

Micro-Enterprises Development for Poverty Alleviation

Volume II



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Natural Resource, Market Demand and Target Group Analysis of Rukum District¹

Abstract

MEDEP was initiated in July 1998 to create off-farm employment and income opportunities for the rural communities in 10 districts. The programme got three extensions and covered 36 districts by 2010. MEDEP aims to achieve its objectives through the development and promotion of micro-enterprises. Its intervention is based on the thorough understanding of the local resource potential, people's demand and market opportunity. Rukum was added as a new district in the third phase and therefore there was a need to conduct this study to furnish this information. Though all the potential market centres could not be covered under this study, on the basis of the availability of raw materials and natural resources at the identified 10 market centres, this study has found that there is a high potential of establishing herbal, fruit, fresh vegetable and vegetable seed, processing and grading micro-enterprises. MEDEP should coordinate with other line agencies to give priority to those activities which are best suited to the MEDEP target groups.

1. Introduction

1.1 Background to the Study

MEDEP was initiated in July 1998 to create off-farm employment and income opportunities for the rural communities in 10 districts. The programme was further expanded to 11 more districts in Phase II (2004-07). Upon its significant impact on poverty reduction, MEDEP was further extended to Phase III (2008-13). MEDEP has been identifying the poorest of the poor, socially excluded groups, ethnic minority groups and indigenous peoples and involving them in micro-enterprises. MEDEP aims to diversify the livelihoods and increase the incomes of low-income families through the development and promotion of micro-enterprises. MEDEP provides and coordinates entrepreneurship training, technical skills training and micro-finance access for potential micro-entrepreneurs to local natural resource- and service-based micro-enterprises.

1.2 Statement of the Problem

MEDEP's intervention and entry is based on the thorough understanding and study of the local resource potential, people's demand and market opportunity. This approach has been successful to establish sustainable micro-enterprises. In this regard, MEDEP needs to carry out analysis of natural resource potential, market demand and target groups to implement its programme in any new district. Rukum was added as a new district in the third phase and therefore there was a need to conduct this study in Rukum.

¹ By Natural and Organizational Resource Management Services (NORMS) 2010 - Study commissioned by MEDEP

1.3 Objectives of the Study

The main objective of this study was to identify natural resource-based potential micro-enterprises, potential markets and target groups to be reached in Rukum for MEDEP.

The specific objectives of the study were to:

- analyze availability of the resources for micro-enterprise development,
- analyze the policy issues and constraints in utilizing the resources,
- identify the target groups of MEDEP,
- identify the rural market centres as the potential growth centre of micro-enterprise development, and
- analyze the possibility of developing local resource-based micro-enterprises for export.

2. Literature Review

2.1 Overview of Rukum District

Rukum is a remote district of the Mid-western Development Region. Administratively, the district has two electoral constituencies, 11 Ilakas and 43 VDCs. Of the total population (188,438), 63.43 percent were economically active. The average family size was 5.62 members (CBS, 2001). Of the total population, about 30 percent were Janajati and 21 percent were Dalits. The average literacy rate was 30.6 percent with a vast gender discrimination (men 43.2% and only 16.3% women).

Agriculture occupies 15.8 percent and forest 58.39 percent of the total (287,700 ha) area of the district (LRMP, 1985). Agriculture gives employment to 87.84 percent households. There were 25 percent ultra poor (households with food sufficiency less than six months) households. Due to climatic and geographical variability, the district is rich in bio-diversities and natural resources and has the greatest possibilities in exploiting high-value low-volume products in agricultural, forest, and off-farm sectors.

The district is underdeveloped from the industrial point of view. There are no big industries established so far. Cottage and small industries are the major dominating industries in the district. There were 381 natural resource-based industries registered, some of them were not renewed. The forest-, agro- and non-farm-based micro-enterprises were just a few in number.

2.2 Micro-enterprise-related Policies and Laws

Including the Micro-Enterprise Policy 2007, there are 25 different Acts, rules, regulations and policies governing the establishment and management of micro-enterprises. A number of policy documents and legal procedures control and define the enterprise registration processes, which are complicated and inaccessible to many micro-entrepreneurs. Facilitating institutions are instrumental in this process to help micro-entrepreneurs. The Industrial Enterprise Act, 1992, The Companies Act, 2006, Cooperative Act, 1993, and Forest Act, 1993 are the main legal documents relevant for registering forest-based micro-enterprises. Environment Protection Act, 1997 and Environment Protection Rules 1997

require that enterprises which collect raw materials from the forest must conduct Initial Environmental Examination and Environmental Impact Analysis before operating enterprises and processing raw materials.

Micro-enterprises can be registered as a cooperative if there are more than 25 members interested in producing similar goods. Goods produced under cooperatives are not allowed for export by cooperatives outside the country due to which it is not suitable for those products which are marketed directly by micro-enterprises. This is because the certificate of origin is required for marketing goods internationally, which is given by the FNCCI. It is hard to get such a letter in the case of cooperatives, because cooperatives cannot become a member of the FNCCI. The Industrial Policy 2009 has foreseen a strong role of VDC in registering micro-enterprises, fixing location of the factory, and also deciding proximity from the forests. However, such provisions are not legally enacted yet, and therefore the registration of micro-enterprises must follow the provisions of the existing legal documents.

3. Research Methodology

3.1 Conceptual Framework

This study has used the concept of subsector analysis of the natural and other products with special focus on natural resource of the district, market situation and target group identification. This concept was guided by MEDEP's sustainable intervention framework that requires thorough understanding of the local resource potential, people's demand, and market opportunity.

3.2 Analytical Framework

Identification of policy gaps and legal hurdles while extracting natural resources as raw materials was the starting point to design the study tools and processes. Analysis of natural resource, existing and potential markets within the district and the potential target groups was focused on possibility of creating and developing micro-enterprises on a sustainable basis.

3.3 The Data

This study was conducted in Rukum district including 43 VDCs covering all potential market centres, natural resources and target groups. Required information was collected by using participatory methods and approaches. Both quantitative and qualitative information were collected from various sources. Primary data was collected by using both person-specific and group-focused surveys. Secondary data was obtained from a wide array of qualitative and quantitative sources such as case studies, literature reviews and desk research to provide information on various aspects of natural and other high-value products. Efforts were made to cover entire topic of the terms of reference and visit all market centres. Due to poor road network and seasonal availability of transportation facility, all the market centres in the district could not be covered.

4. Results and Discussions

4.1 Resource Availability

Agro-based resources: Rice, maize and wheat were the main crops grown in terms of area and productions. Rice-based cropping pattern in irrigated land and maize-based in upland was common. In terms of area (18,650 ha) and production (29,840 mt tons), maize was found as a potential crop for food security and value addition in the district. Citrus was found as a most important economic fruit that was being grown in remarkable areas (305 ha) producing 3,631 mt tons. Other important crops are off-season vegetables (1,650 ha), potato (1,600 ha) and ginger (130 ha). Rukum is also becoming popular for vegetable seed production. It produced 33 mt tons of vegetable seeds (radish, cauliflower, pea, onion, etc.) in nine VDCs with most of it (about 17 mt tons) produced in Kholagaun and Nuwakot.

Livestock-based resources: The major livestock raised are cattle, buffalo, goat, sheep and pig. Goat is raised for meat only while sheep is for meat and wool. Poultry is also a growing enterprise for commercialisation. The data shows that pasture land shares 20.19 percent of the total land which is highly remarkable. Hence, livestock might be a reliable enterprise in high lands.

Forest-based resources: Rukum is rich in bio-diversity. The total forest cover of the district is 171,194 ha (58.39% area of the district). In 2003/04, there were 255 community forests covering 9,555.84 ha with 23,093 households, and presently, there are 402 community forests. About 189.73 ha have been handed over to 61 Leasehold Forest Users' Groups. The quantity of forest resources in these forests is presented in Table 1.

Table 1: Quantity of forest resources (NTFP)

NTFPs	Quantity (quintals)	Location
Samayo	2090	Kotjhari, Nuwakot VDCs
Uttis	717	Syalgadhi, Hukam and Kol VDCs
Chiraito	932	Syalgadhi, Hukam and Kol VDCs
Padamchal	900	Sisne, Gautamkot, Puang, Taksera and Hukam VDCs
Kutki	235	Syalgadhi, Sisne, Puang, Gautamkot and Jang VDCs
Karajchulthe	3350	Sisne, Gautamkot and Syalgadhi VDCs
Jatamasi	200	Syalgadhi, Sisne, Puang, Gautamkot and Jang VDCs
Tejpat	24,000	Syalgadhi, Sisne, Puang, Gautamkot and Jang VDCs
Timur	20,000	Sankh, Rugha, Valakcha, Pipal
Dalchini	15,000	Jang, Duli, Bhalakcha, Jhula, Kanda, Sankh, Chunwang
Okhar	15,000	Syalpakha, Syalkhadi, Rangsi, Kol, Morawang
Rittha	15,000	Sankh, Syalpakha, Pokhara, Pipal
Kurilo	25,000	Duli, Shova, Pokhara, Mahat, Pwong, Jhula
Chyuri	13,500	Pwong, Pokhara, Pipal, Baphikot, Ghetma
Amala	20,000	Shova, Sankh, Pokhara, Chunwang, Mahat, Rukumkot
Lokta	5000	Kanda, Kol, Rangsi, Kankri, Mahat, Morawang
Allo	15,000	Ranmamaikot, Hukam, Rangsi, Takasera, Kol
Bamboo	3,500 clumps	Simli, Rugha, Bhalakcha, Chiwang

Source: District Forest Office, Rukum

4.2 Assessment of Potential Enterprises for Promotion

This study has found vegetable production, mushroom farming, vegetable seedling production, citrus fruit production, banana farming, apple farming, and beekeeping as the potential agro-based enterprises that can be promoted in Rukum. Likewise, the potential herbal soap production, nigalo/bamboo-based handicraft production, kurilo (asparagus) production, *timur* production, Allo processing, bhimal and ketuky rope production, Nepali paper-making, and furniture-making were found as the potential forest-based enterprises. More specifically, the performance of herbal soap of Chyuri produced in Pokhara VDC-2 is very good where 16 disadvantaged farmers are involved. Soap weighing 80 grams has been sold locally at Rs 30. It has a huge demand in local, national and international markets (preferably in Muslim countries). Therefore, herbal soap production using Chyuri ghee can be promoted in all market centres of Rukum district.

The potential off-farm enterprises were bakery, shoe-making, *aran* (blacksmithery) improvement, improvement in sewing work, repairing of watch, radio, TV, mobile phone and solar power, hotel business and shop keeping.

4.3 Potential Target Groups

The target group here refers to the MEDEP target groups namely people living below the poverty line, Janajati, Dalits, Muslims and other Terai groups. These groups comprised 960 landless households, 130 Muslim households; 51,977 youths, 15,634 Janajati and 4,469 Dalits in Rukum. Among them, women were of special focus.

4.4 Potential Market Centres

Musikot, the district headquarters, is the main market centre. Other marketing places are Jhulneta, Bafikot, Rukumkot, Aathabiskot, Pokhara, Nayagaad, Domai, Chaurjahari, Simmrutu, Bairagi, Thati, Chunwang, Simli, Kakri, Gautamkot, Kol, Maikot, Charganu, Baakejiula, Kharaih, Kotjahari and Narji. For the implementation of MEDEP, DEDC has selected 10 market centres. These are Chinkhet, Rukumkot, Taksera, Radijiula, Simli, Chaurjahari, Jhulkhet, Simmrutu, Khalanga and Ranmamaikot. These market centres were selected based on the availability of raw materials, possibility for developing raw materials needed for operating an enterprise, target beneficiary groups (poor, Dalits, women, youth and ethnic groups, etc.), physical infrastructure (road linkage), communication and remoteness, possibilities of available technology, market demand, investment probability, interest of people in starting the business, high possibilities in having demonstration effects needed for enterprise expansion and available human resource in MEDEP office and NGOs.

Some product-specific market opportunities and constraints were also identified. The market opportunities are presented in Table 2. Unorganised producers (no group), lack of awareness and skill, network, market opportunity, agro-vet services, financial services, etc. were found as the major constraints in marketing.

Table 2: Market opportunities

Products and services	Markets
Fresh vegetables	Local, district and Dang
Vegetable seeds	National and international
Herbal soap	Local, national & international
Allo yarn, handmade paper	Local, national, international
Bamboo products	Local and district
Bhimal and <i>ketuke</i> rope, woollen items, <i>Amriso</i> broom	Local, district, national
Fruits, beekeeping, <i>sutho</i> and ginger candy, <i>sisno</i> powder	Local, district, national
Cultural products	Local, district, national
Solar maintenance, hair cutting	Local

4.5 Resource Use and Conservation Management Issue

The NTFPs have been recognized as the most important forest products. Promotion of NTFP-based enterprises, therefore, will extract more NTFPs from the forests. Hence, a well-designed plan is required for sustained harvesting and conservation of the forest resources. Local people have indigenous knowledge in many cases. Their knowledge can be combined with scientific techniques for the NTFP management, amount to be extracted, and harvesting season and techniques. Biology, phenology and time of harvesting, distribution, uses and several other aspects should be considered to prepare a harvesting plan of any forest.

4.6 Potential Micro-enterprises for Employment Generation

This study found that there are two ways of generating employment opportunity - by scaling up of existing enterprises and by promoting the potential ones. It was estimated that more than 2,400 households would benefit by promoting micro-enterprises in Rukum. Out of it, 1,000 households would benefit by the promotion of fresh vegetable and seed production, 100 by fruits, 50 by rope production, 200 by Allo products, 200 by bamboo products, 200 by herbal soap, 75 by bakery, 100 by beekeeping, 50 by woollen products, 50 by cultural products, 200 by *sutho* and ginger candy, 50 by *sisno* powder, 15 by haircutting and 20 by solar maintenance works.

4.7 Capacity Building of Stakeholders

MEDEP is partnering with the GOs and NGOs to implement the programme. In Rukum, HURED-CARC is working with MEDEP as a BDSPO. Likewise, District Forest Office is supporting in forest-based enterprises development. The DDC is leading the programme in the district. The DEDC has been formed in the district for the implementation of the programme. MEDEP should strengthen the capacity of these stakeholders as presented in Table 3.

Table 3: Capacity enhancement area

Stakeholder	Role of stakeholder	Capacity enhancement activities
Partner NGO	Implementation of MEDEP	Orientation to CF operational plan, NTFPs and enterprise development, development of local resource persons, networking, etc.
DEDC	Provide forum for implementation of MEDEP	Sustainable enterprise development and resource management, development of local resource persons, vocational training, networking, etc.
DFO	Technical support for forest-based enterprises	The NTFP enterprise and marketing, resource inventory, development of local resource persons, support for collection, processing and packaging technologies, coordination, etc.
DADO	Technical support for agro-based enterprises	Training in marketing, establishment of seed entrepreneurs, participation in trade fairs, coordination, etc.
Cottage industry	Skill development	Training and follow-up support to enterprise development, coordination with other line agencies, participation in exhibitions, exposure visits, etc.

5. Conclusions and Recommendations

5.1 Conclusions

On the basis of availability of raw materials and natural resources at the identified 10 market centres in Rukum district, this study has found that there is a high potential of establishing herbs, fruit, fresh vegetable and vegetable seed, processing and grading micro-enterprises. Likewise, it was also found that there is a possibility of establishing other forest-, agriculture- and livestock-based micro-enterprises. On the market side, it was also found that these micro-enterprise products have a lot of demand in the local, district, national and international markets for some selected products such as Allo fibre and herbal soap.

5.2 Recommendations

On the basis of the conclusions drawn, this study has recommended the following activities for the promotion of micro-enterprises:

- Promote off-season vegetables production near by the road and promote vegetable seed production in the remote areas for summer and winter vegetables.
- Promote ginger, turmeric, lemon, orange, honey, Allo, and wool processing enterprises.
- Promote forest-based local processing enterprises like Allo Processing to make threads and clothes, *Bhimal* processing for rope, *ketuki* processing, Amala candy, *sal* leaf plates.

- Focus on value addition rather than production efforts.
- Establish Saugat Griha in Rukum to make their products available to main market centres like dry meat (sukuti), *Chuk amilo*, etc.
- Assist to conduct local level interaction and trade fair in Rukum for their products in collaboration with Chamber of Commerce and Industry and other stakeholders.
- Develop capacity of local entrepreneurs on production technologies for off-season vegetables, collection, processing, and packaging technologies particularly on forest resources like Allo, *sisno* powder, agriculture resources like seed, ginger, garlic, turmeric wool products.

MEDEP should give priority to coordination and linkage with other line agencies (VDC, NGOs and others) for external funds. While seeking support from other organizations, priority should be given to those activities which are selected for the poorest of the poor, vulnerable and disadvantaged Dalit communities.

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