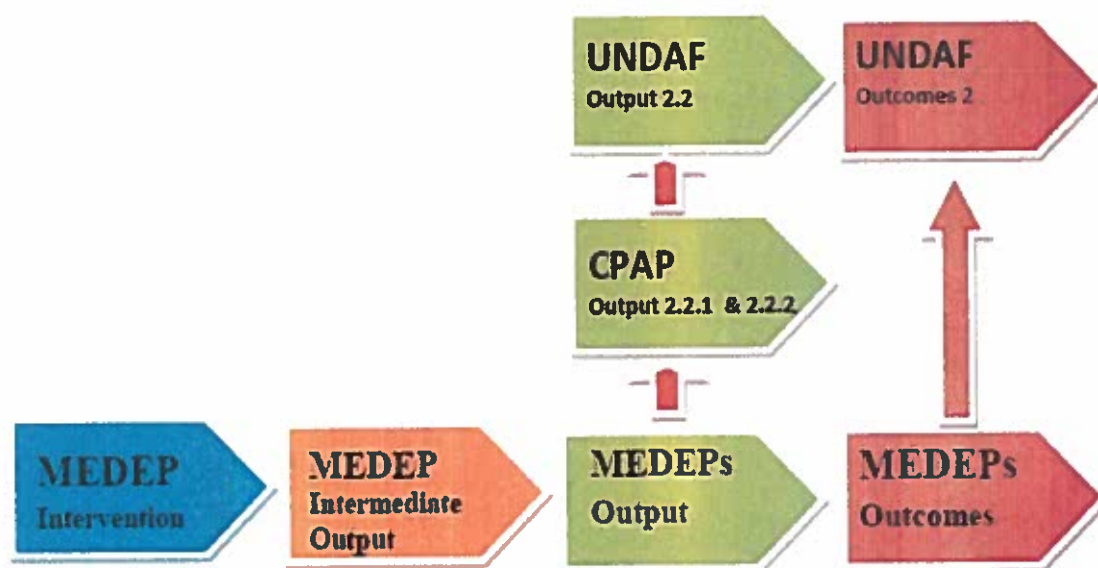


Figure 4 – Relationship between UNDAF, CPAP and Programme's Outputs and Outcomes

	MEDEP	UNDAF
UNDAF/CPAP Outputs /MEDEP Outcome	At least 73,000 new micro-entrepreneurs, 60,000 of which will have resilient enterprises. Women - 70%, Men – 30%, Dalits – 30%, Indigenous Nationalities (Adibasi – Janajatis) – 40% (should focus more on Groups 1 to 4 categorised by National Foundation for the Development of Indigenous Nationalities - NEFIN, Government of Nepal), Other Castes – 30%, Unemployed Youths as per government policy of age group between 16 to 40 years – 60%, Unemployed Youths of age group between 16 to 30 years – 40% (mainly Unemployed Youths this age group migrates for job abroad), Madheshi – 40% (it will include all Madhesh origin Dalits, IN, Women, Men, Youths, Other castes, etc.).	Vulnerable groups have improved access to economic opportunities and adequate social protection
UNDAF /CPAP MEDEP Outputs	<p>1) A sustainable delivery system for Micro-Entrepreneurship Development in Nepal entirely owned and run by government, but making use of public and private expertise by contracting service delivery to competent ME service providers.</p> <p>2) Micro-entrepreneurs' access to a number of business development services such as access to markets; access to finance; improved technologies and advocacy sustainably provided (on a cost-recovery basis) by ME associations.</p>	GoN has improved capacity to design, implement and monitor a multi-partner-supported microenterprise development programme

2.4 MEDEP IV approach

MEDEP phase IV will focus more in facilitating government to expand its outreach and improve the impact of its intervention. Over the 5 years of implementation MEDEP will be phasing out from delivering MED in the 38 districts it is currently operating to let MEDPA take its place. During this phase, MEDEP will be playing a technical backstopping and advisory role to support the government's action, and strengthen the capacity of DDCs MEDPA implementers including DEDIC, DCSI/CSIDB, private sectors, and micro-entrepreneurs associations to implement MEDPA programme activities in programme districts. At the same time, moving from implementer to *facilitator*, MEDEP will expand in breadth and scope, extending its focus to strengthening the key market system players that make the delivery of MED possible in Nepal. For this purpose, the programme will develop

the capacity of Nepali MED service providers, as well as the national micro-entrepreneurs association (called National Micro-entrepreneurs Federation Nepal - NMEFEN) and the District Micro Entrepreneurs Group Associations (DMEGA), the National Entrepreneurship Development Centre (NEDC) and other relevant stakeholders, to be effective players in the market. While developing the capacity of government agencies, MED service providers and other relevant stakeholders, development takes place in an institutionally, not to limited to individual development. To carry out this process, strategies like proper documentation, dissemination and transfer of knowledge during personnel change will be adopted. A Micro-enterprise Development section at the Ministry of Industry and a Micro-enterprise Development Unit at DCSI and CSIDB will be established. They will be fully equipped with database and information system and will be further strengthened with required human resources and necessary trainings.

MEDEP phase IV interventions will be guided by a clear vision of how the system for the delivery of MED will be in the future, at the end of MEDEP support. To realise that vision, MEDEP will implement interventions that will encourage the key players in MED delivery to take ownership of their role, and invest increasing resources in the process. MEDEP's role will be that of a facilitator, an agent of change. A facilitator is an agent that is external to a market system but seeks to bring about change within a market system in order to achieve the public benefit objective of systemic change.²⁴ To this extent, MEDEP will need to be able to establish partnerships with public and private market system players and support them to become more successful in promoting micro-entrepreneurship development as part of their core mission.

Broadly, MEDEP's vision for the future can be summarised in the table below, which shows how MEDEP's current functions will be internalised by MED system players.²⁵

²⁴ More on the role of a Facilitator in Annex 4.

²⁵ Please note that the table provides a broad summary of who does and who pays at the moment, and wants to emphasize that the vision for phase IV is to transfer ownership for the delivery of MED entirely to the market system players.

Programme	Today		After MEDEP IV	
	Responsible Parties	Source of Funds	Responsible Parties	Source of Funds
Identification of programme location and market centres using local resources, people's needs and market demand principles	MEDEP and MED service providers	MEDEP	DDCs and MED service providers	DDCs (DEDIC using the MEDF)
Targeting and PRA	MED service providers	MEDEP	MED service providers	MEDPA and local government through MEDF
Resource survey and market study	MED service providers	MEDEP	MED service providers	MEDPA and local government through MEDF
Pre-qualification / screening of service providers	UNDP	UNDP	Mol	MEDPA and local government through MEDF
Contracting of MED service providers and contract management	MEDEP	MEDEP	Mol and DDCs	Mol and DDCs through pooled funding
Social mobilisation	DMEGA	MEDEP	MED service providers	MEDPA, DMEGA, beneficiaries
SIYB training	MED service providers	MEDEP	MED service providers	MEDPA and local government through MEDF
Technical and skill training	MED service providers	MEDEP	MED service providers NMEFEN/ DMEGA	MEDPA, DMEGA, beneficiaries (NMEFEN/DMEGA members)
Financial linkages	BDSPOs DMEGA	MEDEP	MED service providers NMEFEN/ DMEGA	MEDPA, N/DMEGA, Financial institutions, beneficiaries (NMEFEN/DMEGA members)
Market linkages and business counselling	NMEFEN/ DMEGA	MEDEP	NMEFEN/ DMEGA	MEDPA, NMEFEN/DMEGA, beneficiaries (NMEFEN/DMEGA members)

2.5 A portfolio approach to continue delivering resilient entrepreneurs

As we explained in the previous Section, MEDEP's approach to develop micro-entrepreneurs comprises of six steps with a mix of training and service provision (the MEDEP "Integrated Approach"). The combination of these steps maximizes the likelihood that newly formed micro-entrepreneurs will be resilient after start-up.

Although experience shows that the Integrated Approach is successful, MEDEP has, however, not yet developed a complete understanding of the contribution that each of these different steps makes to the likelihood that one entrepreneur is resilient. For this reason MEDEP IV will attempt to safeguard every aspect of the integrated approach, whilst it will be conducting research to understand what roles each one of its different parts plays in the

Nepali context. The findings of this study will be the basis to tailor MEDEP's approach into MEDPA, taking into consideration the limited resources that GoN has available to government.

Since an evident trade-off exists between handing over micro-enterprise development to national and district level institutions (such as government) and having full control of the micro-entrepreneurship development process, MEDEP IV will use a *portfolio approach* to maximize the opportunity for each step of the Integrated Approach to be carried out sustainably by local system players. This means that MEDEP IV will adopt a combination of what can be called a social protection approach and a market-led approach, whereby the Programme will be developing the capacity of GoN to deliver MED, and also of a number of non-government actors to deliver the services that are deemed necessary for micro-enterprises to be resilient. In practice, on top of building the capacity of government to deliver the Integrated Approach to MED, MEDEP IV will also build the capacity of MED service providers (MED SPs) to deliver and promote MED and of micro-entrepreneurs associations (NMEFEN and DMEGAs) to deliver a series of services to start-up enterprises, such as access to market, finance and technology.²⁶ The figure below shows the portfolio approach in relation to MEDEP's Integrated Approach.

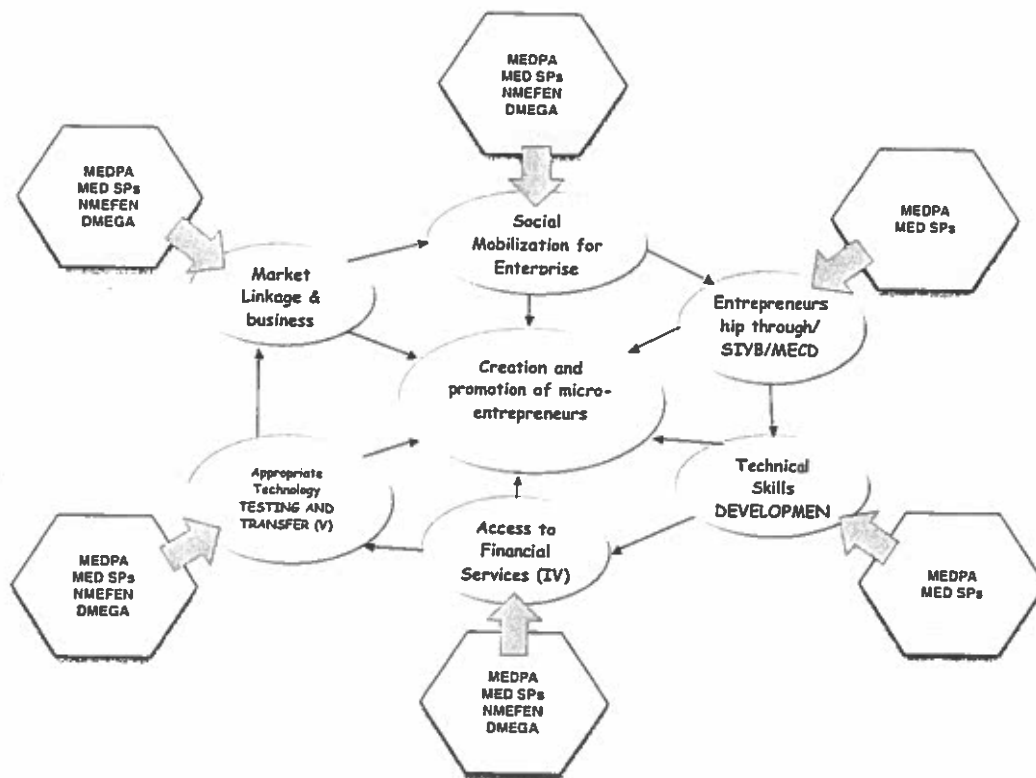


Figure 5 – A portfolio approach to delivering MEDEP's Integrated Approach

²⁶ Note that through the portfolio approach start-up MEs will be more likely to receive business development services like access to finance or markets, because MEDEP IV will operate to strengthen every channel through which these services can be delivered by supporting MEDPA as well as private sector and non government service providers.

2.6 MEDEP IV Intervention logic

MEDEP IV will strengthen 5 key areas for the delivery of MED in Nepal.

- (1) It will develop the capacity of both central and local government to plan, coordinate, procure and monitor the implementation of MEDPA. To ensure that capacity development of the government agencies takes place in an institutional manner and is not limited to individual development, strategies like proper documentation, dissemination and transfer of knowledge during personnel change will be adopted. The operational guidelines will also be amended. In particular, to achieve sustainability, MEDEP will strengthen the government capacity to pool funding from different sources into district-level basket funds (Micro- Enterprise Development Funds – MEDF), will support government to establish a procurement system for MED services that will maximize value for money and safeguard DDCs planning role,²⁷ and will support government to introduce a staff incentive scheme to reward positive performances in delivery of MED at the district level.²⁸
- (2) It will strengthen the capacity of government to make use of evidence in delivering policies and programmes to support micro-enterprises, while at the same time it will support key research organisations to successfully and profitably undertake and deliver research on MED and its impact on poverty.
- (3) It will strengthen advocacy and dialogue between government and the micro-entrepreneurs organisations, with the aim to effectively monitor the implementation of MEDPA, gather evidence that can improve performance, and create a conducive business environment for micro-entrepreneurs, while improving service delivery and the sustainability of the MEGAs.
- (4) It will develop the capacity of private sector MED service providers to deliver MED effectively, be able to respond to government bids, and raise funds for the delivery of MED independently from the government bidding process. To achieve this, the programme will strengthen the role of the National Entrepreneurship Development Centre (NEDC)²⁹ as a catalyst for Nepali service providers to grow interest and effort in the delivery of MED. It will develop easily marketable Entrepreneurship Development Facilitators training modules and support training organisations to market and deliver such trainings on a commercial basis. This will enable them to meet the requirements of MED service providers during phase IV. This process is also expected to develop MED service providers in future on a sustainable basis.³⁰

²⁷ MEDEP will build the capacity of MoI and DDCs to to setup and run a system where MED SPs are procured centrally and deployed in DDC following DDCs requests for service. Accountability for the delivery of services will be to DDCs.

²⁸ Within the existing government regulations, it is possible to set specific deliverable targets to government staff involved in projects and award performance bonuses when these targets are met. MEDEP IV will explore that possibility of establishing such a system in MEDPA.

²⁹ The NEDC is the umbrella body for all the Business Development Service Providers Organizations that MEDEP has developed over the years. The BDSPOs are the MEDEP-trained NGOs that are currently bidding for and implementing the majority of MEDEP and MEDPA's activities, in quasi-monopolistic market, since they currently are the only service providers with the right knowledge and skills. As the tendering process for MEDPA is now open to any national service provider, the NEDC is in the best position to start offering training courses on MED and the methodology developed by MEDEP (to those service providers that want to compete for MEDPA's tenders. MEDEP will help NEDC to develop and commercialize this training offering.

³⁰ Clearly, NEDC will need to demonstrate adequate commitment to fulfil this market role, for the MEDEP to invest resources in building their capacity to do so. Assessment of NEDC's capacity will be carried out during programme implementation. If NEDC will not fulfil MEDEP's requirements, another market organization that can play a similar role will be identified.

- (5) It will strengthen the delivery of business development services targeted to micro-entrepreneurs, by developing the capacity of NMEFEN and DMEGA to deliver services to members, and develop commercial partnerships with market organisations.

The five focus areas of MEDEP IV are implemented by five separate components. The first component will focus on building the capacity of GoN to implement MEDPA and pool resources for MED. The second component will be focussed on improving public-private dialogue and the regulatory framework for micro-entrepreneurship. The third component will strengthen the capacity of ME associations to deliver services to members (like access to market) in a sustainable way. The fourth component will support the capacity of micro-enterprise development service providers to deliver good MED and be sustainable. The fifth component will focus on helping ME associations to be effective facilitators of financial services to their members. The Impact Logic is depicted in Figure 6 below. The green-coloured boxes show MEDEP's intermediate outcomes; in yellow are the components' outcomes, and the blue boxes show expected impacts.

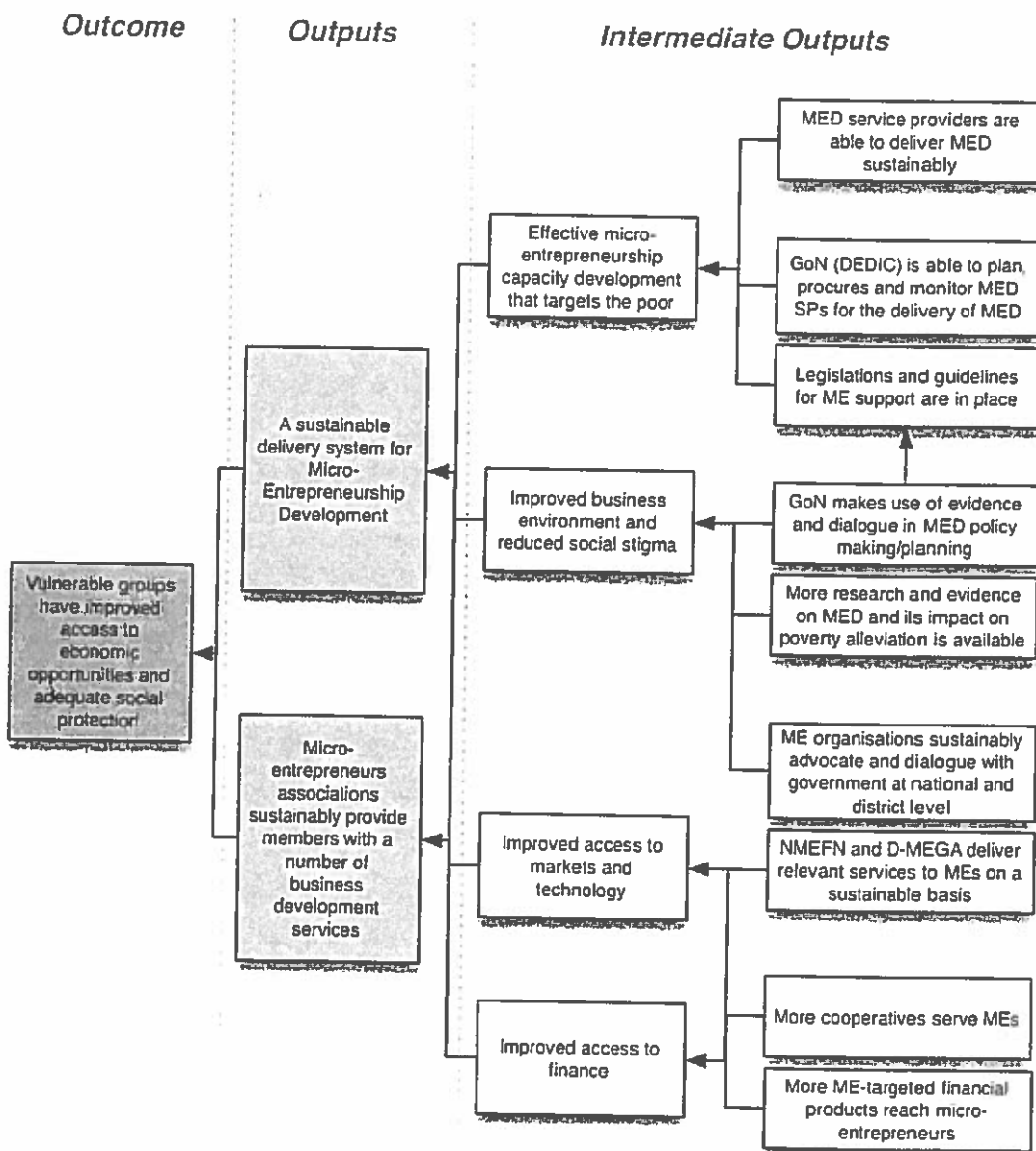


Figure 6 – MEDEP IV Impact Logic

2.7 Facilitating institutional and organisational change

So far MEDEP has been providing direct support to micro-enterprises and other actors in the market, either through direct interaction or by directly contracting service providers. Although this approach has been useful to gain a good understanding of the challenges and opportunities in delivering micro-entrepreneurship development in Nepal, direct support rarely achieves scale or sustainability, since it often undermines ownership by government and crowds out market players from fulfilling market roles. Since services were not available in the market, over time, MEDEP has assumed many market functions, such as providing services to micro-entrepreneurs, contracting trainers, developing trainers, establishing market linkages, finding appropriate technology, etc. This approach has delivered results, but has also created some distortions by replacing some key government functions and undermining the incentive of market organisations like service providers and membership organisations to become sustainable.

MEDEP IV will address these weaknesses by bringing a shift in paradigm to its approach, from direct intervention to *facilitation*,³¹ changing its objective from supporting micro-entrepreneurs to *catalysing* change in the system for micro-entrepreneurship development, since sustainability can only occur through effective organisational and institutional change. Facilitation will be a core principle of MEDEP IV (along with sustainability and scale) and a cross-cutting feature across the entire life-cycle of the programme. In a nutshell, MEDEP IV will need to move to a stage where it will no longer need to contract MED SPs and ME associations directly but will support government to enter into such contracts, and will build the capacity of the partners to engage in a fruitful relationship.

MEDEP IV operating principles

MEDEP IV facilitation role will provide an effective and strategic way to deliver change at scale. This is because, rather than supporting everyone in the market system, MEDEP will design selective interventions according to a few key principles. These are listed below.

- 1) Prioritising support to change leaders – MEDEP will work in each of the 5 key areas identified above, but mostly with those system players (DDCs, MED service providers, Associations) that demonstrate leadership and can drive changes that, with MEDEP support, will make them more successful in achieving their organisational objectives. By demonstrating that these system players can be successful, MEDEP will prove that MED can be delivered sustainably (i.e. without the need for development partners), and that the organisations involved in delivery of MED (government, service providers, associations, etc.) can gain from it.³² Working with leaders also means that MEDEP will necessarily neglect partnerships with organisations that do not demonstrate appetite and drive for change, although it won't be unfair, and will keep its "gates" open to new successful partnerships.

³¹ A description of the role of a facilitator is provided in Annex 4.

³² For instance, service providers can earn income; local governments can gain a pool of resources for local development; local authorities and politicians can gain support from successful MED; ME associations can earn members fidelity and resources; etc.

- 2) Establishing transparent, transactional and transformational partnerships – Within the context of its interventions MEDEP will enter into clearly defined partnerships with the system players that it intends to support. The terms of the partnerships will clearly spell out the nature and magnitude of MEDEP’s support, its end date, and the investment that MEDEP’s counterpart will bring to the partnership in terms of practice change.³³ The nature of the partnership offer is discussed in more detail in the following section.
- 3) Supporting copying and replication – For MEDEP’s intervention to reach scale, rather than supporting each single system player, MEDEP will encourage copying and replication of success through the dissemination of success stories, research findings, and evidence of success.
- 4) Stimulating crowding-in through scale agents – MEDEP will seek to develop interventions with those key system players that, because of their position or mandate, can play a catalytic role in the system and crowd-in new players, delivering change at scale. These agents are, for instance: the Ministry of Industry, and the catalytic role that the MEDPA Programme can play in helping DDCs change practices in the implementation of MED; the apex ME association, and the role that this can play in supporting district and local associations disseminate members services that are developed centrally; the MED service providers national association, as the organisation that can lead the development of a market approach to MED.³⁴
- 5) Being strategic and systemic – MEDEP interventions will, however, not be limited to supporting the system players that are directly involved in the delivery of MED, but they will also target the enabling conditions for MED and the enabling organisations. For instance, MEDEP will support training organisations to develop and market training courses on MED, it will develop advocacy and dialogue to improve MED and will support the development of research and evidence on the usefulness and effectiveness of MED delivery in Nepal.

Developing a partnership offer

MEDEP will need to develop a clear offer of support from the initial stages of the programme. A new way of operating with micro-entrepreneurship associations and ME development service providers will need to be adopted from the start of the programme, based on the principles discussed above.

MEDEP IV partnership offers will differ from partner to partner. In its role as market facilitator, MEDEP will need to formulate these offers on the basis of a thorough assessment of the capacity and incentives of each of the market system players that it will engage.

³³ For example, a partnership may establish that a DDC will establish a DEDIC and make use of the MEDF in exchange for having its staff trained in planning, budgeting and accounting by MEDEP. A ME association may be trained and helped financially to develop and deliver a new service to its members in exchange for that association agreeing to dedicate a specific number of hours or staffs to market such service to members. A new service provider could be trained in MED in exchange for it to be sending a number of staffs to EDF training and bidding for MEDPA contracts.

³⁴ Please note that the component impact chains presented later in the document show the path to replication and crowding in by highlighting those logical connections in blue colour.

MEDEP's offers of support will need to be '*transactional*', clear and credible. If support is to crowd-in market system players to fulfil functions in delivering MED, it is important that it should be structured in such a way as to stimulate commitment and ownership (i.e. it gets players to invest in the system rather than wait for free support from the programme). This typically means making support transactional; i.e. involving a quid pro quo – something in return for something. This might mean matching financial contributions, some form of in-kind contribution like personnel or premises, or a significant level of effort ('sweat equity'). It should be noted that support that is transactional has a number of benefits:

- (1) It requires reciprocity and therefore has the potential to leverage partner resources and commitment.
- (2) It fosters more realistic incentives and behaviour.
- (3) It links support to performance and attaches a value to support, encouraging prudent and effective utilisation and ensures appropriate 'intensity' of support.
- (4) It mimics and reinforces relationships in a manner that is consistent with market system norms.

Conversely, unconditional support can send the wrong messages to partners and the wider market system; it undermines incentives and is more likely to distort rather than develop market functions.

2.8 Transitioning from MEDEP III to MEDEP IV

The significant change in approach between what MEDEP has been doing for the past 14 years and what it will be doing in its fourth phase should not be underestimated. It is conceivable that this change is likely to meet some initial resistance by current MEDEP beneficiaries, since they are used to receiving direct subsidies or to being contracted on a regular basis by the programme.

To win support, MEDEP IV will need to change its role, and send out a clear signal of a change in approach. It will need to let MEDPA and its market players take the stage, while providing support in a discrete way, behind the curtains, while allowing the government and the system players take the credit. This will mean helping partners develop case studies and dissemination material with their own name. The relevance of donors and donor funding will also need to be minimised, to ensure that partners will see market opportunities as the main driver of their engagement in MED delivery.

At first, from an operational standpoint, such a shift from MEDEP's original implementation model may prove challenging. The programme will, however, need to stick to its implementation principles to ensure its offer is credible to partners. The programme mid-term review will need to evaluate MEDEP's progress in redefining its engagement and approach, and assess the effective implementation of MEDEP's facilitation approach.

Recognising that the transition to the new approach will take time, MEDEP will initially use a dual approach, continuing to provide direct support in those districts where it is currently operating, but gradually phasing out from them to let MEDPA take the lead, as explained in Part 3 of this document. This approach will be gradual and direct support will be confined to well-defined specific areas (the districts MEDEP is currently supporting), with a clear exit date and plan, in order not to undermine overall systemic change.

PART 3: MEDEP IV COMPONENTS

Following is a brief description of the six Programme components that will form MEDEP IV.

3.1 Component 1 - GoN delivers MEDPA sustainably

The aim of MEDEP IV Component 1 will be to develop the capacity of GoN to deliver micro-entrepreneurship development (MED) by outsourcing service delivery to local MED service providers. By the end of MEDEP phase IV, the District Development Committees of Nepal will be able to drive the delivery of MED programmes within the framework of the MoI-run Micro-enterprise Development for Poverty Alleviation (MEDPA) programme, and pooling resources from local VDCs, Community Forestry Users Groups as well as other government agencies, private sector players and donors.

The outcomes of this component will be:

- (1) GoN has the capacity to coordinate, plan, procure and monitor service providers for the delivery of MED;
- (2) Legislation and guidelines for the implementation of MED are in place.

The rationale for this component is based on the recognition that in the past few years government has been showing increasing ownership for MED, committing an increasing amount of resources, from both central and local budgets. As a result, the MEDPA programme has been able to deliver a growing number of micro-enterprises (see figures below).

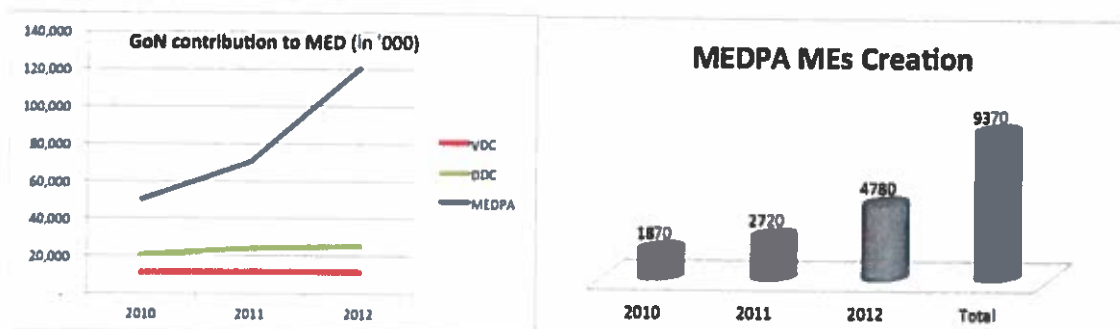


Figure 8 – MEDPA's budget and contribution to ME development

Based on the trend that GoN and local bodies have created through their previous contributions for micro-enterprise development activities, the estimated funding for MEDPA by MoI and Local Bodies are US \$ 12.5 million US \$ 4.3 million respectively. 32,000 micro-entrepreneurs will be created through MoI budget and 11,000 micro-entrepreneurs from local bodies funding.

The implementation strategy for this component will be for MEDEP to move from being an implementer of MED, to becoming a facilitator of the government's effort. To achieve this, Component 1 will support GoN to establish the right policy framework and a sustainable delivery mechanism for the effective delivery of MED. The component will develop the capacity of MoI to run MEDPA; it will coach MoI/MEDPA and DDCs/DEDICs in the

implementation of the programme according to the revised MEDPA model;³⁵ it will build the capacity of MoI and DDCs to carry out the effective procurement of MED service providers; it will build the capacity of key government training institutions to train government staffs on MEDPA; it will support government to strengthen coordination among government agencies for pooling resources and delivering MED; and it will help GoN to establish an incentive scheme for the government staff involved in the implementation of MEDPA.

Since the financial sustainability of MEDPA will strongly depend on the amount of resources that government allocates to MEDPA and on the capacity of DDCs and VDCs to pool resources for micro-enterprise implementation from different sources at the local level,³⁶ MEDEP will pay particular attention in providing advice to government on how to best resource MEDPA and in supporting the development of effective partnerships between different government agencies at the district as well as the central level. To ensure the replication of MED across DDCs Component 1 will also support MEDPA to conduct annual DDC gatherings, where experience and best practices will be shared among DDCs and best performing DDCs will be awarded praise and recognition for their achievements.

The impact chain for Component 1 is presented below. The blue arrows show the path to crowding-in and sustainability.

³⁵ MEDEP will develop the capacity of its partners by providing a mix of training and coaching. Whilst most of the capacity gaps and training areas for partners will be delivered on the basis of what identified in the 2011 MEDEP Capacity Assessment and Capacity Development Strategy report, MEDEP IV will also appoint mentors to coach each one of its core partners. Mentors are supposed to be senior and experienced consultants that can help MEDEP's partners to design and implement strategies to strengthen and grow their organization. Mentors will provide on-the job support and training, and occasionally carry out more formal and structured presentations/lectures. Mentors however, deliver their services mainly on demand, letting partners take full ownership of the development of their organizations.

³⁶ Such as the funds centrally allocated to MEDPA, the DDC's and VDC's Block Grants, as well as resources from Community Forestry Users Groups and other local entities interested in stimulating income generating activities.

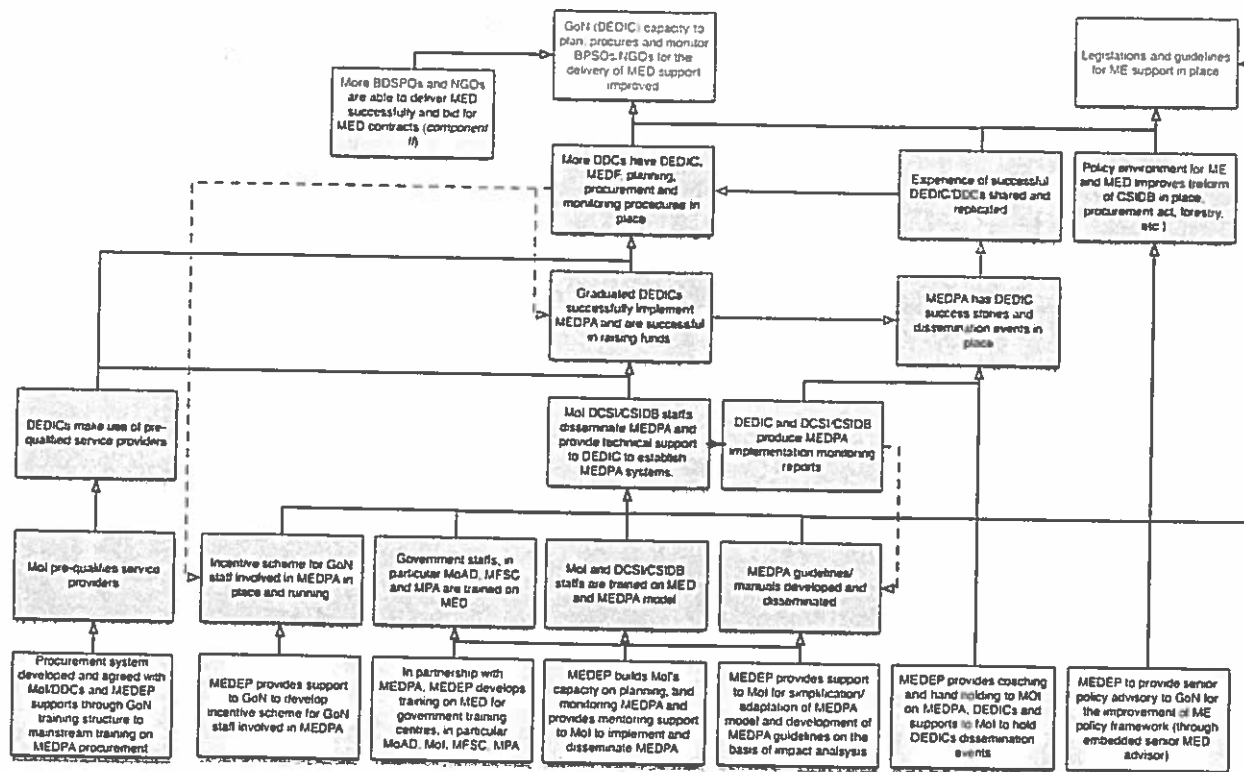


Figure 9 – Component 1 Impact Chain

Phasing from MEDEP to MEDPA

To shift from being an implementer of MED to supporting government, MEDEP will need to gradually phase out from providing direct support to DEDIC/DDCs to helping MEDPA take the lead role in the districts. As MEDEP is currently being implemented in 38 districts, MEDEP will initially provide support to these DDCs to set in place the necessary system for MED delivery, including developing a District Enterprise Development Plan, setting-up and running an Enterprise Development Unit, a Micro Enterprise Development Fund, and committing resources to MED at local and central levels. Once DDCs meet all the necessary criteria, they will be considered to be MEDPA "graduate" DDCs and will be eligible to receive support funding from MEDEP and other donors. At that stage, financial support from MEDEP will be provided to graduate DDCs on a matching and decreasing basis (e.g. 50%, 25% and 0%). MEDEP will also coach graduated DDCs in raising funds for MED and monitoring impact.

The assessment of DDCs ready to graduate will be conducted by a MEDEP staff working closely with DEDIC and DCSI/CSIDB officials according to the 10 criteria below:

- 1) DDC has established functioning Enterprise Development Unit
- 2) DDC has developed an Enterprise Development Plan covering a 3 to 5 year period
- 3) DDC has established a Micro Enterprise Development Fund (MEDF)
- 4) DDC has committed funds to Enterprise Development Plan in MEDF
- 5) MED Fund utilisation during last year is above 75%
- 6) MEDF has satisfactory audit reports for last 1 year or years MEDF has been in implementation
- 7) MEDPA is integrated in DDC planning process and MEDPA funds are channelled

- through MEDF³⁷
- 8) MEDF mobilised through result-based sub-contracting with MED service providers
 - 9) MED implementation as per MEDPA/MEDF Operational Guidelines and Enterprise Development Plan Development
 - 10) MEDEP provides DDC and DCSI/CSIDB with coaching/mentorship on MEDPA implementation³⁸

Given the current state of maturity of MEDEP districts, graduation and hand-over from MEDEP to MEDPA is expected to happen gradually and build up over time. In addition, according to MEDEP, 13 of the districts where MEDPA is currently implemented are also close to maturity, while 24 will require support, and 8 will need intensive support. The maximum amount of districts that could possibly "apply" for matching grant support is therefore expected to be as reported in the table below.

	Currently	By July 2014	By July 2015	By July 2016	By July 2017	By July 2018
Districts where MEDEP was implementing directly	38	33	23	13	0	0
MEDEP graduate districts (31 districts overlap with MEDPA)		5	10	10	13	0
MEDPA graduate districts		0	0	14	24	8
Total graduate districts making use of MEDF		5	15	35	70	75

Note: in some cases MEDEP and MEDPA districts overlap, hence the number of total districts is not the exact sum of MEDPA and MEDEP districts.

Government will be replicating MEDPA in all 75 districts of Nepal. However, all districts will not be receiving matching grants over the life of MEDEP IV. The provision of matching grants is an incentive mechanism to encourage government agencies to pool resources for MED under the leadership of DDCs. Matching funds provided to DDCs will be based on the DDC's commitment to MED and MEDPA and their capacity to fund-raise.³⁹ Matching offers will necessarily start from the districts where MEDEP is overlapped with MEDPA. Policy environment as well as capacity development through mentoring and coaching for raising funds in MEDF through different sources for MEDPA implementation in other districts will be ensured by MEDEP IV. The extension of matching grants to new districts will be done at the discretion of the programme, on the basis of a clear opportunity analysis.

Since those districts that will be supported through grant funding will be implementing MED within the framework of the MEDPA programme, at the central level a technical team of MEDEP under MEU at MoI will support the Ministry of Industry, DCSI/CSIDB and other line ministries/ agencies to develop an adequate M&E system for MEDPA, that will respond to the donors accountability needs as well as the government capacity and interest to monitor the impact of the programme. MEDEP will closely work with MoI to monitor MEDPA

³⁷ This criterion is applicable only if MEDPA is being implemented in the district.

³⁸ To this extent, MEDEP, the DDC and DCSI/CSIDB district office will sign a MoU

³⁹ For instance, MEDEP will likely make higher matching offers to those districts that have lower budget allocations from central government, but still have large numbers of poor people.

implementation through building the capacity of government to extend its M&E system.

Based on the above Impact Logic, a number of indicative milestones for Component 1 are proposed in the table below. Please note that these may change as programme implementation progresses and the MEDEP team gains a better understanding of the market system for MED.

	Milestone	Means of verification	Date
1	Mol/MEDPA agrees on MEDEP support to improve MED delivery in Nepal	Technical Team along with national MED Chief Technical Adviser (CTA) placed in close proximity of Mol at MEDEP IV Phase office	Q2 Y1
2	Study to determine "nice-haves" and "must-haves" of MEDEP's methodology in MEDPA implementation is carried out, and recommendations on adapting MEDEP's model to fit GoN capacity are produced.	Analysis with recomm. on improvement/adaptation of MEDPA produced	Q2 Y1
3	Procurement method for MED SPs agreed with Mol, MoFALD and tested	Procurement method in place ⁴⁰	Q3 Y1
4	Incentive system for staffs involved in MED delivery agreed with GoN	Incentive system in place	Q3 Y1
5	MEDPA model/guidelines adapted from Study's recommendations (point 2) and incentive system in place.	New guidelines developed	Q2 Y2
6	With support from MEDEP first 5 MEDEP districts graduated	MEDEP's assessment	Q4 Y1
7	Training modules developed for GoN training centres and centres trained	Training centres mainstream MED training	Q3 Y2
8	Mol establishes national MEDPA replication events	Events in place	Q2 Y2
9	Replication of lessons from best DDCs starts	MEDEP's assessment	Q3 Y2
10	With support from MEDEP second 10 districts graduate	MEDEP's assessment	Q4 Y2
11	Districts start to crowd-in and adopt MEDPA	MEDEP's assessment	Q4 Y2
12	With support from MEDEP at least 10 more districts graduate	MEDEP's assessment	Q4 Y3
13	With support from MEDEP at least 13 more districts graduate	MEDEP's assessment	Q4 Y4

3.2 Component 2 - Promoting the use of evidence for pro-ME policy making

To deliver increasingly successful MED and help micro-entrepreneurs set on a path to growth, government will need to be able to regularly assess and improve the delivery of MEDPA and improve the policy and regulatory environment. The aim of MEDEP IV Component 2 will therefore be to strengthen the capacity of GoN to make use of research in policy making, and of key national research/MED institutions to produce and disseminate

⁴⁰ Sub-Contracting mechanism for outsourcing the MED Service Providers: Form a committee of Mol, DCSI, CSIDB MEDEP and UNDP representatives to work on it. (a) Develop indicators for bidders evaluation (while developing indicators, create more chances to select the concerned district for MEDPA implementation for example: by provisioning the condition for the MED SP to have its office in the same districts while developing selection criteria) (b) Publish the notice for bidding from the central office for the concerned district offices; (c) Submit the bidding application to central or district office through e-bidding; (d) collect all the bidding application at central office; (e) Evaluate the application through evaluators and send the list to concerned districts to for recommendation through DEDIC for the final endorsement and offering contract.

relevant research.

The outcomes of this component will be:

- (1) GoN makes use of relevant evidence and dialogue in MED policy making and planning; and
- (2) More research and evidence on MED and its impact on poverty alleviation is available.

The rationale for this component is the recognition that MED is becoming central in the government's strategy to tackle unemployment and contrast migration, as stated in several policy documents, such as the Three Year Plan Approach Paper (2010/2011 – 2012/13) and the Micro-Enterprise Development Policy (2008). Moreover, during the 14 years of MEDEP's support, a number of market institutions were born (such as MED service providers, ME associations and ME training institutions) with the specific mandate of improving the delivery of MED at national and district levels. These organisations are now well established and they all share the common interest of ensuring that MED remains high on the government agenda.

Within the framework of the support that MEDEP will provide to MEDPA, the implementation strategy for this component will be to coach MoI to take leadership in organising and conducting dialogue sessions on issues that are relevant to micro-entrepreneurs, and to assess the value of such dialogue sessions for the improvement of MED delivery and policy formulation. At the same time, MEDEP will support relevant national research organisations (including government research centres and the Micro Enterprise Resource Centre - MRC) to carry out MED-relevant research, within the context of a clearly developed commercial/sustainability strategy.⁴¹

The impact chain for Component 2 is presented below. The blue arrows show the path to crowding-in and sustainability.

⁴¹ For instance, as a tool to improve their market position or profile.

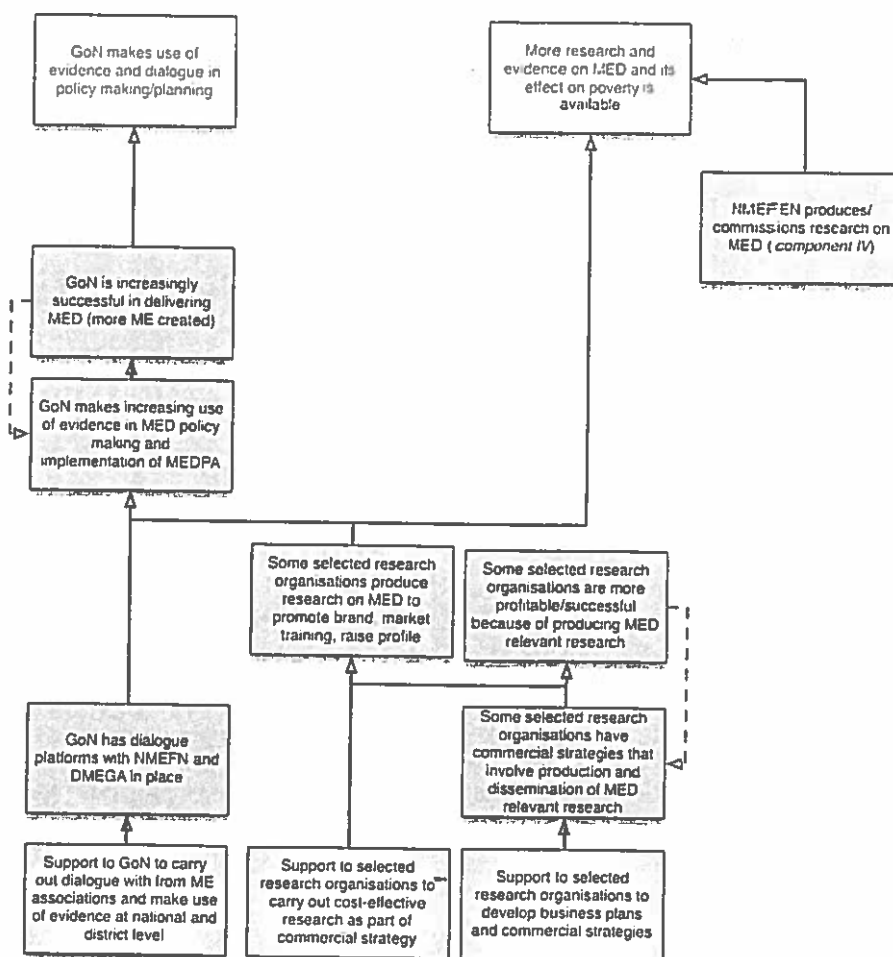


Figure 10 – Component 2 Impact Chain

Based on the above Impact Logic, a number of indicative milestones for Component 2 are proposed in the table below. Please note that these may change as programme implementation progresses and the MEDEP team gains a better understanding of the market system for MED.

	Milestone	Means of verification	Date
1	Mol/MEDPA establishes national dialogue platform for gender and social inclusive MED	Dialogue platform in place	Q3 Y1
2	Selected research organisations have commercial strategy in place	Commercial strategy documents	Q4 Y1
3	Selected research organisations produce MED relevant research	Research documents	Q3 Y2
4	Government making use of research info in dialogue and policy/updating of MEDPA	Dialogue sessions/MEDPA documents	Q2 Y3
5	Government amends relevant legislation and reviews MEDPA guidelines	Legislation amended	Q4 Y3

3.3 Component 3 - Micro-enterprise Associations deliver sustainable services to members, such as access to markets, finance, technology, and advocacy

MEDEP experience recognises that the resilience of newly graduated micro-entrepreneurs depends on a number of services, such as access to markets, technology and finance, that MEDEP traditionally delivers within the context of its "Integrated Approach". Although the MEDPA-contracted MED service providers will do the delivery of these support services in the micro-enterprise start-up phase, MEDEP's experience shows that continuous support to micro-entrepreneurs, even after the graduation phase strongly increases the resilience of entrepreneurs. MEDEP recognises that it is difficult for government to provide support to micro-enterprises after Start-up.

The aim of Component 3 will therefore be to strengthen the capacity of the national and district micro-entrepreneurs associations to deliver a number of well packaged and easy to market key services to micro-enterprises on a commercial basis.⁴² The success of this component contributes to improving the associations' sustainability as well as to strengthening their capacity to enter into dialogue with government and give voice to their members.

The outcomes of this component will be:

- (1) NMEFEN and DMEGA deliver relevant services to graduated micro-entrepreneurs on a sustainable basis;
- (2) NMEFEN and DMEGA are able to advocate sustainably at national and district level.

The rationale for this component is the recognition that to be resilient, micro-enterprises will need a number of business development services, finance and advocacy, even after graduation from the MED programme. In order for these services to be delivered on a sustainable basis, MEDEP will strengthen the capacity and commercial sustainability of the national and district-level micro-entrepreneurs associations.

The implementation strategy for this component will be to support the NMEFEN and DMEGA to develop a number of cost-effective services within the context of a business development strategy that will make the associations sustainable and effective. The services developed will be of two types:

- (1) A set of services will respond to the needs of typical micro-enterprises, and will include things like financial counselling, creation of Community Facility Centres (CFCs), formation of cooperatives, training, crowd financing, market information, market access and others. A key service in this area will possibly be the development of an SMS-based communication platform that will allow N-MEFEN to deliver targeted market information to members and carry out quick members surveys.⁴³

⁴² Within the realm of the portfolio approach to building the system's capacity to deliver MEDEP's Integrated Approach, this component will be mitigating the risk that MEDPA contracted MED Service Providers will not be asked to or be able to deliver a series of post start-up services to micro entrepreneurs, that MEDEP deems to be essential for the resilience of micro-enterprises.

⁴³ This platform will be used to provide members with market information such as demands from potential buyers and advertorial messages from potential suppliers. It will also be used to coordinate the association activities at national and district level and to monitor effective implementation of MEDPA through members surveying. e.g. Esoko (www.esoko.com).

- (2) A set of specific toolkits for entrepreneurs in the following sectors: honey, ginger, allo, bamboo, agriculture and forestry-based products. These toolkits will include appropriate machinery and technical advice specifically developed to support micro-enterprises in these sectors, and will be developed on the basis of MEDPA's experience.
- (3) Strengthening the capacity of ME associations to carry out advocacy and dialogue in a professional manner, based on a well-thought out advocacy strategy, identifying clear advocacy issues, prioritising resources and delivering results to members to raise the value of membership (and revenue).⁴⁴

The sustainability of this intervention will be grounded on the fact that these services, including advocacy, will be delivered with the aim of generating a stream of income to the association and will be packaged in a way that makes it easy and cost-effective for NMEFEN and DMEGA to deliver. A research will be conducted on a priority basis to assess the existing and the desired level of incentives and ability of the market to provide incentives to MED service delivery. NMEFEN and DMEGA will also be supported to improve its service offer and commercial strategy based on the research outcomes. For instance, as access to technology and finance is also a part of the services delivered by the MED service providers contracted by MEDPA, NMEFEN and DMEGA will be supported to participate in bids in consortia with MED service providers. NMEFEN and DMEGA will also be supported to develop strategic partnerships with key market organisations like financial institutions and technology centres.⁴⁵

The component will support NMEFEN and DMEGA by providing technical support to develop the association's service offer, and, on a limited basis, by supporting the cost of the professional staff required for the delivery of these services to members.⁴⁶ MEDEP's role will be to help partners develop and own the concept for the new services, and share some of the costs for those services to be initiated. MEDEP will gradually withdraw from contributing to NMEFEN and DMEGA professional staff salaries as services become sustainable. By the end of MEDEP IV the services provided by the MED associations will all be sustainable.

MEDEP will also help NMEFEN to support DMEGAs and replicate the success and experiences of those DMEGAs that are best performing. This will happen through sharing information and case studies with DMEGAs and organising regular annual gathering to share experiences.

The impact chain for Component 3 is presented below. The blue arrows show the path to crowding-in and sustainability.

⁴⁴ A possible methodology that could be followed is the consolidated methodology developed by the Centre for International Private Enterprise (CIPE). The guidebook for this methodology can be found on: http://www.cipe.org/sites/default/files/publication-docs/advocacyguidebook_english.pdf

⁴⁵ Please note that financial services that will be part of NMEFEN and DMEGA service package will be developed under MEDEP Component 5 within the context of a broader set of interventions to improve access to finance for micro-entrepreneurs.

⁴⁶ MEDEP will tailor its support to the needs of each individual association and develop a convincing support offer for each of them. MEDEP will work only with those associations that possess a real drive for change and improvement and will facilitate sharing of lessons, replication and crowding in for the other associations. Areas for potential training/capacity building for leading associations are members services, strategy development, advocacy, as well as training in those technical areas that are needed to deliver specific services (i.e. appropriate technology).

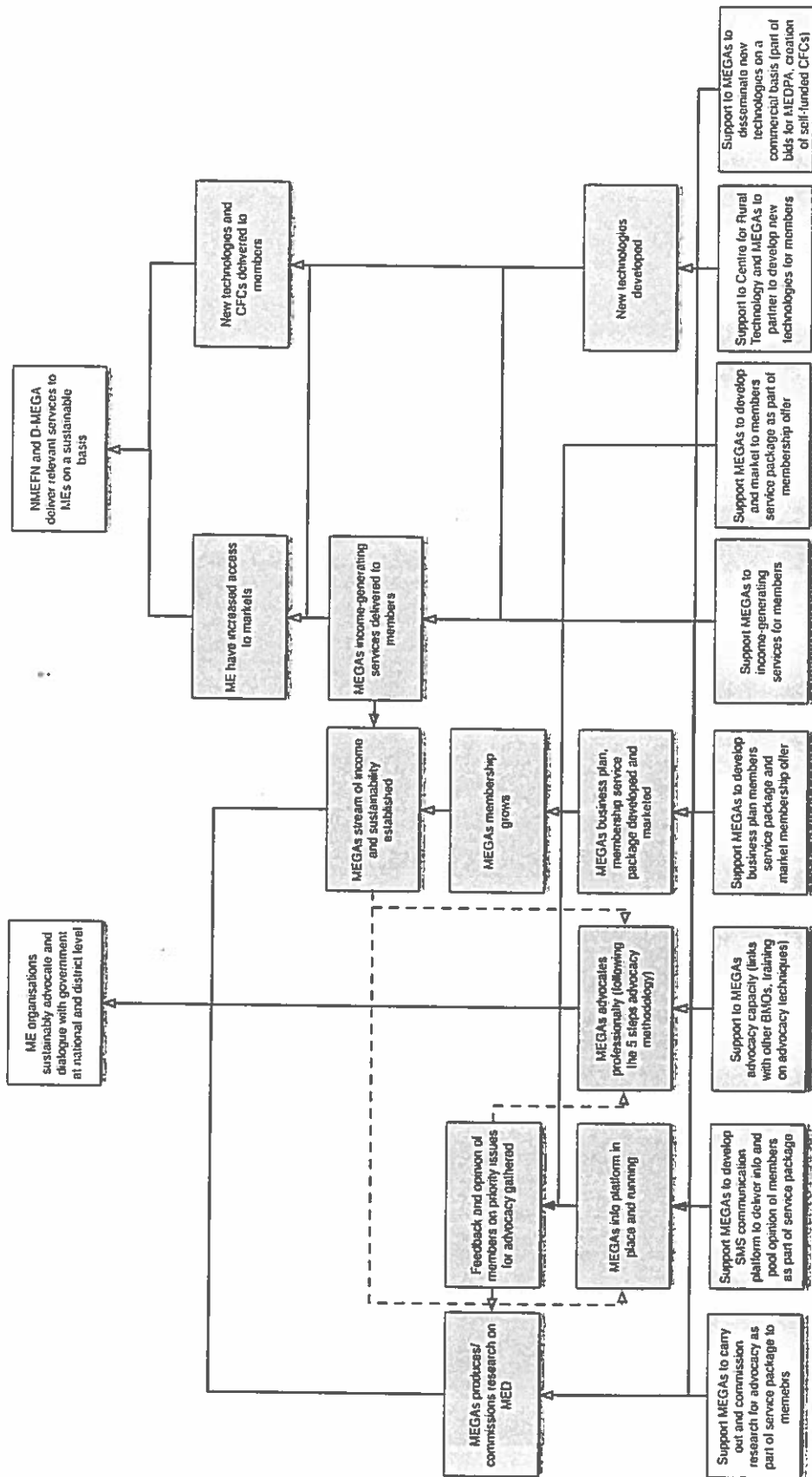


Figure 11 – Component 3 Impact Chain

Based on the above Impact Logic, a number of indicative milestones for Component 3 are proposed in the table below. Please note that these may change as programme implementation progresses and the MEDEP team gains a better understanding of the market system for MED.

	Milestone	Means of verification	Date
1	NMEFEN business plan and vision developed	NMEFEN business plan	Q2 Y1
2	NMEFEN professional staff identified and hired in co-funding agreement	Staff hired	Q4 Y1
3	Information platform developed and rolled out	Platform launched	Q4 Y2
4	NMEFEN and DMEGA commercial and membership offer defined and promoted	Commercial strategy document	Q1 Y2
5	At least 5 service toolkits developed and rolled-out	Service toolkits	Q3 Y2
6	NMEFEN services expanded and sustainable	New services	Q4 Y3
7	NMEFEN commissions and produces research	Research/advocacy	Q3 Y4

3.4 Component 4 - Micro-enterprise development service providers deliver MED sustainably

The aim of component 4 will be to strengthen the capacity of Nepali MED Service Providers (MED SPs) to deliver micro-entrepreneurship development in a sustainable manner, building on the lessons developed by the 14 years of MEDEP implementation, and meeting the requirements set by GoN through the MEDPA tendering process. In addition, the component will ensure that a number of properly skilled private sector service providers will be available in the market with the additional effort to develop requisite MED service providers as specified earlier to be contracted by government for the purpose of delivering MED⁴⁷. As an alternative, there are a few agencies and enterprise facilitators, albeit in limited number, to undertake the task.

The outcome of this component will be:

- (1) Nepali service providers are able to deliver MED services sustainably.

The component will also contribute to achieving the outcome of Component 1, to improve the capacity of GoN to plan, procure and monitor service providers for the delivery of MED.

The rationale for this component is based on the recognition of the following two elements: (1) that over the next five years, a significant amount will be spent by government for the procurement of MED services;⁴⁸ (2) that there is continuous attention towards supporting

⁴⁷ This will comprise of a number of organisations that understand micro-entrepreneurship development as well as a sufficient number of skilled individuals who can fulfil the role of Enterprise Development Facilitators.

⁴⁸ This figure is based on the amount of resources that GoN has already committed for the implementation of MEDPA, government resources coming from DDC's and VDC's block grants, other

micro-entrepreneurship activities in developing countries by international donors, foundations and the public; (3) that in its previous phases MEDEP has already developed a number of MED Service Providers,⁴⁹ called Business Development Service Provider Organisations (BDSPOs). The number of existing BDSPOs is however insufficient and more service providers need to be brought into the market.

Given the projected market demand for MED for the foreseeable future, this component will develop the capacity of national MED service providers to deliver quality MED interventions and to successfully respond to market demand, by strengthening their capacity to develop a market vision, promote their services, submit proposals, establish strategic market relationships, deliver quality MED by adopting the MEDEP's Integrated Approach (called MEDPA model in this document)⁵⁰ and fund-raise.

MEDEP will adopt the following implementation strategy for Component 4. On the basis of a market study, MEDEP will identify Nepali service providers that are best positioned to develop MED services across the country, taking into consideration their areas of expertise, their market position, their corporate mission, etc. MEDEP will then build the capacity of these service providers⁵¹ to deliver MED and improve their marketing skills.⁵² To support local service providers, MEDEP will work with some selected training institutions to develop, package and market MED training courses for the formation of Enterprise Development Facilitators (EDF) – a basic professional profile able to deliver MED according to MEDEP's model.⁵³ In order to drive the industry standard and stimulate replication of best practices in the delivery of MED, MEDEP will also develop the institutional capacity of the National Entrepreneurship Development Centre (NEDC), the national apex body for the Business Development Service Provider Organisations (BDSPO) developed by MEDEP during phase II, which has shown total interest and commitment to participate in the process during MEDEP Phase IV and beyond as per the discussion with these agencies. In particular, support to NEDC will focus on building its capacity to deliver training to service providers that brings together the best experiences and practices in MED in Nepal, also drawing from

resources coming from local communities and the amount of resources that MEDEP IV is likely to provide to government in form of matching grants.

⁴⁹ At least one in each district where MEDEP is being implemented.

⁵⁰ The market incentive for MED SPs to adopt the Integrated Approach will be provided by the fact that under Component 1 MEDEP will support GoN to award MEDPA contracts only to those MED SPs that qualify according to the nationally defined accreditation programme. Please note that in the Impact Logic diagramme this qualification is identified with the name of MEDPA model.

⁵¹ Typical capacity building support will be in the area of establishing a successful partnership with government to define content of training package, reflecting the need of MEDPA, designing a training package, marketing, assessing potential market demand, tailoring costs to the needs of potential customers.

⁵² The market study will also serve to determine the number of MED SPs that MEDEP will actually support. This number will represent the right compromise between what is reasonably achievable within five years and a minimum number of SPs needed in order to have competition in the market for MED service provision.

⁵³ In the past MEDEP has already developed a 51 days long crash-course to train EDFs. This course however can be taken only by grade 10 graduates, requires additional on-the-job training, and candidates to undertake a skill test administered by the National Skill Testing Board. MEDEP IV believes that although this process helps to ensure well-qualified EDFs, it may be too complicated and costly for entrant service providers, effectively constituting a barrier to market entry. For this reason one of the first interventions in this component will be to review and possibly revise this process.

NEDC's direct experience in delivering MED in the field. In its role of market leader, the NEDC will also be supported to market its corporate image, write proposals, and fundraise.

A plethora of evidence suggests that there is room for provision of paid service. Some BDSPOs have become commercial operations and are currently bidding for MEDPA tenders and are sometimes winning. The BDSPOs have grown over time, expanding their area of competence to compete for a broader range of market opportunities. At the individual level, both MEDEP and MEDPA claim that there are less qualified Enterprise Development Facilitators (EDFs) in the market. This indicates that there is unmet labour demand for this position. Given the high unemployment level, it is reasonable to assume that interested BDSPOs that want to grow and capture an increasing number of business opportunities will not have a hard time hiring and training people, if it makes commercial sense.

The power of incentives, however, remains weaker in the case of Micro Entrepreneurs Associations. The existing associations are heavily dependent on MEDEP support and have little incentive and vision to become more entrepreneurial. However, MEDEP has already initiated strategies to turn these associations into commercial players. The NMEFN for instance, is running a retail shop in Kathmandu, selling a collection of products produced by micro-entrepreneurs from 38 districts. The governance of the NMEFN could be improved and the improved sustainability of the NMEFN could free resources to strengthen associations at district level.

It is clear that both interventions, on the BDSPO's side and on the associations' side, carry some risk. In order to reduce such risks, MEDEP will carry out some quick market research and stakeholders' analysis as the first intervention step in both cases. This will give the programme an opportunity to identify back-up plans to improve the system and identify feasible alternative implementing bodies.

To generate the market incentive for existing Nepali service providers to pay for training and build the capacity of their staff in delivering the MEDPA model, in partnership with NEDC and NMEFN, MoI will define a quality standard/accreditation programme that service providers will be required to adhere to in order to bid for MEDPA contracts. MEDEP will provide mentoring and technical advice to the process of defining and establishing such accreditation programme.

The impact chain for Component 4 is presented below. The blue arrows show the path to crowding-in and sustainability.

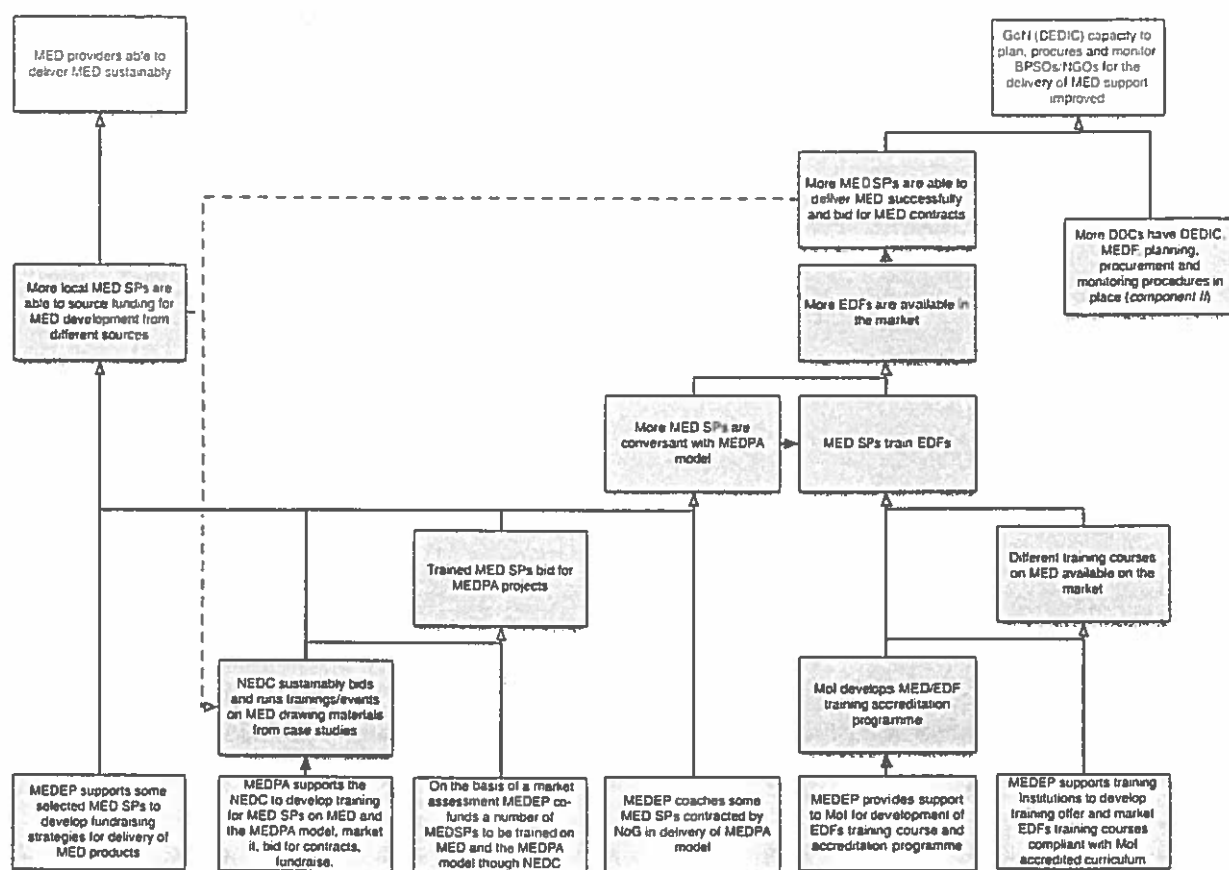


Figure 7 – Component 4 Impact Logic

Based on the above Impact Logic, a number of indicative milestones for Component 4 are proposed in the table below. Please note that these may change as programme implementation progresses and the MEDEP team gains a better understanding of the market system for MED.

	Milestone	Means of verification	Date
1	Service providers and training institutions identified through market study	Market study produced	Q2 Y1
2	Training modules developed and starting to be marketed by training institutions	Modules offered on the market	Q4 Y1
3	Training event on MED developed and marketed by NEDC	Event launched	Q1 Y2
4	Capacity of MED service providers developed by training and MEDEP coaching	Service providers successful in bidding	Q4 Y1
5	Number of EDFs in the market starts to increase	Number of EDFs	Q4 Y2
6	Number of MED service providers able to deliver MED successfully increases	MEDPA evaluation reports of service providers performance	Q2 Y3
7	NEDC sustainably promoting MED in Nepal	NEDC's annual events and training delivered	Q3 Y3
8	Crowding-in of MED service providers starts	Number of service providers offering MED	Q1 Y4

3.5 Component 5 - Improving access to finance for micro-enterprises

Limited access to finance is one of the key obstacles to the formation of new micro-enterprises and their growth. MEDEP addresses this constraint in two ways, by linking formed micro-entrepreneurs with financial institutions and by supporting micro-entrepreneur groups to form savings and lending groups and cooperatives. Thanks to MEDEP's support more than 8,850 Micro Entrepreneurs are involved in 177 registered cooperatives, 70 of which are linked to wholesale finance sources like the Rural Self Reliance Fund. During Phase IV MEDEP recognises that this level of support to improve access to finance will not necessarily always be provided by MEDPA, as most of the financial needs of micro-enterprises happen post start-up phase.

On the basis of MEDEP's experience, the aim of this component will be twofold. On the one hand, the component will develop the institutional capacity of the National micro-enterprise associations to develop strategic linkages with finance providers by providing financial counselling, by commercialising existing financial products, by helping MFIs profile potential borrowers, etc. On the other hand, the component will help ME associations develop the institutional capacity to support micro-entrepreneur groups with forming cooperatives that can extend access to financial services to members.

The outcomes of this component will be:

- (1) More ME-targeted financial products reach micro-entrepreneurs;
- (2) More cooperatives serve micro-entrepreneurs.

The rationale for this component is the recognition of the importance of improving access to finance for micro-entrepreneurs' start-up and resilience and acknowledging that it is important to continue providing these services. The implementation strategy of this component will be based on two pillars.

The first pillar will be to support financial institutions like MFIs and commercial banks to extend their outreach through partnership with NMEFEN. This will require providing support to the MoI and NMEFEN to develop a certification process for newly graduated micro-entrepreneurs that provides information on the type and areas of training received. The recognition of the graduation process is a necessary step to improve the financial institutions' capacity to risk-profile potential borrowers. This intervention will target, in particular, some financial products that were developed under the UNCDF/UNDP programme Enhancing Access to Financial Services (EAFS), such as start-up loan products for micro-entrepreneurs.

The second pillar will be to support NMEFEN to provide a range of services to members to increase their capacity to access funding. Following MEDEP's experience, one area will be to support the formation of cooperatives and linking these to wholesale finance sources. This will require a number of steps, such as, developing business plans for up scaling loans and link to wholesale lending financial institutions; organising face to face meetings with Nepal Rastra Bank; and account and book keeping training. Another area will be to develop innovative financing tools, like crowd financing. Within the framework of a partnership agreement with a financial institution NMEFEN could prepare online profiles of those members that require additional borrowing to grow, and post them on Kiva (<http://www.kiva.org>). Funds raised through crowd funding could also be used by NMEFEN to provide a credit guarantee by a financial institution that lends to its members. The key to

this intervention will be to ensure that access to these financing services will be a service provided to NMEFEN members and will contribute to the financial sustainability of NMEFEN.

The impact chain for component 5 is presented below. The blue arrows show the path to crowding-in and sustainability.

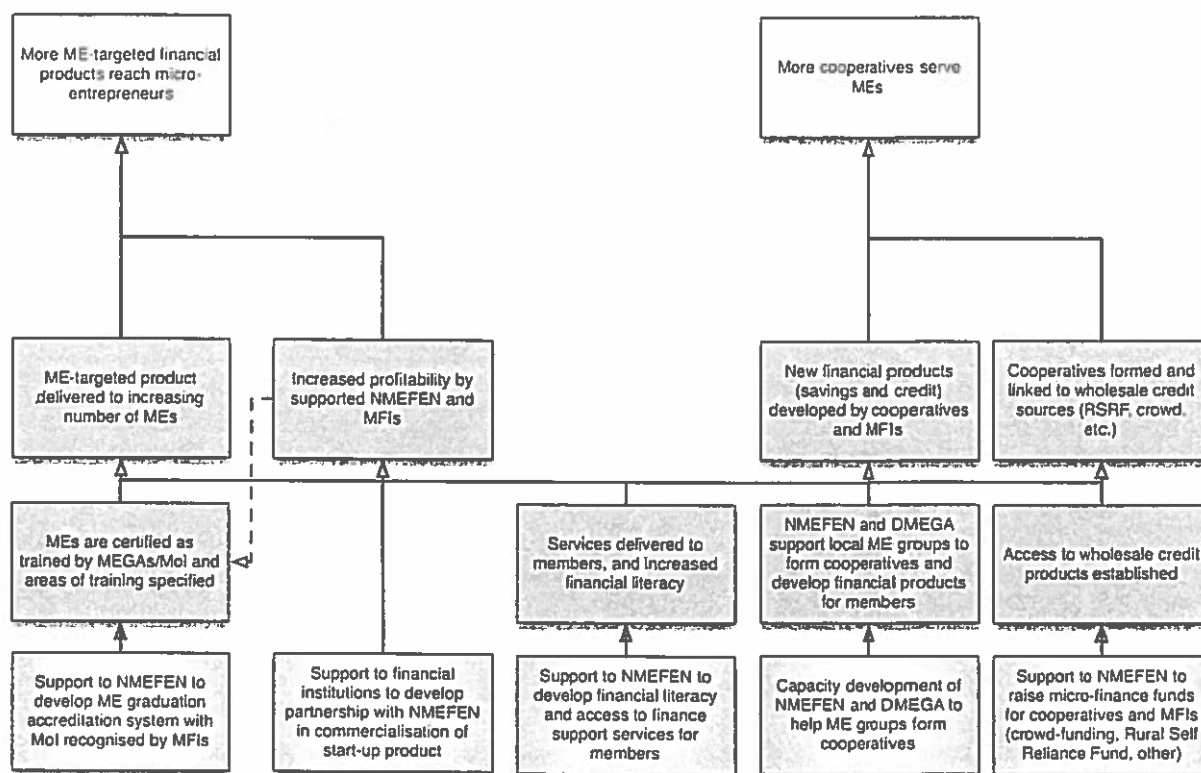


Figure 12 – Component 5 Impact Chain

Based on the above Impact Logic, a number of indicative milestones for Component 5 are proposed in the table below. Please note that these may change as programme implementation progresses and the MEDEP team gains a better understanding of the market system for MED.

	Milestone	Means of verification	Date
1	MoI/NMEFEN/financial institutions develop ME graduation accreditation system	Agreement in place	Q3 Y1
2	NMEFEN /DMEGA and financial institutions develop partnership for marketing of ME-targeted products	Products marketed	Q2 Y2
3	NMEFEN /DMEGA start providing basic financial literacy and counselling services to members	Services marketed	Q3 Y2
4	NMEFEN develops innovative financial services for members in partnership with MFIs	Services developed	Q3 Y2
5	Support for creation of new cooperatives is delivered sustainably	Service marketed	Q4 Y3

3.6 Component 6 - Programme impact assessment, monitoring, advocacy and coordination

Since the Paris Declaration on Aid Effectiveness in 2005 both the development assistance community and recipient countries have committed to being more accountable for measuring the results of its development programmes. The major funding agencies are asking for 'attributable impact' rather than just an assessment of what happened and a few success stories. Agencies such as AusAID, DFID, SDC, CIDA and others are placing a strong emphasis on knowing "what works and doesn't work, and why?"

Increasingly, impact assessment is being seen as an internal management process rather than an external event conducted by consultants. For this reason, it is essential that programme managers becomes more familiar with: a) how impact assessment can be incorporated into a programme's design architecture; and b) how verification of impact can be used as a means for identifying the most important drivers of impact during a programme's life cycle. By doing this, resources can be allocated and reallocated to those interventions that are yielding the best results. All of this reinforces the need for a systemic approach to designing, delivering and measuring interventions.

The key principles of MEDEP Phase IV results measurement system will be:

- That results measurement is integrated into design, implementation monitoring and scaling up of interventions;
- That the essential changes to be measured are:
 - Contributions that interventions make to sustained creation of micro-entrepreneurs;
 - Net income changes for the micro-entrepreneurs created, attributable to interventions;
 - Changes in the sustained delivery of MED;
 - Changes in target group behaviour stimulated by interventions;
 - Increases in the demand from the target group for the induced changes (service market);
 - An increase in new entrants/service providers in the provision of MED and ME supporting services.
- That monitoring these changes will be the basis for the programme's internal and external knowledge management strategies;
- That this system will inform management to make continuous decisions on the overall value for money of the programme's portfolio.

The aim of Component 6 will therefore be to monitor implementation and impact on the basis of a well-developed and credible impact chain, and to inform and improve the programme strategic framework. This component will also use findings from impact measurement to help the programme advocate for key policy and regulatory changes that may improve the delivery and effectiveness of MEDPA and MED activities in MEDPA. A detailed description of the M&E framework and implementation is provided in Part 6 of this document.

Recognising that in Nepal a considerable number of development partners are in implementing and supporting poverty alleviation programmes in a number of areas that are either overlapping or adjacent to MEDEP, this component will also take the lead in promoting coordination among programmes, and brokering deals that can benefit MEDEP. To do this, in agreement with other development partners programmes, the component may decide to develop a web portal.

PART 4: MANAGEMENT ARRANGEMENTS

4.1 Implementation arrangements

The Programme will be implemented by the MoI according to the National Implementation Guidelines, as agreed between GoN and UNDP. MoI will depute an experienced Joint Secretary to work as the National Programme Director (NPD). The NPD will have experience in relevant issues on microenterprise creation, development and management. The Micro-Enterprise Unit in MoI will coordinate overall programme implementation. MoI, represented by the NPD, will be responsible for overseeing overall Programme implementation and ensuring that the Programme objectives and outcomes are achieved. The NPD, with day-to-day support from NPM, will also ensure the consolidation of MEDEP IV and the government-run MEDPA programme in one joint government intervention for the delivery of MED.

In MEDEP IV the Ministry of Federal Affairs and Local Development will be co-opted as co-implementing agency. The involvement of MoFALD is key to ensuring that DDCs take full ownership for the implementation of MED.

Ministry of Federal Affairs and Local Development and Ministry of Industry will develop a MEDPA Operations Guidelines to regulate DCSI/CSIDB which will implement MEDPA activities through sub-contracting mechanism under the guidance of District Enterprise Development Committee (DEDC). MEDF operated under DEDC is equally responsible and accountable to DDC which is governed by Local Self Governance Act 1999. Since the two ministries, i.e. MoFALD and MoI are the key ministries, they need to have consensus to channel fund through MEDF as agreed by the steering committee meeting of MEDPA held on 4 June 2013.

UNDP Support Services: UNDP support will be required for Programme implementation in areas such as: a) recruitment of Programme staff; b) procurement of goods, equipment and services; c) recruitment of national and international consultants; d) sub-contracting for planning and implementation of training and workshops, information systems etc; e) mid-term and final evaluation of the Programme, etc. The procurement of goods and services and the recruitment of programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures.

4.2 Programme Board

A Programme Board (PB) will exert overall programme oversight and be the decision making body responsible for ensuring that the Programme implementation follows the agreed strategies of implementation, Programme outputs are produced as per the Programme objectives, and Programme inputs are best utilized for producing maximum outputs in a timely and cost effective manner. It will review the progress of the Programme performance (substantive and financial) and approves the annual work plans, budgets and reports. The Board will provide strategic guidance, and will ensure the Programme's objectives are achieved.

The Board will have three described roles:

- A Programme Executive Role – will be played by National Programme Director, Joint Secretary of MoI as the representative MoI. NPD will chair the PB.
- A Senior Supplier Role –UNDP Assistant Country Director, Poverty and Inclusion Unit, and representatives from Donor will provide guidance regarding the technical feasibility of the programme.
- A Senior Beneficiary role –representatives from MoFSC, MFALD, MoAD, NRB, DCSI, CSIDB, AYON, FNCSI, FNCCI and others will take part to Board meetings as need arises. The Board will also have the power to decide if additional agencies are deemed to be co-opted to the Board.

The National Programme Manager will act as the Board Secretary. For each Board meeting minutes will be recorded, signed by the Board chair and distributed to all Board members.

National Programme Manager (NPM): The NPM is a full-time Programme-funded staff member for the first two and a half years of MEDEP Phase IV. MoI will designate an under- secretary to work closely with the programme funded National Programme Manager to learn the Programme activities and gradually take over the role of NPM after two and half years. However, the annual review will be conducted whether the government designated Staff is fully ready to take over the role of NPM or not. In order to take over the leadership for the implementation of MEDEP IV the government-appointed NPM will have to meet the following criteria:

- The government-NPM will be fully committed to MEDEP and will remain in her/his post for the programme duration.
- The government-NPM will attend related training sessions on systems and institutional development provided by the Senior International Specialist and organised by MEDEP.
- At the beginning of the third year of implementation the government-NPM will prepare and submit an updated strategic framework and implementation plan for the remainder of the programme to be submitted to MoI, UNDP and AusAID.

The NPM will report to the Chair of the PB/NPD and be responsible for the day-to-day management, administration, coordination and supervision of programme implementation. S/he will monitor work progress and ensure timely delivery of outputs in a cost effective manner as per the Annual Work Plans and the Programme Resource Results Framework (RRF). The Programme Manager will ensure high compliance, progress reporting and monitoring.

Cash Transfer Mechanism:

UNDP will transfer the fund (cash) allocated for this Programme in the Programme account managed by Nepal Rastra Bank (NRB) on quarterly basis upon submission of Funding Authorization and Certification of Expenditure (FACE). First request will be based on the approved AWP, and first quarter work plan and subsequent installment are transferred upon minimum of 80% from previous advances and 100% from all earlier advances. UNDP will transfer the budget required for the first instalment in the beginning of the implementation. The subsequent transfers are made upon receipt of signed completion of each quarterly plan including financial report as well as next quarterly work plan.

There will be direct payment through UNDP for the payment where UNDP assigned as responsible party to complete the activities outlined in AWP/QWP. UNDP adopts the harmonized approach cost transfer (HACT) and the payment modality will be based on the HACT approach (i.e., based on the micro assessment report of IP).

The Programme will be audited as per UNDP audit requirements.

4.3 Programme assurance

Programme assurance is the responsibility of the Programme Board. While the Board will maintain the responsibility for programme assurance, a Programme Analyst in UNDP will be delegated to carry out all functions related to programme assurance. These will include: (i) maintaining liaison between the members of the Programme Board throughout the Programme; (ii) ensuring that Programme activities and budgets are in compliance with approved work plans and budgets; (iii) support to control risks; (iv) maintaining visibility of the Programme; (v) establishing workable internal and external communications; (vi) ensuring compliance with applicable UNDP rules and regulations; (vii) adhering to Results Monitoring Guidelines monitoring and reporting requirements and standards; (viii) following the quality management procedures; (ix) ensuring that Programme Board's decisions are implemented; (x) managing Programme revisions according to the required procedures; and (xi) providing technical support to the Programme team. The UNDP Programme Analyst will be independent from the MEDEP National Programme Manager and will attend Board meetings as observer.

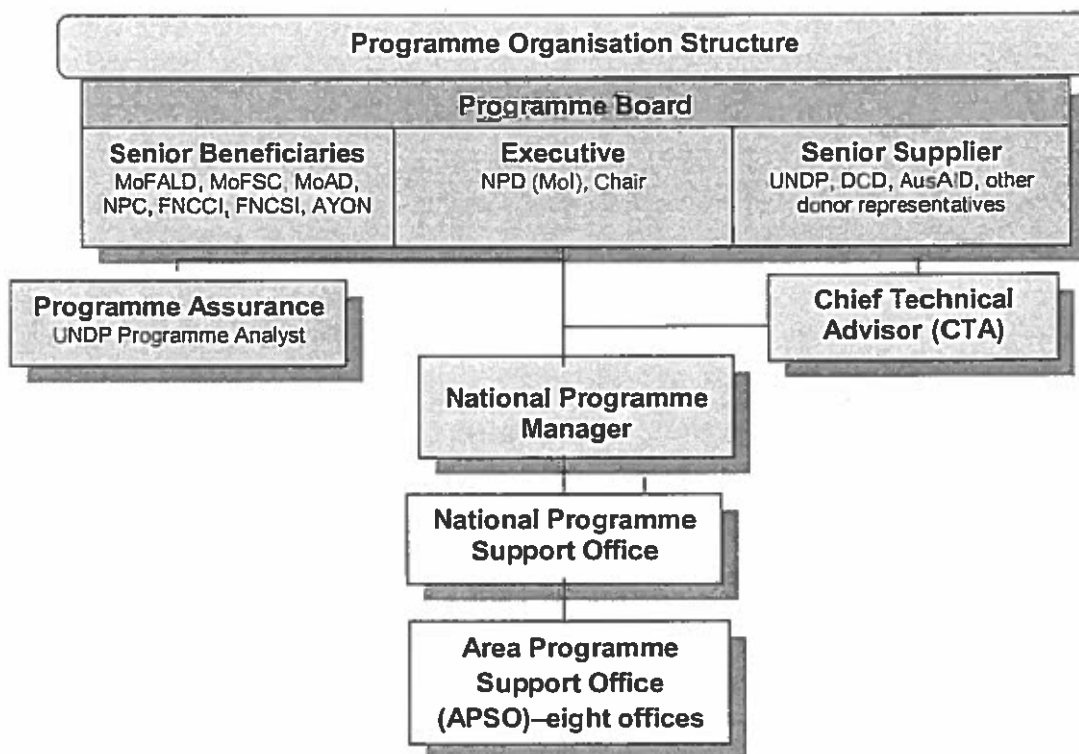
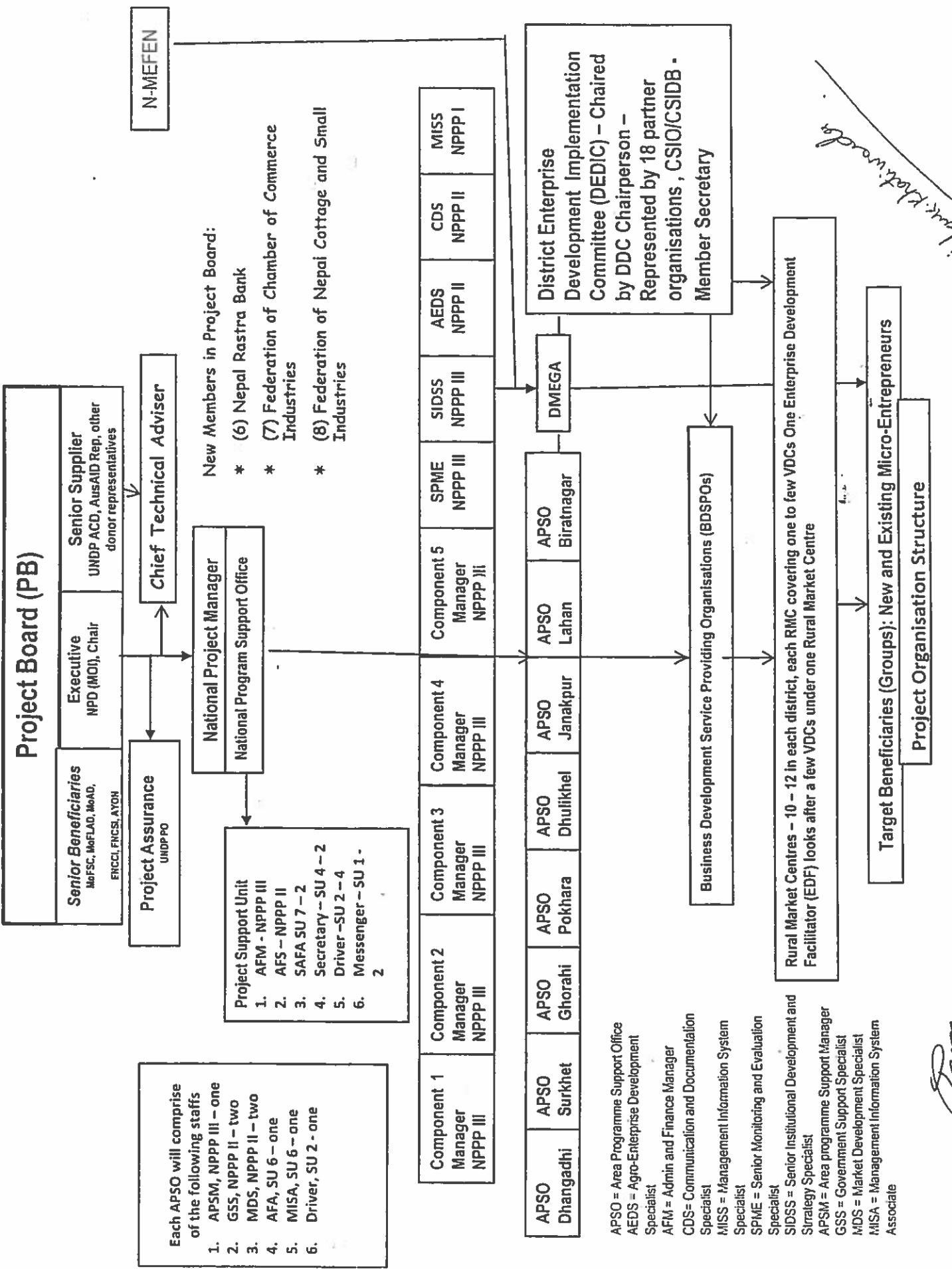


Figure 13 – Programme organisation structure



Project Board (PB)

Senior Beneficiaries
MoFSC, MoFLAD, MoAD, ENCCI, FNCSI, AYON

Executive
NPD (MOI), Chair

Senior Supplier
UNDP ACD, AusAID Rep, other donor representatives

Project Assurance
UNDP PO

Chief Technical Adviser

National Project Manager
National Program Support Office

Project Support Unit
AFM - NPPP III
1. AFS - NPPP II
2. SAFA SU 7 - 2
3. Secretary - SU 4 - 2
4. Driver - SU 2 - 4
5. Messenger - SU 1 - 2

Component 1
Manager NPPP III

Component 2
Manager NPPP III

Component 3
Manager NPPP III

Component 4
Manager NPPP III

Component 5
Manager NPPP III

APSO Dhangadhi

APSO Surkhet

APSO Ghorahi

APSO Pokhara

APSO Dhulikhel

APSO Janakpur

APSO Lahan

APSO Biratnagar

DMEGA

Business Development Service Providing Organisations (BDSPOs)

District Enterprise Development Committee (DEDIC) - Chaired by DDC Chairperson - Represented by 18 partner organisations, CSIO/CSIDB - Member Secretary

Rural Market Centres - 10 - 12 in each district, each RMC covering one to few VDCs One Enterprise Development Facilitator (EDF) looks after a few VDCs under one Rural Market Centre

Target Beneficiaries (Groups): New and Existing Micro-Entrepreneurs
Project Organisation Structure

N-MEFEN

New Members in Project Board:

- * (6) Nepal Rastra Bank
- * (7) Federation of Chamber of Commerce Industries
- * (8) Federation of Nepal Cottage and Small Industries

- APSO = Area Programme Support Office
- AEDS = Agro-Enterprise Development Specialist
- AFM = Admin and Finance Manager
- CDS = Communication and Documentation Specialist
- MISS = Management Information System Specialist
- SPME = Senior Monitoring and Evaluation Specialist
- SIDSS = Senior Institutional Development and Strategy Specialist
- APSM = Area programme Support Manager
- GSS = Government Support Specialist
- MDS = Market Development Specialist
- MISA = Management Information System Associate

Thank: Khok wangs

[Signature]

4.4 Programme Implementation Team

MEDEP IV will take a *facilitation* role in delivering MED. This will involve considerable changes in the composition of MEDEP III staff.⁵⁴ The structure of the Implementation Team proposed herewith takes into account that the transition to becoming a *facilitator*⁵⁵ will require some time, and will happen gradually as DDCs graduate. For the first four years of programme implementation it is expected that the MEDEP team will continue to implement MED directly (hence procure MED service providers directly) in those DDCs that do not meet the criteria described in section 3.2 of this document. MEDEP will, however, agree a clear end date for direct implementation with each of these DDCs, within the context of its new offer of partnership.⁵⁶ To successfully manage this transition, and ensure that relationships with partners evolve gradually, a considerable number of positions in MEDEP IV will be retained from MEDEP III as illustrated in the tables below.

The MEDEP team will also be strengthened with the support of a Senior Institutional Development and Strategy Expert, an international consultant who will provide close advice to the National Programme Manager on the timing for staff changes, as the programme develops, as well as on the development of MEDEP IV offer to partners as described in section 2.7 of this document.

The detailed ToRs for each one of the MEDEP IV positions are proposed in Annex 5.

⁵⁴ The experienced human resource currently involved in the MEDEP III will however be given the opportunity to provide services in MEDEP IV by applying for the new positions if they wish so.

⁵⁵ A more detailed explanation of the role of a Facilitator is proposed in Annex 4.

⁵⁶ Following the pace set by the hand-over strategy described in section 3.2.

Staff Positions Proposed for MEDEP Phase IV and compared to existing Staff Positions in MEDEP Phase III

S.N.	Title of the Position	Positions and Level proposed for Phase IV		Remarks
		Level	Number	
National Programme Support Office (NPSO), Kathmandu				
1	National Programme Director (NPD)	Joint Secretary	0	Existing position to be retained from MEDEP III
2	Chief Technical Adviser	NPPP-IV (Step - 12)	1	New position
3	National Programme Manager (NPM)	NPPP-IV	1	Existing position to be retained from MEDEP III for the first two and half years of MEDEP Phase IV, but however annual review will be conducted whether the government designated staff is fully ready to take over the role of NPM.
4	Senior Institutional Development and Strategy Expert (SIDSE)	Short term	1	New position (for 18 months for up to three years of intermittent mission MEDEP Phase IV) ⁵⁷
5	Intervention Manager Component I (MEDPA Implementation)	NPPP III	1	New position
6	Intervention Manager Component II (Policy)	NPPP III	1	New position
7	Intervention Manager Component III (Micro-Enterprise Services)	NPPP III	1	New position
8	Intervention Manager Component IV (MED Service Provider Strengthening)	NPPP III	1	New position
9	Intervention Manager Component V (Financial Services)	NPPP III	1	New position
10	Monitoring and Evaluation Specialist	NPPP III	1	New position
11	Senior Institutional Development and Strategy Specialist (SIDSS)	NPPP III	1	New position
	Admin and Finance Manager	NPPP III	1	New position
12	Admin and Finance Specialist	NPPP II	1	Existing position to be retained from MEDEP III
13	Agro-Enterprise Development Specialist	NPPP II	1	Existing but to be continued until end of PSLP project of Central Queensland University and UNDP that will phase out in December 2015
14	Communication Documentation Specialist	NPPP II	1	Existing position to be retained from MEDEP III
15	Admin and Finance Associates	SU VII	2	Two existing positions SU 6 to be upgraded to SU 7 in MEDEP III
16	Management Information System Specialist (MISS)	NPPP I	1	Existing position to be retained from MEDEP III
17	Office Secretary	SU IV	2	Two existing positions to be retained from MEDEP III
18	Drivers	SU II	4	Four Existing position to be retained from MEDEP III
19	Messenger	SU I	2	Two Existing position to be retained from MEDEP III
	Total staff in NPSO		25	
Area Programme Support Offices (APSOs), eight APSOs proposed in Phase IV				<i>Note: MEDEP will no longer implement MED directly. The role of local offices will change, becoming support offices for local governments and players. Relationships will be less intense than they currently are, since role will move from direct implementation to mentoring.</i>

⁵⁷ The Senior International Specialist (SIS) will be hired on short term basis. Altogether 18 months will be the total service period of SIS, who intermittently will come in Nepal and provide his/her technical expertise in the first 3 years of MEDEP IV Phase.

S.N.	Title of the Position	Positions and Level proposed		Remarks
		Level	Number	
	APSO		8	
1	Area Programme Support Manager (APSM)	NPPP III	1x8=8	These are the head of each APSO.
2	Government Support Specialist	NPPP II	2x8=16	These officers report to head of local APSO, but from a technical point of view report to the Intervention Managers Component I (government).
3	Market Development Specialist	NPPP II	2x8=16	These officers report to head of local APSO, but from a technical point of view report to the Intervention Managers Component IV, III and V (MED service provisions, and ME services). Needed from beginning of MEDEP IV
4	Admin Finance Associates (AFA)	SU VI	1x8=8	These officers report to head of local APSO, but from a technical point of view report to the NPSO Admin and Financial Specialist.
6	Admin Finance Assistants (AFA)	SU V	0	Redundant
7	Management Information System Associate (MISA)	SU VI	1x8=8	These officers report to head of local APSO, but from a technical point of view report to the NPSO M&E Specialist
46	Programme Associate - Monitoring and Evaluation Officers (PA-MEO)	SU VI	0	These positions are redundant. Capacity building to government officers will be delivered in a transactional way, hence within the context of well defined interventions. Staffs involved in the implementation of these interventions will be hired on a need-basis as consultants.
47	Programme Associate - Enterprise Development Officer (PA-EDO)	SU VI	0	These positions are redundant. Capacity building to government officers will be delivered in a transactional way, hence within the context of well defined interventions. Staffs involved in the implementation of these interventions will be hired on a need-basis as consultants.
48	Programme Associate - Business Development Officer (PA-BDO)	SU VI	0	These positions are redundant. Capacity building to government officers will be delivered in a transactional way, hence within the context of well defined interventions. Staffs involved in the implementation of these interventions will be hired on a need-basis as consultants.
49	Drivers	SU II	1x8=8	
	Total staff in APSOs		64	
	Total staff in MEDEP		89	

For the implementation of MEDEP IV a two-tier structure is proposed, consisting of a central National Programme Support Office (NPSO), in charge of developing the overall vision for the programme, produce plans, budgets and reports, develop the technical approach of interventions and coordinate programme activities and eight Area Programme Support Offices (APSOs), each one in charge of implementing the programme approach in different districts. The eight APSOs will be able to cover the initial 38 MEDEP districts as well as to respond to requests to support other districts if these come.⁵⁸

⁵⁸ In the best-case scenario, if (although unlikely) all of the 75 districts graduate and are ready to receive mentoring/coaching support from MEDEP each APSO Government Support Officer (two in each APSO) would coordinate mentorship for only 4.6 districts.

Within the context of the two-tier structure, management responsibility is decentralised to the APSOs, with two main lines of reporting. On the one hand, APSO Officers respond to the APSO Micro-enterprise Specialist, who holds the overall view of how programme implementation is progressing in the APSO's districts. On the other hand, officers formulate intervention strategies under the supervision of the specific NPSO intervention manager of competence. For instance, an intervention aimed at developing DDC X's awareness of the importance of pooling resources for MED through the MEDF will be developed by one of the two APSO Government Support Officer for DDC X⁵⁹ and the NPSO Intervention Manager for Component 1, and approved jointly by the APSO ME Specialist and the NPM.

The proposed implementation model also anticipates that a large part of programme implementation activities, such as training, research and analysis, will effectively be outsourced on a need basis to external consultants, whilst the programme staff will remain responsible for strategy formulation, planning, mentoring partners, managing contracts, monitoring progress, and reporting to GoN and donors. The key staff positions for MEDEP IV will therefore need to have a strong management profile, while specific technical expertise will be outsourced from the market on a need basis.

The NPSO management team will develop and update the overall programme strategy, through weekly meetings that will bring all senior national-level management and Intervention managers together. At the beginning of each month such management meetings will be extended to the APSO's Micro-Enterprise Specialists. The importance of these management meetings cannot be overemphasised, since it will allow the management team to maintain a clear vision for change and a shared strategic vision on how to achieve it. It will also ensure coordination between the different programme components and ensure that they jointly contribute to systemic change.

To support the integration between MEDEP and MEDPA, and to strengthen GoN capacity in delivering MED, a Chief Technical Advisor will be seconded to the MoI. The Advisor will be providing policy and implementation guidance to MEDPA and will work as liaison between MEDEP and MEDPA.

National Programme Support Office (NPSO):

The overall responsibility of Programme implementation rests with the National Programme Support Office (NPSO) located in Kathmandu and headed by the National Programme Manager (NPM) functioning under the direct supervision of the MoI NPD.

The NPSO will be composed of 5 Intervention Managers, each one responsible for the implementation of one of the Programme components. The Managers will provide technical leadership for each component of the programme and coordinate the work of APSO Government Support and Market Development Officers at the district level. The NPSO will also be comprised of a Monitoring and Evaluation Specialist, in charge of the Programme M&E system and supported by a Communication and Documentation Specialist, a MIS System Associate and APSO MIS Associates. The Administrative Finance Specialist will be

⁵⁹ Note that each APSO will be staffed with two GSOs.

the custodian of MEDEP financial system, and will be buttressed by Administrative Finance Associates in each of the APSOs.

At national level a Chief Technical Advisor will be seconded to the MoI MEDPA programme, to provide policy advice to GoN and mentor MoI on the implementation of successful MED following the experience of MEDEP.

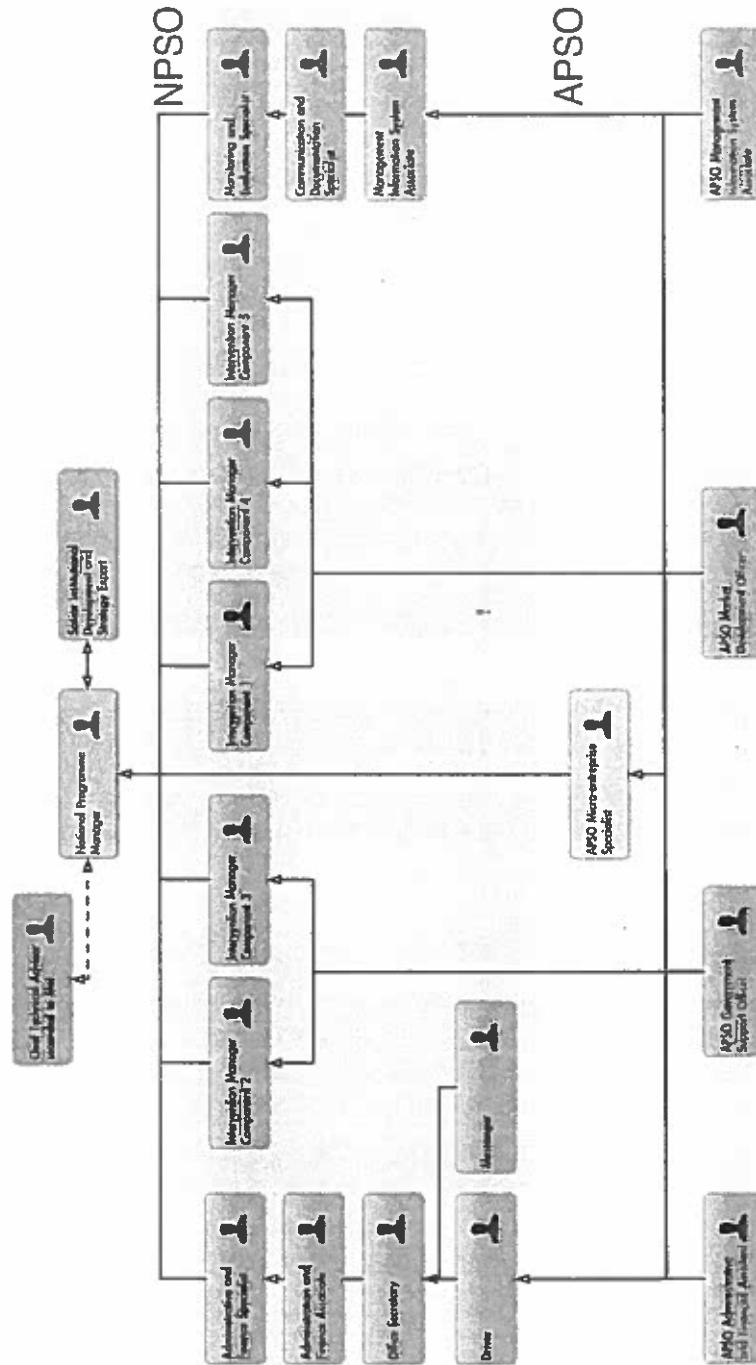


Figure 14 – MEDEP's Organogram

Area Programme Support Office (APSO):

APSOs will be headed by Micro-enterprise Specialists in charge of coordinating activities at the district level, ensuring that the target number of micro-entrepreneurs are developed, and producing work plans, budgets and reports to be collated at the national level.

The APSOs will be in charge of implementing the programme at the district level. Each APSO will provide mentorship and support to existing MEDEP and MEDPA districts. The MES, in collaboration with the Government Support Officer (GSO), will provide support to the DDCs to establish District Enterprise Development Implementation Committees, Micro-enterprise Development Funds, and District Enterprise Development Plans and will mentor DDCs to run these institutions effectively. MES and GSOs will also lead the direct development of micro-entrepreneurs in those MEDEP districts that are not yet graduated to financial support.

In addition to MES and GSOs, APSOs will be staffed with Market Development Officers, market-savvy managers that will be supporting district service providers and micro-entrepreneurship associations to successfully deliver micro-entrepreneurship development and services to members.

4.5 Coordination at District Level and Fund Flow Mechanism

MEDEP will continue direct implementation in those districts that are not yet graduated to receive direct funding support. Graduated districts will instead be supported with decreasing matching funds as described in the "handover strategy" for Component 1. Once the provision of matching funds starts, each donor will transfer funds to UNDP upon signing a cost sharing agreement. UNDP will subsequently transfer these funds to the Programme account with Nepal Rastra Bank on a quarterly basis. At the stage of implementation, for "graduated" programme districts, funds will then be channelled through the district level Micro-enterprise Development Funds (MEDF). About US \$ 14 million from MEDEP will be channelled through the MEDF over five years. Similarly DDC will allocate their own resources and also mobilise resources from other local agencies and potential partners or agencies including donors for MED activities. For this DDC will organize regular meetings with all agencies working in ME development. For the effective use of the funds and for ensuring accountability, the MEDF guidelines and operational rules, also envisaged by MEDPA, will be revised. In order to ensure proper management of MEDEP funds at the district level, APSO MES will be made signatory of the account. A sample among the programme districts will be taken during the annual audit and expenditures made through the MEDF will be audited.⁶⁰ MEDEP will also, in coordination with the concerned GoN agency (in this case the Financial Comptroller General's Office - FCGO), build the capacity of the concerned district level officials on public finance management, procurement, and audit management. Upon receipt of the signed quarterly progress report, including the financial report as well as the quarterly plan, funds for the subsequent quarter will be transferred into the Programme account. Furthermore, the Programme will be implemented by bringing all financial inputs into the national budget system; this will be fully reflected in the Red Book.

⁶⁰ All districts that have made use of the MEDF will however be audited on the first year, in order to draw lessons for the programme.

In accordance with UNDP's Programme, Operations, Policies and Procedures, the Programme will follow standard UNDP procedures for review, reporting, and monitoring and evaluation. Assessment of impacts will also comply with Donors' Committee for Enterprise Development (DCED) standards and will adopt DCED Universal Impact Indicators where possible.

5.1 Changing MEDEP III Impact assessment system

Because of the change in focus from direct implementation to a facilitation role, in phase IV MEDEP will need to expand and change the nature of its current M&E system.

Over the years, MEDEP has developed a strong input-output *Management Information System (MIS)* to generate accurate and quality disaggregated data on the number and profile of the micro-entrepreneurs created and the costs associated with entrepreneurship development. At the moment, the system is largely based on contracting micro-enterprise associations (MEGAs) for data collection. Whilst the current system ensures complete accountability in resource use, the current contracting arrangement is distorting the associations' operational focus into being MEDEP agencies, rather than at the service of their members. As MEDEP will phase out from direct support, this relationship with the MEGAs will have to gradually change and eventually be terminated, hence, the nature of the M&E system will need to change from *input-output* to *results-based*, extending its focus beyond measuring micro-entrepreneurs created, to also assessing institutional change and development.

To ensure a successful transition between the existing and the expanded system, during phase IV MEDEP will maintain a two track approach to M&E, continuing to implement the current system in those districts where it carries out MED directly, and implementing an "extended" system in those districts where MED is carried out by government or private sector operators, without MEDEP's direct intervention.⁶¹ Since those districts that will be supported though grant funding will be implementing MED within the framework of the MEDPA programme at the central level, MEDEP will support the Ministry of Industry and MEDPA secretariat to develop an adequate M&E system for MEDPA that will respond to the donors accountability needs as well as the government's capacity and interest in monitoring the impact of the programme. MEDEP will also strengthen the capacity of MoI, MEDPA and the district line agencies, to monitor MEDPA implementation through building the capacity of government to extend its M&E system.

A graphical representation of the two-track M&E system is represented below.

⁶¹ For instance, these will be "graduated" districts, whereby MEDEP will provide some limited grant money, or districts where private MED service providers have successfully fund-raised for the implementation of MED.

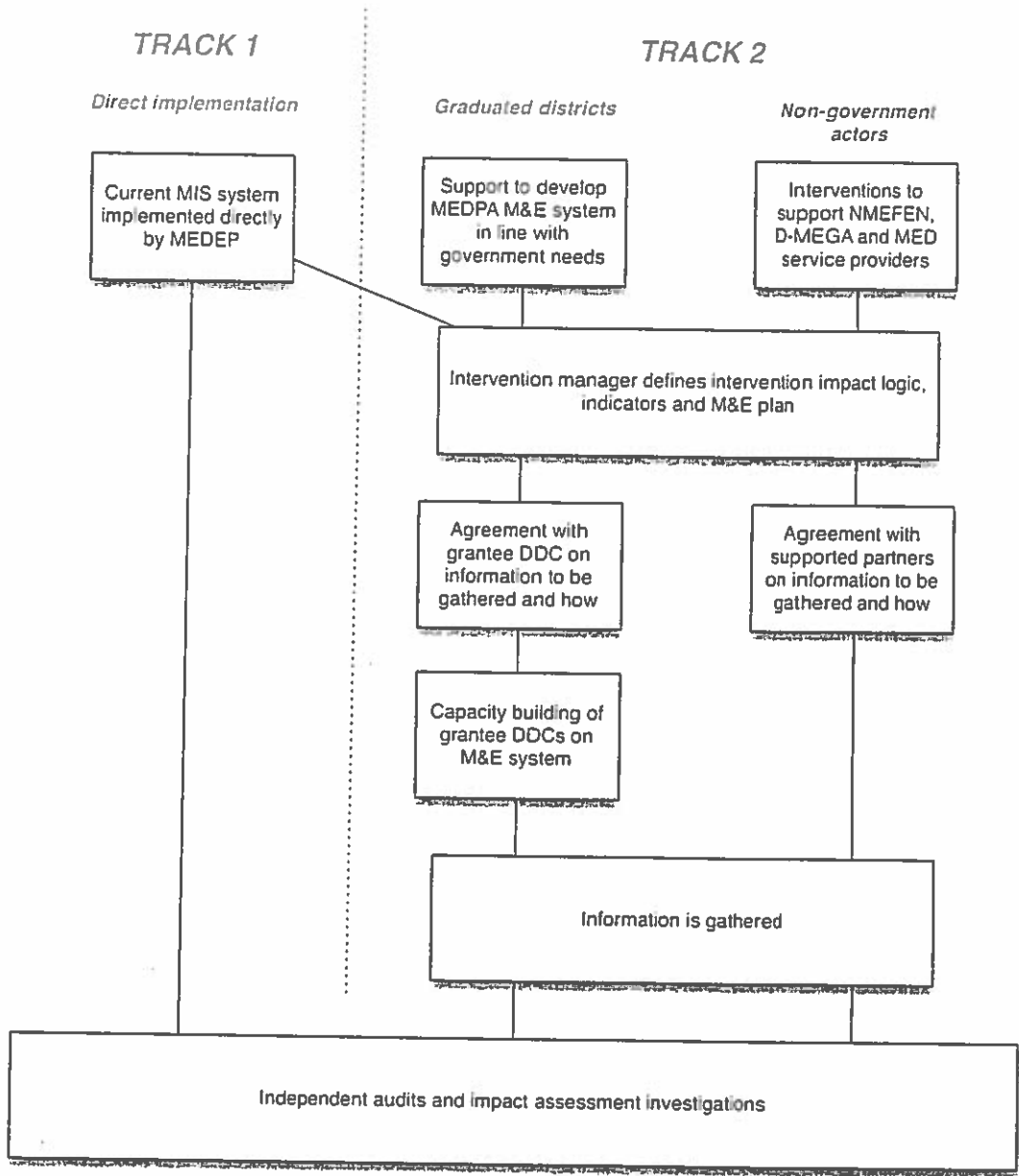


Figure 14 – MEDEP’s two tracks M&E system

5.2 Measuring the impact of market facilitation interventions

With MEDEP taking up the role of facilitator, programme implementation will face an increased degree of complexity. For this reason, in MEDEP IV impact assessment will be an internal management process rather than an external event conducted by consultants. Prompt feedback from internally carried out impact assessment will allow the MEDEP management to take informed decisions when designing interventions and deliver effective change.⁶²

⁶² However, self-evaluation does not fully provide accountability, since the programme may be too indulgent and not sufficiently objective when measuring its own work. For this reason yearly independent impact evaluations will also be carried out within the context of a longitudinal impact assessment process. See section 5.5 for more clarity on independent longitudinal impact assessment.

To do this, the MEDEP programme managers will strive to understand the following:

- a) How impact assessment can be incorporated into a programme's design architecture; and
- b) How verification of impact can be used as a means for identifying the most important drivers of impact during a programme's life cycle.

The use of impact measurement as a management tool will allow effective flexibility, strengthening the Programme's capacity to allocate and reallocate resources to those interventions that are yielding the best results, within the context of having a portfolio approach to interventions.

While this document presents the overall programme impact logic and the impact logic for each single programme component, the design cannot provide details on the single programme interventions, as these will respond to programme tactics and a number of contingent factors. Detailed Intervention Logics and impact assessment plans for each intervention will be developed prior to implementation in *Intervention Game Plan* documents that will be approved by the National Programme Manager. Intervention Logics and Assessment plans will need to fit within the Impact Logic of each respective component as presented in this document. Component Impact Logics will be updated from time to time, as the team improves its understanding of the MED market system.

The key principles in the design of the Intervention Logics will be:

- That results measurement is integrated into design, implementation monitoring and scaling up of interventions;
- That the essential changes to be measured are:
 - Contributions that interventions make to sustained creation of micro-entrepreneurs;
 - Net income changes for the micro-entrepreneurs created, attributable to interventions;
 - Changes in the sustained delivery of MED by government and non-government actors;
 - Changes in the level of services delivered by micro-entrepreneurs associations to members that contribute to the resilience of micro-entrepreneurs;
 - An increase in new entrants/service providers in the provision of MED and ME supporting services;
 - Changes in target group behaviour stimulated by interventions;
- That the monitoring of these changes will be the basis for the programme's internal and external knowledge management strategies;
- That this system will inform management to make continuous decisions on the overall value for money of the programme's portfolio.

With the aim of thoroughly incorporating the above principles in the implementation of the programme as well as in monitoring and evaluation, MEDEP IV will adopt the DCED Standards for results measurement both for MEDEP and MEDPA.

5.3 The DCED Standards for Results Measurement

The Standards have emerged over the past 4 years in response to the increasing need for private sector development programmes to improve their performance and to report credible impact numbers that can be used to make resource allocation decisions. The Standard was tested with several programmes in 2008-9 and has gone through several iterations to ensure that it is robust and at the same time applicable even for smaller Programmes. The current version is V, dated January 2010.

The DCED Standards is a process management standard and is designed much the same way as other standards approved by the International Standards Organisation (ISO). It has sections including: articulating results chains; defining indicators of change; measuring changes in indicators; estimating attributable changes; capturing wider changes in the system or market; tracking programme costs; reporting results; and managing the system of results measurement. Within each of these sections there are control points and compliance criteria, as listed below.

Articulating Results Chains

No.	Control Point	Compliance Criteria	Level
1.1	An impact logic(s) is articulated explicitly for each of the selected interventions	A documented impact logic is developed for each intervention selected. The impact logic(s) is thorough, logical and realistic, showing, as far as possible, how the selected intervention(s) lead to achievement of development goals. Relevant contributions of other initiatives are mentioned.	Must
		The impact logic(s) are sufficiently detailed that changes at all key levels can be assessed quantitatively and/or qualitatively.	
		The programme has clear documentary evidence of research and analysis that underlies the logic of the steps in the impact logic(s) and explains how changes are likely to lead to lasting impact. Significant assumptions are explicitly identified.	

Stages of compliance with the Standard

For a programme such as MEDEP that has been implemented for 14 years, transition to full compliance with the Standards will take time. Compliance will therefore be realised through five gradual stages:

1. Engagement of an international expert versed in the DCED Standards, to design MEDEP IV impact assessment system. Following recommendations from the expert, agree with UNDP, AusAID, and MoI on the inclusion or exclusion of certain parts of the Standards. Some control points or compliance criteria are listed in the Standards as either a "must" or "recommended". Programme management will discuss and agree with UNDP at the start of the programme on which of the control points are "musts" for UNDP and which ones will just be "recommended". In this way it will be clear to both parties exactly what results will be measured and

reported. A number of indicators drawing from the DCED Universal Indicators as well as the UNDAF are proposed in Annex 2 of this document.

2. The second stage will involve the creation of the M&E system applicable to MEDPA and MEDEP. The key elements of the system have been described in this section of the programme document and are comprised of the Impact Logics, the interventions Game Plans, Manuals, Guidelines, and trained staff. It will take the programme approximately six months to establish the processes, formulate the appropriate documentation and train the staff to operate the system.
3. In the third stage, the management will have an external check of the system by bringing in a DCED certified auditor to ensure that the initial system is in compliance with the Standards.
4. At the fourth stage, the system is operationalised for both interventions by Programme's partners being facilitated as well as any interventions implemented directly by programme staff. During this period, revisions are made to processes and documentation, staff guidelines are developed and further training is conducted.
5. At the fifth stage, by the 18th month of the programme, an external DCED accredited auditor is brought in to audit the operation of the system and certify that it is generating credible information and that this information is being used for the allocation of resources within the programme.

Management of the System

As shown in the programme's organisational diagram, MEDEP will have one manager dedicated to results measurement. The key functions of this manager will be to:

- Work with MEDEP's implementation partners to implement interventions, or directly with Intervention Managers that are implementing direct interventions, to ensure that all interventions are designed in compliance with the DCED Standards. In practice this will mean approving all results chains as part of the Game Plan approval process, before implementation and ensuring that a Results Measurement Plan is in place before interventions are executed.
- MEDEP will develop result based monitoring and evaluation guidelines and results measurement framework in DCED standard. Based on this guideline and results framework, new MIS software will be developed for MEDEP IV Phase. MEDEP will train officials related to MEDPA from MoI, DCSI and CSIDB from both central and district level on the guidelines, results framework and new MIS software. MEDPA will adopt accordingly. Ultimately, MEDEP will report the overall progress of all result levels to the AusAID and UNDP as per the system and given formats. Precise reporting formats will be designed and mechanisms established in consultation with MoI, DCSI and CSIDB.
- During this phase of results chain preparation, check that the opportunities for the inclusion of excluded groups and the participation of women have been optimised.
- Aggregate the impact of all interventions into annual reports for both management, UNDP, AusAID and MoI with an additional internal assessment of the risk rating for each intervention.
- Prepare case studies on both successful and unsuccessful interventions that analyse what happened, what was achieved and what lessons can be drawn from this

experience. This repository of experience will form the backbone of the MEDEP's knowledge management capacity and will be used as an input to review MEDEP's strategic approach.

As indicated in the Management Arrangement Section, the M&E component will be staffed with one Senior M&E Manager with significant experience with results measurement in large programmes and trained on DCED Standards, one Management Information System Associate, one Information and Documentation Specialist, and six APSO Management Information System Associates, one in each APSO. All of these staff will be trained in the application and management of the DCED Standards.

5.4 The M & E Cycle

The MEDEP M&E system will abide to the following monitoring and assessment cycle.

At the beginning of MEDEP IV – At the beginning of MEDEP IV an impact analysis study will be carried out to gain a thorough understanding of the benefits that the programme has brought to its beneficiaries over the past 14 years. In particular, the study will identify the key success factors of MEDEP's approach, assessing their contribution to micro-entrepreneurs resilience, with the aim of helping the programme to prioritise interventions and adapt MEDPA's approach.

Prior to each intervention – Before initiating any intervention, the Intervention Managers will develop a clear *Game Plan*, a simple 4/5 page document that describes the rationale for the intervention, the expected outputs, contribution to component's outcomes, impact logic, key monitoring indicators and budget⁶³. Game Plans will be developed for every intervention, including interventions for direct delivery of micro-entrepreneurship development.

At the beginning of each intervention – The Intervention Managers will present an offer of support to the partners they intend to help. These may be specific DDCs, or MEGAs or MED service providers, etc. The Offer will specify what data will need to be collected during programme implementation for MEDEP to be able to assess progress. Partnership will be conditional on the partner's willingness to collect such data.

In those districts where MEDEP is still directly developing micro-entrepreneurs the adequate resources to monitor implementation will be hired and deployed by the Programme.

During each intervention – Since in the phase of facilitation MEDEP will develop close relationship with its partners through a mentoring and hand-holding process, the Intervention Managers should be sufficiently close to partners to be able to have a sense of whether implementation is going in the right direction, and partners are successfully changing practices. This closeness will allow the Programme to timely change tactics and review strategies if the initial intervention Game Plan is proven not to be effective.

In addition to closeness and mentorship, the Intervention Managers will hold partners accountable for collecting data as agreed at the stage of initiating the intervention. Depending on the type of intervention, data will be collected at different stages of implementation.

⁶³ The Capacity Assessment carried out in 2011/2012 may be used to set baseline indicators and design capacity development activities within each intervention.

During implementation MEDEP will also support⁶⁴ partners to take stock of the benefits and improvements they have obtained from the innovations/changes that they have introduced thanks to the support received by the Programme. These findings will be used to prove the validity of the introduced changes to the partners, but also as case studies to showcase to other partners in the attempt to stimulate replication and crowding-in.

On a quarterly basis – The Intervention Managers will be measuring progress on the achievement of Component Outcomes on a quarterly basis, by providing anecdotal and substantiate evidence of relevant changes to the National Programme Manager for the compilation of quarterly implementation reports. Measurement of changes will be based on the component impact logic. Some key indicators are identified in the M&E framework proposed in the annex.

A Quarterly Progress Report (QPR) will be compiled and submitted to the Programme Board by the National Programme Manager providing an analysis of progress. The QPR will also include an updated Risk Log, an Issue Log, a Lessons-learned Log, and a Monitoring Schedule.⁶⁵

On an annual basis – Once a year MEDEP will carry out an in-depth impact evaluation study, with the aim of identifying the total number of micro-entrepreneurs created, their resilience (likelihood to cease business), and the impact of the micro-business on their livelihood, income, level of education and gender empowerment. The study will compare the achievement of graduated and not-yet-graduated districts using quasi-experimental control groups to assess impact. The study will also include case studies of those market institutions (either government, DDCs, MEGAs or MED service providers) that have introduced significant changes/improvements in their operational and business model, resulting in improved delivery of MED. The annual impact assessment will be discussed at an annual event organised by MoI/MEDPA in partnership with MEDEP, and comprising of all the major MED stakeholders.

The impact assessment will be included in the Annual Progress Report that the National Programme Manager will submit to the Programme Board once a year. The Annual Progress Report will be reported against the OECD DAC evaluation criteria of: relevance, effectiveness, efficiency, sustainability and gender equity. An updated M&E Framework and Tracking Tool will also be annexed to the Annual Progress Report.

Field visits will be organized for donors and Programme Board members at least once a year.

From time to time – The MEDEP M&E Manager, in collaboration with Intervention Managers, will, from time to time, develop case studies depicting success stories in each component of MEDEP. The use of these case studies will be to promote replication and raise the profile of MED in Nepal, both within government, as well as with donors and the private sector. The Intervention Managers, who, being in contact with partners, will have a good understanding of progress, will trigger the identification of these case studies.⁶⁶

⁶⁴ Most likely paying the costs for or even recruiting the consultants to carry this on.

⁶⁵ The Risk Log, Issue Log, Lessons-learned Log, and the Monitoring Schedule will be developed and logged in the UNDP *Atlas* system.

⁶⁶ A number of techniques may be used for the compilation of the Case Studies, such as focused-group discussions, participant observation, PRA methods, investigations, and other ethnographic techniques.

5.5 Monitoring for Accountability

A number of measures will be set in place to ensure that MEDEP will deliver value for money. Differently from internal impact assessment (that is a management tool), these assessments will be carried out by independent evaluators external to NMDP.

An independent evaluator (consultant) will be contracted at the beginning of the programme to conduct a **Longitudinal Impact Assessment** of MEDEP's progress.⁶⁷ The consultant will design and implement a study to track impacts over an eight year period from an initial baseline in 2013 to an end date in July 2022. The final study will measure the number of micro-entrepreneurs that have graduated from MEDEP and MEDEP-supported partners over the years, and will estimate the resilience of these entrepreneurs comparing achievements during and after the end of MEDEP. The Impact Assessment study will provide UNDP with a better understanding of the links between the activities and outcomes of the programme and help learn and disseminate lessons from MEDEP that can inform the design and implementation of programmes of this kind in the future. The longitudinal impact assessment will also measure the impact of the institutional change generated by MEDEP by measuring the number of micro-entrepreneurs that are being created two years after the end of MEDEP IV.

The Longitudinal Impact Assessment consultant will produce **Annual Programme Review** during the fourth quarter of the year to assess the Programme's progress in the achievement of expected outcomes and its performance. Key MEDEP staff from NPSO and APSO as well as UNDP will participate in this review. Results from the annual review will set priorities for the following year.

The Annual Review of end of 2015/16 will serve as **Mid-term Review** and will look more in-depth at the strategic direction of the programme. The Mid-term review will provide the last opportunity to introduce major revisions to the Programme's approach and strategy.

The Annual Review of end of 2018/19 will serve as **End of Programme Review** and will be particularly focussed on assessing institutional change and trends in sustainable MED in Nepal in addition to estimating numbers of micro-entrepreneurs created and sustainability of MEDEP's partners.

Two years after the End of Programme Review (in July 2021), the consultant will carry out a **Final Review** to measure the effective impact of MEDEP's institutional changes, and estimate the number of ME that have been created after MEDEP's support has come to an end.

Implementation will also be **monitored by the UNDP Country Office as well three UNDP field offices** located in Dadeldhura (Far-western region), Nepalgunj (Mid-Western region), and Biratnager (Eastern region). These offices have field monitors who go on regular field visits to Programmes in their regions and report directly to the country office.

Before grant money is allocated to any of the programme's beneficiaries, MEDEP's staff will carry out a **fiduciary risk assessment of the grantee**. This will include taking vision of the grantee account audits as well as assessing its financial management and procurement capacity. MEDEP will also conduct *un-announced spot checks* to grantee organizations to verify that activities are implemented as per the approved plans, budgets, and guidelines.

⁶⁷ ToR for the Longitudinal Impact Assessment is presented in Annex 6.

Finally, MEDEP's accounts will also be audited annually in accordance with UNDP guidelines. Spot audit checks may also be conducted two to three times a year depending on the perceived level of risk for the programme.

5.6 Coordination with other programmes

Building strategic partnerships and alliances with other projects and programmes, as well as with private sector actors, will be critical for the effectiveness of MEDEP IV and for a more harmonized approach to microenterprise promotion for poverty reduction and employment generation.

UN agencies: Synergy will be established with other UNDP initiatives, particularly between poverty reduction, Renewable Energy Project, Comprehensive Disaster Risk Management Programme, and environment conservation programs as they complement each other. Partnership with UNCDF will be established to ensure that MEDEP supported entrepreneurs benefit from UNCDF's initiatives in Nepal such as the Mobile Money for the Poor and Clean Start.⁶⁸

GoN programs: The ongoing partnership with the Ministry of Federal Affairs and Local Development (MFALD) will be strengthened. In particular, coordination and collaboration with MoFALD's Local Governance and Community Development Programme (LGCDP) will be established to facilitate local governments to invest in micro-enterprise development promotion utilizing block grants. As the MoFALD is a member of MEDEP's Programme Board (see management arrangement section), institutional linkage is already established to operationalize this partnership. In addition, there is already a MoFALD and MoI jointly approved guideline to manage the district level Microenterprise Development Fund (MEDF) established in the DDCs, through which DDC contributions to micro-enterprise development have been channeled in the past. In Phase IV, MEDPA's and MEDEP's contributions will also be channeled through MEDF. Similarly, coordination and collaboration with GoN's programmes on forestry, agriculture ("One Village One Product" and now "One District One Product" initiative), and livestock will be established through the Ministry of Agriculture Development and Ministry of Forest and Soil Conservation, both of which are members of MEDEP Programme Board. Similarly all the districts offices of MoAD and MoFSC are the members of the District Enterprise Development and Implementation Committee.

Partnership and collaboration with GoN's Renewable Energy and Rural Livelihoods Programme (RERL), executed by the Alternative Energy Promotion Centre (AEPIC), will be materialized to ensure that the poor among the beneficiaries of the renewable energy systems RERL promotes will be supported by MEDEP (in MEDEP programme districts) for energy-based microenterprises so that while they benefit from energy for income generation, they can also afford to pay for the energy thereby making the energy system sustainable.⁶⁹

Programmes of development partners: Partnerships, collaboration and co-ordination with programmes of development partners are very important for achieving greater developmental impact. UNDP and MEDEP are already in discussion with various programmes of other development partners. While better coordination at the district level is what has been possible with some of the partners (e.g. Helvetas, ADB), possibilities for linkage have been explored with a few (e.g. JICA, SNV, GIZ; DfID, DANIDA, World Bank,

⁶⁸ As UNCDF's initiatives mentioned here are all in scoping phases, it is not possible to mention the nature of the partnership more concretely at this point in time. UNDP is engaged with UNCDF in the process of scoping the feasibility of their proposed initiatives with a particular focus on how those initiatives can link up with MEDEP IV.

⁶⁹ Discussions with AEPIC already held for this partnership and it was concluded that MEDEP and RREP can indeed work together at the district level since RREP also implements through the DDC. Details of the nature of collaboration will be worked out later.

IFAD) for value chain development, and specifics of partnership modalities are being discussed for active collaboration with the World Bank's Poverty Alleviation Fund and Enhanced Vocational Education and Training Project (EVENT).

Poverty Alleviation Fund: MEDEP is in the process of signing an MOU with the PAF. The core areas of PAF are community mobilization, productive micro-infrastructure and revolving fund established for income generation activities. Currently PAF does not provide support to enterprise development, which is an integral part of ensuring income generation is sustainable. As enterprise development is a key strength of MEDEP there is a valuable opportunity for collaboration among the two programmes.

Enhanced Vocational Education and Training (EVENT) Project: In order to replicate MEDEP model in 75 districts under MEDPA programme, GoN needs an increased number of human resources, especially Enterprise Development Facilitators. At present, only about 650 such facilitators are trained, which is less than the required number, even for implementing MEDPA programme in 50 districts. Discussion is going on with EVENT to provide scholarships for three year diploma and 15 month long Technical School Leaving Certificate (TSLC) in more than 20 different subjects with a target of 1,500 during the project period. There is already a TSLC on becoming Enterprise Development Facilitator (EDF).

AusAID's other initiatives:

Public Sector Linkage Programme (PSLP)/AusAID: MEDEP will be working with Post Doctoral students, who will be working in Harvest Technology in Central Queensland University, Australia under the small grant project on "Improving Mandarin Micro-Enterprises through a Systems Consideration in western and mid-western regions of Nepal". AusAID has directed them to work closely with MEDEP/Mol, Ministry of Agriculture Development (MoAD) and Institute of Agriculture and Animal Sciences, University of Agriculture and Forestry. It is an opportunity for MEDEP to lead them and develop a system of orange and sweet orange processing and fresh product export. If approved, this project will come into effect from November 2012 for three years. Coordination will also be established with Micro, Small and Medium Enterprises (MSMEs) aimed at building, strengthening and enhancing the capacity of MSMEs that are women-led and owned in Bangladesh, Bhutan, India, Nepal and Sri Lanka to derive greater benefits from regional markets and value chains, with the support of AusAID, UNDP, Commonwealth Secretariat, International Finance Corporation during 2013-2016. UNDP Asia Pacific is implementing Promoting Micro, Small and Medium Enterprises (MSMEs) to build, strengthen and enhance the capacity of MSMEs that are women-led and owned in Bangladesh, Bhutan, India, Nepal and Sri Lanka to derive greater benefits from regional markets and value chains, with the support of AusAID, UNDP, Commonwealth Secretariat, and International Finance Corporation during 2013-2016. In view of similar goals, close cooperation and linkage should be established with the project.

Partnership with Private Sectors:

Partnership with Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and Federation of Nepal Cottage and Small Industry (FNCSI): MEDEP has had partnership with both FNCCI and FNCSI for many years. Currently, both district chamber of commerce and FNCSI are members of the District Enterprise Development and Implementation Committee that oversees the programme at the district level. MEDEP works with them closely, particularly to support micro-entrepreneurs with market information, branding, labeling, etc. FNCCI is also promoting many agro-based and forest based products through the One Village One Product programme (now One District One Product program), and therefore, MEDEP promoted entrepreneurs will be linked up with this project.

Partnership with Federation of Handicraft Association of Nepal (FHAN): MEDEP has developed its partnership with FHAN for product design, Participatory Action Research of Banana Fiber extraction, and also established partnerships on Trade Fair Exhibitions. All

these activities are conducted on cost sharing basis. This partnership will continue under the new phase.

Partnership with Fair Trade Group (FTG): MEDEP and FTG are conducting Trade Fairs and Exhibitions on a cost sharing basis that has significantly improved the quality standard of the products and expanded market for micro-entrepreneurs' products. Some of the FTG members are buying products from MEDEP entrepreneurs and selling to international markets. This partnership will continue under the new phase.

Partnerships with Individual Business Houses: MEDEP developed partnerships with several individual business houses such as Gandaki Bee Concern, Nepal Dairy, Organic Village, Mahaguthi, and Women Entrepreneurs Association of Nepal Co-operative. Gandaki Bee concern provides technical training to beekeepers on a cost sharing basis with buy back guarantee of products. With such linkage some products have found a place in international markets such as Allo, Nepali Paper, Honey, Pater products, Dhaka, Incense Sticks, Herbal Soap, Nettle Powder, etc. although in small quantities.

MEDEP IV will also support the Ministry of Industry to effectively coordinate among the various development partners, private sector, and the Ministries active in the area of micro-enterprise development. Also in agreement with other development partners programmes, the component will develop a web portal where MEDEP's research documents, annual reviews, case studies and impact assessment will be made available to the public. Similarly this phase will help Government to organize monthly donor meeting on enterprise development for better synergy. The aim of the programme will be to share as much information as possible on the areas of MEDEP's intervention, and leverage collaboration with other private sector development programmes in Nepal. As the programme progresses, a multi-donor, multi-partner national programme will be developed in Sector-Wide Approach (SWAP) format to implement the programme sustainably.

PART 6: LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP, which is incorporated by reference, constitute a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA) and all CPAP provisions apply to this document.

This Programme document shall be the instrument referred to as such in Article 1 of the SBAA between the GoN and UNDP, signed on 23 February 1984. Consistent with Article III of the SBAA, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) Put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the Programme is being carried out;
- b) Assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement. The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Programme Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Programme Document.

PART 7: RESULTS AND RESOURCE FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:

Outcome 2: Vulnerable groups have improved access to economic opportunities and adequate social protection

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

Poverty incidence:

(a) % of employed people living below national poverty line

Baseline: 22% (NLFS 2010)

Target: 17% (2015)

(b) % of population below national poverty line

Baseline: 25.2% (NLSS III; 2010/2011)

Target: 20% (2017)

Applicable Key Result Area: to be updated with UNDP HQ's new strategic plan's result areas

Partnership Strategy: MEDEP IV will have partners both from Government and non-government sectors. The Ministry of Industry, Ministry of Forest and Soil Conservation, Ministry of Federal Affairs and Local Development, Ministry of Agricultural Development, National Planning Commission and the Nepal Rasta Bank will be direct partners in the role of implementing or collaborating agencies. At the district level too, partnership with District Development Committee/District Enterprise Implementation Committee, District Forest Office, District Agriculture Office, District Livestock Service Office as well as district branches of the Federation of Nepalese Chambers of Commerce and Industries and Federation of Nepalese Cottage and Small Industries will be sought for programme implementation. Similarly, association of entrepreneurs at all levels will be partners especially for monitoring and advocacy. Service providing organizations such as the business development service providers and financial service providers will be key to ensuring effective delivery of the programme. Collaboration with other civil society organizations representing MEDEP's beneficiary groups such as the Association of Youth Organizations Nepal, District Dalit Coordination Committee, District Janajati Coordination Committee, National Federation of Disabled-Nepal, etc. will be sought in the process of programme implementation.

Programme title and ID (ATLAS Award ID): Micro-enterprise Development Programme (MEDEP), Phase IV

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS (tentative breakdown)
Output 1 A sustainable delivery system for Micro-Entrepreneurship Development in Nepal with at least 73,000 new micro-entrepreneurs created in 5 years, 60,000 of which resilient, Women - 70%, Men -	1. 30,000 new micro entrepreneurs created directly	1.1 Conduct resource and market analyses in programme districts taking into account infrastructural development like rural roads, energy availability or projects, communication technology, and rural market centers, as well as natural resource base. 1.2 Identify VDCs using DAG mapping, population census, etc. and conduct PRA to select target settlements and HH survey to establish baseline on poverty status 1.3 Social mobilization and formation of micro-entrepreneurs' groups (MEGs), training on group management and group savings, etc. 1.4 Provide entrepreneurship development (SIYB) training to	Mol, DDC, VDC, CSIDB, DCSI, BDSPO, DMEGA, District Agriculture Department, District Forest Department, MFIs, private sector,	\$20,912,580

<p>30%, Dalits – 30%, Indigenous Nationalities (Adibasi – Janajatis) – 40% (should focus more on Groups 1 to 4 categorised by National Foundation for the Development of Indigenous Nationalities - NEFIN, Government of Nepal), Other Castes – 30%, Unemployed Youths as per government policy of age group between 16 to 40 years – 60%, Unemployed Youths of age group between 16 to 30 years – 40% (mainly Unemployed Youths this age group migrates for job abroad), Madheshi – 40% (it will include all Madhesh origin Dalits, IN, Women, Men,</p>		<p>target beneficiaries</p> <p>1.5 Provide technical skill training and appropriate technology/equipment support to the entrepreneurs for establishing of enterprises</p> <p>1.6 Provide/arrange Common Facility Centres to hard core poor groups and link to financial service providers</p> <p>1.7 Support for market linkage locally and continue with business counselling</p> <p>1.8 Resilient support to existing micro-entrepreneurs</p> <p>1.9 Execute RBM&E Guideline and Result Measurement Framework along with Revamped GSIMIS</p>	
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<p>Youths, Other castes, etc.)</p>	<p>2. MED service providers able to deliver MED sustainably</p>	<p>2.1 Conduct market analysis to understand resource base, overall capacity and understanding of MED and MED service market, and to identify potential partners.</p> <p>2.2 Develop training modules with training institution to target potential MED service providers.</p> <p>2.3 Support commercialisation of training modules.</p> <p>2.4 Support and mentor NEDC (or similar organisation) to develop and actuate market strategy based on a MED curriculum developed in partnership with MoI/MEDPA.</p> <p>2.5 Mentor MED service providers that intend to invest in developing MED capacity and bid for MEDPA contracts.</p> <p>2.6 Support NEDC to develop socialisation events to replicate success in delivering MED.</p> <p>2.7 Support NEDC to develop and establish various published and electronic resource materials and access to useful online resources in the sector of enterprise development.</p> <p>2.8 Support NEDC to conduct TOTs on a number of key trainings to produce local trainers in the areas related to micro-enterprise development as well as Programme management</p> <p>2.9 Support Training Institutions to develop standardized courses/trainings to produce the necessary human resources such as Forest Enterprise Development Facilitator, Agriculture Development Facilitator, etc.</p>	<p>MoI, MEDPA, NEDC, MED Service Providers, FNCCI, FNCSI</p>	<p>\$803,182</p>
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	<p>3. Institutional Capacity of the Central Government developed for implementing GON's MEDPA programme</p>	<p>3.1 Provide advisory and technical support to the Secretariat of the national level Committees established to drive and oversee for MEDPA.</p> <p>3.2 Improve capacity of MEUs at MoI, CSIDB, DCSI on MEDEP model, implementation mechanisms, coordination and results-based planning, budgeting, M&E (including revision of model).</p> <p>3.3 Improve capacity of line ministries such as MoFLD, MoA, MoFSC to understand and implement micro-entrepreneurship creation as a poverty reduction tool.</p> <p>3.4 Establish and strengthen gender and social inclusion responsive MIS database along with RBM&E guideline at MoI, DCSI and CSIDB and build capacity to analyze data for effective monitoring and planning.</p> <p>3.5 Support MoI to effectively document and communicate its plans, programmes and achievements and carry out procurement for MEDPA.</p> <p>3.6 Support MoI to create synergy among various sectoral agencies engaged in the areas of income generation/self-employment at the central level for the optimum use of resources in achieving the national goal of poverty alleviation.</p> <p>3.7 Support MoI for scale up service to the existing micro-entrepreneurs in 50 MEDPA districts for the resiliency of the existing enterprises.</p> <p>3.8 Support MoI to establish accreditation programmes with training institutions and NEDC.</p> <p>3.9 Support MoI to establish MED knowledge centre</p>	<p>MoI, CSIDB, DCSI, NEDC</p>	<p>\$710,812</p>
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<p>Output II: Micro-entrepreneurs' access to a number of business development services such as markets, finance, improved</p>	<p>4. Institutional Capacity of the district level implementing partners (Government, Private Sector, NGOs) developed for implementing GON/MEDPA programme including local bodies (43,000 micro-entrepreneurs delivered in 5 years)</p>	<p>4.1 Build capacity of DCSIO, CSIDB, DDC, DEIC to understand and implement the six stages of MEDEP's integrated model (social mobilization and PRA methods, SIYB TOTs, access to finance, M&E, GSI Programme cycle management, report writing, including M&E, procurement and public finance management, contract management.</p> <p>4.2 Orientation on gender and social inclusion, women's empowerment and peace sensitive planning and programming.</p> <p>4.3 Orientation on needs identification, PRA methods, market analysis and micro finance.</p> <p>4.4 Support to strengthening the district coordination mechanism (DEDIC), advocacy and district level resource mobilization.</p> <p>4.5 Support to districts, municipalities and VDCs interested to invest in micro-enterprise activities to develop DEEP, MEDEP and VEDP through bottom up approach.</p> <p>4.7 Fiduciary/readiness assessment of potentially graduated DDCs and provision of grants to graduated DDCs for implementation of MED.</p>	<p>MoI, DDC, VDC, CSIDB, DCSI, MED SPs, DMEGA, NEDC.</p>	<p>\$1,074,050</p>
<p>Output II: Micro-entrepreneurs' access to a number of business development services such as markets, finance, improved</p>	<p>5. GoN makes use of relevant evidence and dialogue in MED policy making and planning. More research and evidence on MED</p>	<p>5.1 Support Government to revise Industrial Enterprise Act 2049 in line with Industrial Policy 2067.</p> <p>5.2 Support Government to finalise Sub-Contracting Policy (for linkages between large and small enterprises) and Subcontracting Acts and By laws.</p> <p>5.3 Review and identify gaps in sectoral policies/Laws and recommend for harmonization.</p>	<p>MoI, NMEFEN, DMEGA, NEDC, Research Institutions</p>	<p>\$255,275</p>

<p>technologies and advocacy, sustainably provided (on a cost-recovery basis) by ME associations and/or private providers.</p>	<p>is available.</p>	<p>5.4 Support Government to develop guidelines to promote agro and forest based micro-enterprises.</p> <p>5.5 Support Government to prepare or revise guidelines and manuals for sustainable internalization of MEDEP into the MEDPA.</p> <p>5.6 Support Government to prepare a multi-donor, multi-partner programme document by 2017.</p> <p>5.7 Build capacity of Research Institutions to conduct market analysis, and research on product development, access to finance, and MED, and develop commercial strategy for dissemination.</p> <p>5.8 Support ME associations to carry out advocacy following a consolidated and effective methodology.</p> <p>5.9 Support Government to establish dialogue platforms and carry out dialogue effectively.</p>	
<p>6. NMEFEN, DMEGA and other similar organisations deliver relevant services to graduated micro-entrepreneurs on a sustainable basis, including advocacy;</p>	<p>6.1 Identify the current status of existing micro-entrepreneurs members of associations in terms of their readiness for scale up.</p> <p>6.2 Support ME associations to develop vision and business plan on the basis of identified members needs.</p> <p>6.3 Mentor ME associations in developing and delivering services to members such as trainings (TOEE, TOGE), access to markets, identification of useful technology, financial counselling, revision of business plans, etc. At least 5 service toolkits commercialised by end of programme.</p> <p>6.4 Support ME associations to develop SMS information/communication platform with members.</p> <p>6.5 Mentor ME associations in the delivery of services, and</p>	<p>NMEFEN, DMEGA, MEGA, MFIs, private sector</p>	<p>\$1,594,370</p>

		in organising exposure visits to other districts, organise trade fairs/exhibitions to provide opportunities for diversification.			
	7. Access to finance improved; X cooperatives developed; Y linked to wholesale lending; Z micro-entrepreneurs have access to finance	<p>7.1 Research on micro-entrepreneurs' financial needs and appropriate products and services required for them.</p> <p>7.2 Platforms created for sharing knowledge and experiences among financial service providers to serve micro and small entrepreneurs more effectively.</p> <p>7.3 Deliver financial literacy trainings to micro-entrepreneurs.</p> <p>7.4 Support NMEFN and DMEGA to create and build capacity of cooperatives and linking them with wholesale lending institutions.</p> <p>7.5 Firm agreement between NMEFN and financial institutions to recognise MED graduation mechanism and risk-profile ME graduated borrowers.</p> <p>7.6 Support NMEFN and DMEGA to develop innovative financial products in partnership with MFIs (i.e. crowd-financing).</p>		NRB, FSPs, federation of cooperatives and development banks, cooperatives	\$1,034,818
Programme Support Cost	Programme Support Cost	Salary of management staff, house rent and related utilities, vehicle purchase and maintenance, other equipments, communication, travel cost, office supplies, monitoring and evaluation.		MEDP/UNDP/Ausa ID	\$7,862,341
Total					\$34,247,429