



# MICRO-ECONOMIC INITIATIVES PROGRAMME IN NEPAL

JOINTLY IMPLEMENTED BY THE ICRC AND THE NRCS  
(2006-2009)



International Committee of the Red Cross  
GPO Box: 21225, Meen Bhawan,  
Naya Baneshwor, Kathmandu, Nepal.  
T +977-01-4107285/4107279 F +977-01-4107137  
E-mail: [kathmandu@icrc.org](mailto:kathmandu@icrc.org) [www.icrc.org](http://www.icrc.org)  
© ICRC, January 2011



Nepal Red Cross Society  
National Headquarters, Red Corss Marga,  
PO Box: 217, Kalimati,  
Kathmandu, Nepal.  
T +977-01-4272761/4270650 F +977-01-4271915  
E-mail: [nrcs@nrcs.org](mailto:nrcs@nrcs.org) [www.nrcs.org](http://www.nrcs.org)

# TABLE OF CONTENTS

<b>LIST OF ACRONYMS</b>	2
<b>FOREWORD</b>	3
1. THE IMPACT OF THE CONFLICT ON LIVELIHOODS	4
2. RATIONALE FOR THE MEI PROGRAMME	5
3. ADAPTATION OF THE MEI METHODOLOGY TO THE NEPAL CONTEXT	6
3.1 ICRC/NRCS partnership and joint implementation	6
4. SALIENT FEATURES OF THE MEI PROGRAMME IN NEPAL	7
4.1 Grants in the form of in-kind assistance	7
4.2 Doorstep assessment and delivery	7
4.3 Individually customized assistance and bottom-up approach	7
4.4 Provision for families with urgent basic needs	7
4.5 Simple procedures and low overhead costs	7
5. PROFILE OF THE MEI BENEFICIARIES	9
6. MAIN STEPS OF MEI PROGRAMME IMPLEMENTATION	10
6.1 Identification and selection of beneficiary families	11
6.2 Identification of the appropriate MEI assistance package	11
6.3 Types of MEI project	11
6.4 Delivery of MEI assistance	11
6.5 Monitoring of and support for beneficiaries	12
6.6 Linkages and support services for MEI beneficiaries	12
7. GEOPGRAPHICAL COVERAGE AND NUMBER OF BENEFICIARIES	13
8. OUTCOME OF THE MEI PROGRAMME AND ITS IMPACT ON BENEFICIARY HOUSEHOLDS	14
8.1 Relevance of the MEI programme	14
8.2 Effectiveness (impact on household income)	15
9. SOME OF THE LESSONS LEARNED	17
<b>ANNEX 1</b>	20
<b>LIST OF CASE STUDIES</b>	
Case study 1:	22
Case study 2:	23
Case study 3:	24
Case study 4:	25
Case study 5:	26
Case study 6:	27
<b>LIST OF FIGURES</b>	
Figure 1: MEI implementation	10
Figure 2: Number of beneficiaries per district and per implementation phase	13
Figure 3: Results by type of project and weighted average	15
Figure 4: Household expenditure patterns	20

# LIST OF ACRONYMS

ICRC – International Committee of the Red Cross  
IDP – Internally Displaced Persons  
MEI – Micro-Economic Initiative  
NGO – Non-Governmental Organization  
NPR – Nepalese Rupees  
NRCS – Nepal Red Cross Society  
NRCS DCs – Nepal Red Cross Society District Chapters  
RFL – Restoring Family Links  
USD – United States Dollars

# FOREWORD

During the period of armed conflict in Nepal, the NRCS and the ICRC worked in most parts of the country and in close proximity to thousands of already impoverished families whose lives had been shattered by the armed conflict and whose economic security had been dangerously undermined. Soon after the signing of the Comprehensive Peace Accord in November 2006, our organizations therefore decided to launch an ambitious micro-economic initiative programme aimed at helping those families hardest hit by the conflict to restore their livelihoods.

“Micro-economic initiative” is a term used by the ICRC to refer to an income-generating programme implemented using a bottom-up approach, whereby each beneficiary helps identify and design the assistance to be received. This approach is unlike other production initiatives, which are generally agricultural in nature and consist in the distribution of assistance kits with identical inputs to all the intended beneficiaries. Placing the beneficiaries at the heart of the decision-making process not only ensures sustainable outputs through greater ownership of the project, it also has a strong psychosocial impact on their lives.<sup>1</sup>

The ICRC started its first MEI programme in 2001, in Serbia, and the approach was so successful that it was expanded worldwide. More than 150,000 individuals have since benefited from the 30,000 MEI projects implemented.

The programme in Nepal was rolled out during a three-year period in the 35 districts deemed most affected by the conflict and is one of the three largest MEI programmes implemented by the ICRC. Its success is largely due to the close partnership between our two organizations: the ICRC provided financial and technical support while the NRCS handled implementation. In all, 316 volunteers visited approximately 8,800 families, of which 5,050 benefited from an MEI.

During the final stage of the programme’s implementation, we jointly carried out a final and comprehensive review to assess its impact, various organizational and technical aspects and the efficiency of the operational partnership between our two institutions. The findings of this review revealed that the programme was highly relevant to the beneficiaries in the sense that it was timely (it was implemented before the Government started providing interim relief) and met their need for a sustainable form of income support (on average, beneficiaries increased their monthly income by about 30 per cent).

The lessons we have learned from this exercise will be useful for replicating the programme elsewhere. For example, the findings confirm that MEIs are most successful when they help the skilled and enterprising victims of a sudden external shock, like displacement, an incapacitating injury or the loss of the family breadwinner. The long-term unemployed and structurally poor are less likely to succeed, and selecting the right candidates is the single most important determinant of success.

We felt it was important to share some of these findings and lessons learned, so that other organizations, donor agencies or governmental institutions can benefit from them while supporting or engaging in similar production initiatives. Indeed, MEIs are well suited to meet the needs of victims of the recurrent natural disasters occurring in Nepal. They are also particularly well adapted to urban environments, where there is a bigger market for the goods produced by the beneficiaries. This is an important consideration given the demographic trend towards urbanization.

We therefore hope that this brief report will be of interest to individuals and institutions whose common goal is to help the many Nepalese families struggling to survive and who, with modest but properly adapted support, can reclaim their livelihoods and dignity.

Patrick Vial  
Head of Delegation  
ICRC Nepal

Dev Ratna Dhakhwa  
Secretary General  
NRCS

1. The ICRC publication Micro-economic initiatives: handbook can be downloaded at: <http://www.icrc.org/eng/resources/documents/publication/p0968.htm>. It features lessons learned from previous MEIs, describes best practices and proposes tools to meet inherent challenges.



# 1. THE IMPACT OF THE CONFLICT ON LIVELIHOODS

The decade-long armed conflict in Nepal left approximately 16,000 people dead and rendered many others displaced, jobless, orphaned, disabled or missing. The resulting loss of valuable human resources, infrastructure and development opportunities cannot be overestimated.

The rural population of Nepal, especially those already suffering from chronic economic vulnerability, was hit hardest by the conflict. Access to food, basic infrastructure and services or employment opportunities became even more difficult.

Since most of the people who were injured, killed or went missing were breadwinners, many households found themselves consisting only of elderly people, children and women and in a state of increased vulnerability. There was a steep increase in the number of women-headed households, with mothers, wives, sisters or daughters becoming responsible for family affairs. The families of widows and wives of missing persons in particular often lived in extreme hardship.

The economic plight of these conflict-affected households was exacerbated by the low skill levels of their members. Many had not been actively engaged in income-generating activities before the conflict, but had to take on the burden of supporting their households. Most inhabitants of rural Nepal are still dependent on agriculture for their livelihoods, including subsistence agriculture and small-scale livestock rearing. Remote hilly districts, particularly in the west of the country, have long witnessed widespread migration of the active male population for seasonal employment, mostly across the border to India. The region's inhabitants thus tend to have relatively few specific skills for self-employment, especially given the low literacy rates (which are even higher among women). With the conflict, migration intensified, further reducing the availability of skilled hands to support families.

The Comprehensive Peace Accord of 2006 put an end to the conflict, but the acute economic vulnerability of thousands of households across Nepal nevertheless called for remedial action aimed at restoring their dignified living conditions.

## 2. RATIONALE FOR THE MEI PROGRAMME

During the conflict and in the immediate aftermath, government services were largely non-functional in many rural areas. Likewise, development activities were seriously disrupted and their operators found it difficult to reach the areas hardest hit by the conflict and resume their programmes. As a result, only very limited and small-scale projects were carried out in a few select communities in district headquarters (main towns), while more vulnerable communities in remote areas were left out.

Following the Comprehensive Peace Accord, non-governmental humanitarian agencies struggled to re-establish their presence and to resume their activities in conflict-affected areas. Thanks to their continued presence and reach in the affected areas even during the conflict, the ICRC and the NRCS were comparatively better placed to bridge the gap between the immediate needs of the population and the services available. During the conflict, the ICRC had assisted people directly affected by the hostilities, visited persons detained to ensure they were treated humanely, traced missing persons<sup>2</sup> and, with support from the NRCS DCs, helped restore family links<sup>3</sup>.

Towards the end of the conflict, concerned that the vulnerability of conflict-affected families would be compounded by the unavailability of services, the ICRC and the NRCS decided to launch a programme based on the MEI concept. This programme was designed to help restore the livelihoods<sup>4</sup> of the most vulnerable conflict-affected families economically. Its objective was to help the families resume the economic activities they had been involved in or were familiar with before the conflict, rather than to empower them with new skills. The ICRC and the NRCS considered that a fixed grant would allow the beneficiaries of the MEI programme rapidly to generate income that would improve their living conditions.

---

<sup>2</sup> In Nepal, the ICRC defines a missing person as an individual who is unaccounted for as a result of the armed conflict waged in the country between 13 February 1996 and 21 November 2006, and whose family is still waiting for clarification of his or her fate and whereabouts.

<sup>3</sup> Restoring Family Links (RFL) is the general term given to a range of activities that aim to prevent the separation of families and the disappearance of family members, to restore and maintain contact between family members and to clarify the fate of persons who have been reported missing.

<sup>4</sup> Livelihoods are defined as the sum of assets through which households/communities obtain and maintain access to the resources required to meet their immediate and long-term essential needs.

### 3. ADAPTATION OF THE MEI METHODOLOGY TO THE NEPAL CONTEXT

The MEI programme was designed as a production activity<sup>5</sup> that would help families recover their livelihoods, rather than a relief operation to meet their immediate needs and help them cope with shocks.

In several other conflict-affected countries, the ICRC implements MEI programmes for groups: following a needs assessment, a standardized package (containing, for example, seeds, agricultural tools and irrigation pumps) is provided to a community as a whole. In Nepal, the programme's general approach, methodology and resources were adapted to address the diverse needs of individual conflict-affected households while taking into account their existing skills, capacities and preferences.

The beneficiaries of the MEI programme were awarded a grant in kind worth NPR 10,000 for small-scale income-generating activities that would yield immediate results. Given the generally low level of skills among the members of the target families, a majority of households used their MEI grants to support animal husbandry activities. A significant number opted for trade or farming activities, while only a few chose to engage in service-oriented or vocational training initiatives.

#### 3.1 ICRC/NRCS partnership and joint implementation

The MEI programme was implemented by means of an operational partnership between the ICRC and the NRCS. The ICRC provided financial resources and technical assistance for programme implementation, while the NRCS was responsible for implementation in the districts under the supervision of national headquarters. The partnership was crafted to capitalize on the two institutions' respective strengths and assets, as set out below:

1. the ICRC had technical know-how and proven experience in MEI implementation;
2. the ICRC was accepted by and had privileged access to communities affected by the conflict;
3. the NRCS had a nationwide network of district chapters and local volunteers, including in far-flung and remote areas;
4. the NRCS had experience working for conflict- and disaster-affected populations.

The operational partnership proved to be a key factor in the programme's success. It allowed the ICRC and the NRCS to address the needs of beneficiaries in 35 districts and to reach out to most vulnerable households in spite of the challenges inherent in their remote and scattered dwellings.

<sup>5</sup> Depending on the level of vulnerability, the needs identified and the varying influences of the surrounding global environment on households and communities, different activities are carried out in different crisis phases. Relief activities aimed at saving lives and protecting livelihoods at immediate risk by distributing goods/services essential to survival are most recommended in an acute crisis. Production activities, which aim ultimately to restore sustainable livelihoods by protecting/enhancing assets that provide for an adequate livelihood, are especially recommended in a chronic crisis. Structural intervention is most relevant in a post-conflict environment as it aims to rehabilitate and protect sustainable productive assets by having key service providers/stakeholders provide the inputs required to achieve longer-term service provision in vital sectors.



## 4. SALIENT FEATURES OF THE MEI PROGRAMME IN NEPAL

Although the MEI programme in Nepal may appear to be similar to a micro-finance or micro-credit scheme, there are some important differences in approach and principles. The programme was customized to fit the Nepalese socio-economic context and to generate benefits for the recipients within a limited timeframe. Some of its salient features are summarized below.

### 4.1 Grants in the form of in-kind assistance

In other contexts, the ICRC's MEI programmes generally include both cash and in-kind grants. However, in order to ensure effective utilization of the grant money and to reduce the risk of mismanagement, the MEI programme in Nepal consisted solely of an in-kind assistance package worth NPR 10,000, rather than a cash grant in the same amount.

### 4.2 Doorstep assessment and delivery

NRCS volunteers visited each potential recipient household,<sup>6</sup> sometimes accompanied by ICRC field officers, to assess and verify the family's economic conditions. Although challenging and time-consuming given Nepal's topography, poor communication networks and widely dispersed beneficiaries, this approach, which was predicated on proximity and the NRCS volunteers' understanding of the environment, was central to accurate identification of the most vulnerable conflict-affected families within a community. The doorstep assessment also ensured that households were not left out because of limited access to information or remoteness.

### 4.3 Individually customized assistance and bottom-up approach

The MEI programme customized the grant to each family's past livelihood practices, existing skills, capacities and motivation to undertake the project. This approach differs from the group or cluster approach, which usually predefines the assistance package by conducting an initial survey in a particular area or community and then provides the same package to all households, irrespective of their individual capacities.

Therefore, with the support and advice of trained NRCS volunteers, the beneficiaries themselves selected the type of assistance package that best suited them, according to their existing skill base, the project's feasibility in the given area, and their possibilities to manage the selected enterprises along with other household chores. This approach was flexible enough to customize the assistance packages to the beneficiaries' profiles and also ensured their ownership of the project.



Each selected household received the MEI assistance package only once. However, in a few cases of genuine loss beyond the beneficiaries' control, a second package was provided in order to give those families a second chance to regain their livelihoods.

### 4.4 Provisions for families with urgent basic needs

The MEI programme had foreseen that some destitute families would be tempted to sell components of the assistance package to meet immediate basic needs. It therefore included a provision that enabled beneficiaries to utilize 10 to 15 per cent of the grant amount to pay for food, house repairs, children's education, etc. This measure was intended to help ensure the project's sustainability in the initial months until it started to generate income. The programme also provided non-food items<sup>7</sup> to the most destitute families, on top of the MEI assistance package.

### 4.5 Simple procedures and low overhead costs

Certain administrative features of the MEI programme set it apart from other similar undertakings. The programme was implemented primarily by trained and committed NRCS volunteers who were remunerated through a result-based per diem system designed by the ICRC and the NRCS. Moreover, the grants were provided through a short and simple administrative procedure that only required the assistance distribution forms to be signed by the recipient beneficiaries and the Red Cross representatives concerned. These measures significantly helped lower the programme's overhead costs. NRCS DCs and volunteers were proud that almost all of the programme funding went directly to the beneficiaries.

<sup>6</sup> A household is defined as a group of members of the same family who share most livelihood resources and generally cook and eat together.

<sup>7</sup> Non-food items include basic necessities such as tarpaulin, mattresses, hygiene kits, buckets, blankets, denim and other plain fabrics, printed fabrics, saris and kitchen utensils.





## 5. PROFILE OF THE MEI BENEFICIARIES

The programme was intended to support families that had been affected by the conflict and were economically vulnerable. Since large segments of the Nepalese population could be thus designated, it was imperative to establish clear criteria for the fair selection of the most affected and vulnerable households.

"Conflict-affected" families were defined as follows:

1. IDPs in their current location;
2. IDPs returning to their area of origin;
3. households in which a member had been killed by a party to the conflict;
4. households in which a member was unaccounted for (missing);
5. households with war-wounded/disabled members;
6. households with children associated with the armed forces and armed groups (CAAFAG);
7. households whose means of livelihood had been lost or destroyed during the conflict.

The most economically vulnerable households among those qualifying as "conflict affected" were identified as those that:

1. were very poor<sup>8</sup> or poor<sup>9</sup> and unable to cover their most basic needs (unable to sustain previous income sources), i.e. adequate food, access to local medical facilities, clothing and essential household items, children's education;
2. found it difficult to generate enough income to meet minimum monthly expenditures of NPR 5,500;
3. were considered financially vulnerable by community leaders and neighbours (determined through community consultation);
4. had not received assistance for sustainable livelihood interventions in the form of a grant amount above or equal to NPR 10,000 from other sources (e.g. government, NGOs).<sup>10</sup>

In this selection process, special consideration was given to households headed by women, who were even more vulnerable because of the difficulties associated with the need to fulfil their new role as a breadwinner and to adjust to their new social status.

The average MEI beneficiary household comprised 5.5 members, had debts to repay and usually spent much of its income on food (see Annex 1, Consumption pattern of MEI beneficiary households).

---

8 A very poor household is defined as one that cannot meet basic needs and is finding it hard to obtain enough food for its members (e.g. no food stock at home, daily activities to cover food requirements). A very poor household generally owns neither farm land (tenancy or sharecropping arrangements) nor the land on which its dwelling stands. Using current income sources, such a household would only be able to meet its basic needs – primarily food – for less than 6 months a year.

9 A poor household is defined as one that cannot cover its year-round food requirements and is having serious difficulties obtaining essential household items and paying school fees for its children or has started selling productive assets following an event related to the conflict. A poor household would generally not own farm land (tenancy or sharecropping arrangements) but may own the land its dwelling is built on. Using current income sources, such a household is able to meet its basic needs – primarily food – for more than 6 months but not the whole year.

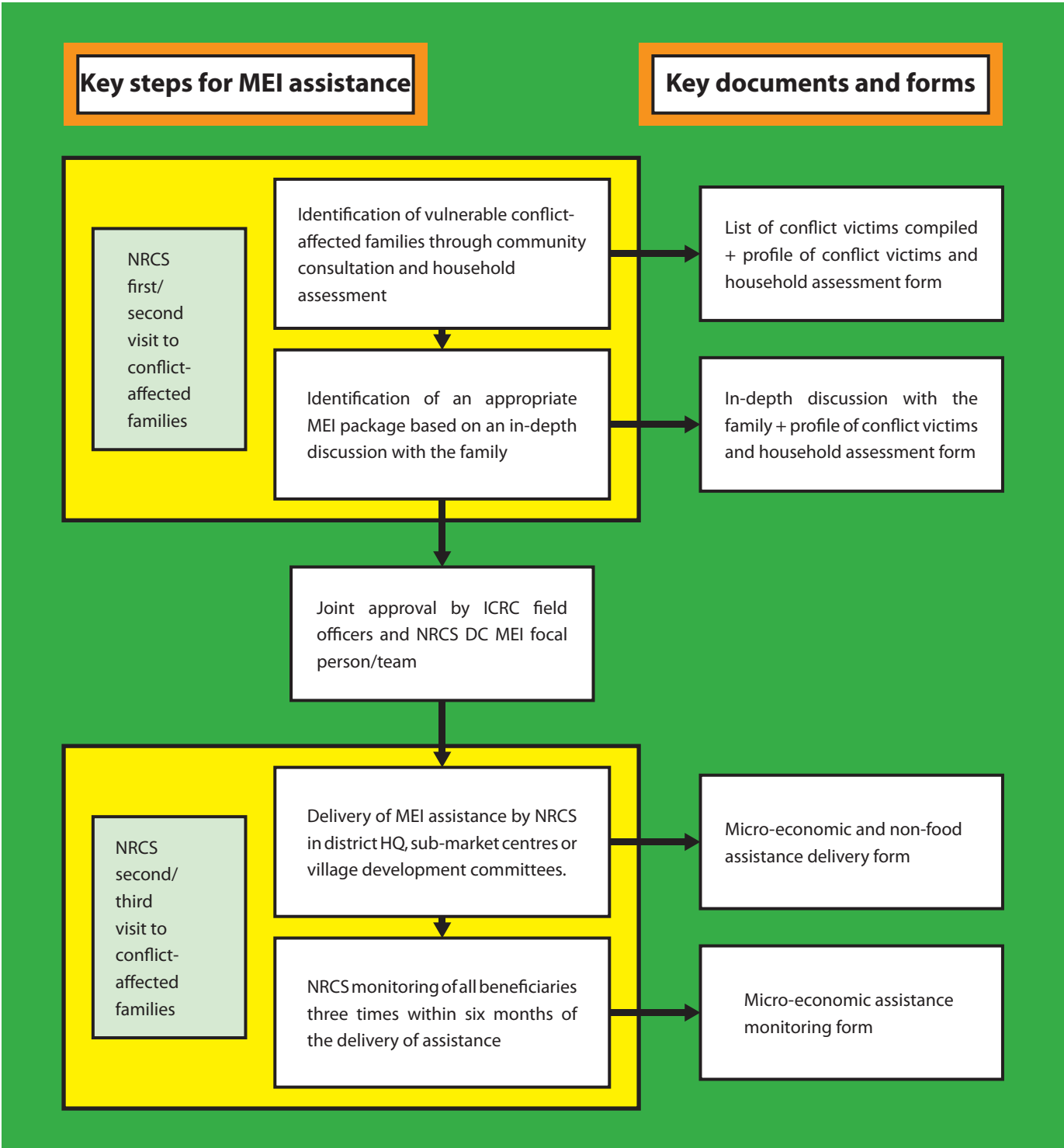
10 Families who had received interim relief of NPR 1,00,000 were eligible if the funds received had been spent on paying debts related to funeral rites or the search for missing relatives.



# 6. MAIN STEPS OF MEI PROGRAMME IMPLEMENTATION

The MEI programme was implemented in five main steps summarized in the following flow chart.

**Figure 1: MEI implementation**



## 6.1 Identification and selection of beneficiary families

The first step was to identify families whose financial or economic conditions had deteriorated because of the conflict. This process included compiling all available lists of conflict victims from human rights and civil society organizations, local government offices and political parties. The compilation ruled out duplication and ensured extensive coverage of the target population. The volunteers triangulated the various sources of information and visited each potential beneficiary household to assess its eligibility for the MEI programme based on the criteria mentioned above.

The process of evaluating the economic vulnerability (poor, very poor) of households through home visits to assess their living conditions also included consultation with neighbours and community leaders. This also helped reduce the possibility of social tensions within the community, since not all potentially qualifying families were selected for the assistance. The final selection was based on an individual assessment of each family's economic conditions, level of skills and motivation for the proposed MEI package.

## 6.2 Identification of the appropriate MEI assistance package

It was suggested to the families selected that they choose their income-generating activity in the light, as much as possible, of the following parameters:

- household members' past experience, capacity, skills and motivation in managing similar enterprises;
- the feasibility of the enterprise in the given location, linkages with nearby markets, available facilities and support services;
- the preference for small-scale and easily manageable undertakings, given the human resources and time available to the family;
- the need for MEI opportunities to have a minimal gestation period so that families could generate income as quickly as possible.

The programme also encouraged the beneficiaries to identify potential sellers or service providers for the enterprise. This helped give them a sense of responsibility and enhanced their ownership of the project.

## 6.3 Types of MEI project

The MEI programme spawned five main types of project.

1. **Animal husbandry (75.3%):** livestock reared for meat, milk or sale, renting out of animals for various purposes.
2. **Farming (5.3%):** agricultural inputs, seeds, fertilizers, irrigation, water pumps, oxen for ploughing, bullock-drawn carts, tools for farming and bee-keeping.

3. **Trade (16.3%):** grocery stores, tea stalls, specialized retail shops selling cosmetics, electrical appliances, stationery, etc., and wholesale/mobile vegetable/fruit vendors.
4. **Services (2.9%):** rickshaws, CDMA (Code Division Multiple Access) phone booths, cycle repair and maintenance, beauty parlours, tailor shops, etc.
5. **Vocational training (0.2%):** training for electricians, beauticians, tailors, weavers, etc.

## 6.4 Delivery of MEI assistance

Two methods were used to deliver the assistance package to the selected beneficiaries:

- doorstep delivery service, for scattered households living in remote areas;
- distribution rounds to a group of beneficiaries, in the presence of the seller and community representatives. The presence of community members and leaders was deemed to give the beneficiaries an additional incentive to be responsible for their projects.

Group deliveries often took place in the context of "distribution fairs" organized by the Red Cross, which also served to link the beneficiaries and their community with service providers. For example, veterinarians shared information on the proper management of livestock and provided services such as vaccination and de-worming for the benefit of the community as a whole.



## 6.5 Monitoring of and support for beneficiaries

NRCS volunteers conducted three rounds of visits to each programme beneficiary in order to check that the assistance package was generating the expected income and to provide technical support when needed.

A mandatory gap of at least one month between the assistance package delivery and the first round of monitoring provided adequate time for most of the projects (except animal husbandry) to start generating income. The second and third rounds of monitoring were conducted at intervals of least one month, and all three rounds were generally completed within six months of the assistance being provided.

Additional technical support was provided in cases involving:

- a total loss of the assets provided and the need to deliver a second assistance package and technical advice to avoid the same thing happening again;
- an outbreak of an animal disease requiring veterinary services;
- an inadequate record of accounts/sales, with the beneficiaries unable to state earnings, in which case NRCS volunteers taught them how to maintain cashbooks to record daily transactions.

The third round of monitoring usually consisted in a final visit by the NRCS volunteer concerned, following which the beneficiary was expected to continue the project on her/his own. The concept of cross-monitoring by swapping volunteers was also introduced to improve vigilance and set checks and balances within the programme. Moreover, ICRC staff directly monitored 20 per cent of the beneficiaries.

## 6.6 Linkages and support services for MEI beneficiaries

The MEI programme also aimed to forge links between the beneficiaries and other civil society and development sector players, so that the MEI recipients could benefit from sustained socio-economic support. To this end, other agencies operating in the districts and able to provide complementary support (livestock and veterinary services, savings and credit groups, etc.) received information about the programme and the beneficiaries' needs before, during and after implementation.



# 7. GEOGRAPHICAL COVERAGE AND NUMBER OF BENEFICIARIES

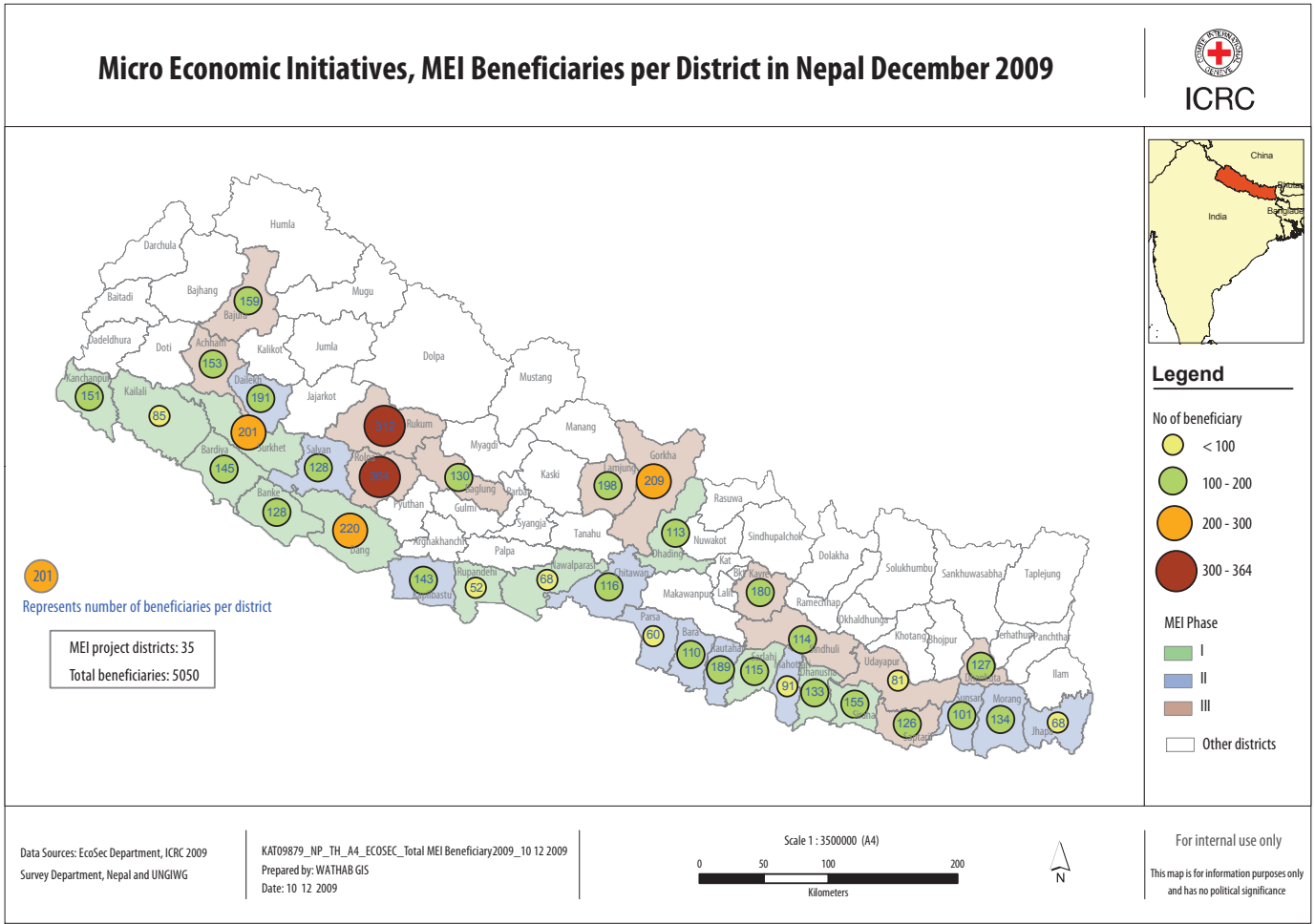
The MEI programme was launched in November 2006, immediately after the signing of the Comprehensive Peace Accord, and ended in December 2009 with a comprehensive review of implementation and effectiveness. Of 75 districts, 35 were identified as having been severely affected by the conflict and therefore as target areas for the programme. The capacities of the NRCS DCs were also taken into account when selecting the districts. A total of 316 NRCS volunteers were mobilized in the 35 districts and received two days of training on the programme’s implementation before its launch in each district. At a later stage, each of these volunteers had one day of training on the concept and method of monitoring the MEI projects selected by the beneficiary households.

During the three years of implementation, 8,758 households in 35 districts were assessed for eligibility for income-generating assistance; 5,050 households (approximately 30,000 individuals) were eventually selected. Sixty percent of the assisted households were headed by a woman.

The programme was implemented in three phases, each covering 11 or 12 districts. Intermediary reviews between each phase allowed the NRCS and the ICRC to make the adjustments needed to improve the programme’s workflow and effectiveness.

Figure 2 displays the number of MEI beneficiaries per district and per implementation phase.

**Figure 2: Number of beneficiaries per district and per implementation phase**



## 8. OUTCOME OF THE MEI PROGRAMME AND ITS IMPACT ON BENEFICIARY HOUSEHOLDS

During the final stage of the programme, the ICRC and the NRCS carried out a comprehensive review aimed at assessing its impact, various organizational and technical aspects and the operational partnership between the two institutions. The programme's outcome was measured by analysing its relevance and effectiveness. The review findings are based on desk research, visits to 13 districts, structured interviews of a sample of 75 households<sup>11</sup>, and discussions with a wide range of stakeholders (ICRC and NRCS staff, volunteers, beneficiaries, authorities, NGOs, cooperatives, agro-veterinary services, political parties, etc.). The main findings pertaining to the programme's impact<sup>12</sup> on the beneficiaries' livelihoods are summarized below.

### 8.1 Relevance of the MEI programme

In MEIs, as in all production activities, there is a strong link between the programme's relevance and its effectiveness. A high degree of relevance gives the beneficiaries a strong sense of ownership and hence bolsters their commitment. This leads to much more productive projects and greatly heightened programme effectiveness.

The review findings demonstrate that the programme was highly relevant to the victims in that it was timely and met their need for a sustainable form of income support. Only 3 per cent of the beneficiaries interviewed would have preferred to receive one-off unconditional assistance (relief), and nearly all of them appreciated having been involved in the design of their own project.

Local stakeholders and communities also unequivocally confirmed this assessment and that the MEI approach and its individual follow-up were successful in identifying vulnerable persons and helping them design a productive and sustainable project. It also came out clearly from the discussions that the strict application of the vulnerability criteria throughout the programme greatly contributed to enhancing its acceptance.

The programme review showed an even higher degree of relevance for specific types of beneficiaries. IDPs/returnees (7% of the programme's beneficiaries) often commented that the programme changed their lives, as it allowed them, for the first time since their displacement, to depend on a (relatively) secure and predictable

income and thus to start making plans for further investment. The MEIs were also regarded as very relevant for households headed by women, war-wounded with serious injuries, people with disabilities and families hosting orphans. These groups were looking for opportunities to return to the economic level they had previously enjoyed. The programme has helped them balance their household budget and "resurface". These categories (particularly women heads of household) represent an important share of the beneficiaries (65% of the sample). In the particular case of widows living with their in-laws, the programme contributed in many cases to empowering the beneficiary, which can lead to a more positive role within the family.<sup>13</sup> Many such beneficiaries mentioned that they felt much more useful and that their social standing had increased as a result of the MEIs.

<sup>11</sup> Although this sample size is relatively small, the findings were consistent with the project monitoring results and thus confirmed by the overall project statistics.

<sup>12</sup> Findings pertaining to organizational and partnership issues are not discussed in this document.

<sup>13</sup> "A number of wives of the Missing face extreme stigmatisation in their homes that has led to their being ejected by their in-laws, leaving voluntarily or continuing to live in terrible conditions", Simon Robins, An assessment of the needs of families of the Missing in Nepal, University of York, April 2009.

## 8.2 Effectiveness (impact on household income)

The MEI programme succeeded in targeting vulnerable households and in providing them with an additional and sustainable source of income, as key findings suggest.

Ninety-five percent of the beneficiaries were pursuing an income-generating activity directly related to their MEI. Only 5 per cent of all projects had been terminated, mostly for one of the following main reasons:

- the beneficiaries fell ill and sold their project to pay for hospitalization;
- livestock died / succumbed to epidemics;
- female beneficiaries married and moved to a new place of residence;
- the beneficiary lacked skills or motivation.

The average project was generating NPR 1,700/month, or 30 per cent of household income. Another interesting statistic is that each project generated on average more than twice its initial value in one year.

Seventy percent of the beneficiaries generated more than 13 per cent of their current income from their MEI. This figure is significantly under the programme's objective of 90 per cent, the explanation being that 20 per cent of the projects had not yet generated any direct income (only the incremental value of the stock) at the time of the review.

Many of the beneficiaries specifically reported that the programme enabled them to improve nutrition, send their children to school and buy agricultural inputs.

The income generated by the MEI projects varied significantly, however, according to the type of enterprise and the target population.

### Effectiveness by type of MEI project

One of the characteristics of the MEI programme in Nepal is that it concentrated on a few types of projects. More than 75 per cent of the projects related to animal husbandry (44% to goat rearing), another 14 per cent were grocery shops, while more "original" projects, such as services, farming and vocational training, were few and far apart.

The analysis of the review sample of households suggests that service- and trade-related projects yielded the best results in terms of income, followed by farming projects. Animal husbandry projects were comparatively less successful, except buffalo rearing. There are several, technical reasons why such projects were low earners, but basically livestock have high mortality rates and the beneficiaries lacked marketing strategies for their products.

The following table provides the results by type of project and the weighted average.

**Figure 3: Results by type of project and weighted average**

	Weight (% of total projects)	Average income generated by the MEI	Share of household income generated by the MEI	% households for which the MEI represents more than 13% of income
Goats	44	590	19%	53%
Buffalo	16	2,759	42%	88%
Cattle	7	510	2%	25%
Oxen	3	1,072	24%	100%
Other livestock	10	656	24%	50%
Farming	3	1,467	29%	67%
Trade	14	3,274	38%	90%
Service	3	4,044	65%	100%
Weighted avrg	100	1,458	26%	65%

As the weighted average shows, the average project generated just short of NPR 1,500/month (USD 20), which represents roughly one quarter of the average household income. Sixty-five per cent of the projects generated more than 13 per cent of household income.





## Effectiveness by type of population

The MEI programme was more successful in the case of families who had become economically vulnerable owing to the direct impact of the conflict than for those who were structurally poor and belonged to disenfranchised and destitute communities. Unsurprisingly, the beneficiaries' skills, motivation, education and level of community support largely influenced their capacity to select appropriate projects and to manage them efficiently.

IDPs, for example, whether living in camps or elsewhere, fared particularly well with the MEI, which often became their main source of income as they developed their project to the maximum of their ability. All IDP households interviewed had reinvested some of the profits from their MEIs into other productive projects. Thanks to these successive reinvestments, the average MEI for IDPs generated close to NPR 5,000 per month and represented more than 70 per cent of the beneficiaries' income. Moreover, members of the IDP community helped one another and rotated funds. As a result, the MEI had a spill-over effect and, as the leaders of one camp pointed out, helped ease tension between families.

The programme was less successful in certain destitute communities. In one Terai community, for example, the average MEI generated only NPR 250 per month and only 40 per cent of the projects generated more than 13 per cent of the beneficiary's income. Many in this target group did not grasp the logic of profit and reinvestment, and projects were often chosen for reasons of prestige (owning a cow) rather than profitability (no market for milk sale). The surrounding community was no more skilful and so the more challenged members could not be supported by others.

These findings lead to the conclusion that a more successful MEI programme in such communities would require the addition of skills training, on-the-job coaching, community mobilization and organized peer support.



## 9. SOME OF THE LESSONS LEARNED

The review findings show that the NRCS and the ICRC, through their operational partnership on MEIs, and in line with their respective mandates, successfully provided assistance to 5,050 conflict victims over a period of three years. The programme was highly relevant to the victims in that it was timely and met their need for a sustainable form of income support. Many of the households concerned are now able to cover their most basic needs independently, send their children to school and invest in the future.

However, besides the success factors for an effective MEI, the review also identified shortcomings and lessons learned which are useful for future implementation of similar programmes by the Movement or other organizations.

### Choice of target population

- Whereas the objective of the MEI implemented by the ICRC and the NRCS was to help vulnerable families affected by the armed conflict, this type of initiative is also particularly well suited to the needs of the thousands of households that are victims of natural disasters in Nepal every year. MEIs work best with populations whose household economies have suffered a sudden and major economic shock but that have the skills and willingness to recover and regain their former economic status. Such situations typically occur as a result of natural or man-made calamities in which otherwise capable and skilful people lose everything and become trapped in poverty.
- On the other hand, MEIs are not development tools and are not ideal for structurally destitute communities. If such communities receive this assistance as part of a wider population group, the MEI approach should be beefed up with many more elements of support (skills training, community mobilization, peer monitoring), which could also be provided by partner agencies.
- The communication and application of clear criteria for the selection of vulnerable households are crucial to the correct identification of beneficiaries and its endorsement by the community. However, a simple target population is preferable to a complex one, and other organizations may consider criteria that do not differentiate between people who are in the same practical situation (i.e. whether they are victims of conflict or not).







## Selection of beneficiaries / projects

- The selection process could be inverted and the beneficiaries requested to actively apply for a project. Once identified as "vulnerable", the beneficiary is invited to a session explaining the purpose of the MEI and the limitations of the common types of projects, and encouraged to think "out of the box". Potential beneficiaries are then asked to (orally) present detailed plans for a project, which are recorded by the volunteer. The final decision on the project proposal is taken by a selection committee based on the volunteer's presentation of the case.<sup>14</sup>
- Memoranda of understanding could be signed with the beneficiaries to ensure that roles and responsibilities are clearly understood, possibly including the counter-signature of a "witness" or "guarantor". Illiterate beneficiaries should be clearly told what the document contains.
- Motivation and ownership are obvious factors of success. Projects to which the beneficiaries made a financial commitment often had better results than others. This does not mean, however, that beneficiaries who did not contribute lacked a sense of ownership or had poor results; most service businesses, for example, were 100 per cent fuelled by grant money, yet this type of enterprise was among the most successful. A motivation test could therefore be built into the selection process to weed out the least motivated beneficiaries (e.g. symbolic contribution in cash or in time; mandatory attendance at a training session).

<sup>14</sup> Selection committees are the preferred option as they force the volunteers to think the project through before presenting it to their colleagues. There is a strong didactic element in the selection committee approach.



## Support for animal husbandry projects

- The main factor limiting the programme's effectiveness is the concentration of many projects on relatively low-earning livestock activities such as goat rearing and cattle breeding. Many livestock projects suffered from high mortality rates and lack of marketing strategies for their products. Basic training in animal husbandry (covering animal health, proper feed, market aspects) would boost the beneficiaries' ability to take full advantage of their MEIs and the volunteers' capacity to monitor and provide support.
- Home visits by a veterinary technician or a nearby experienced livestock herder (peer monitoring) could supplement the theoretical training. Such visits are cheap, and a technician can visit an average of 5 or 6 projects a day if they are located in the same area. These services should be paid for by the programme, so that the beneficiaries do not compromise the health of their livestock for lack of funding.
- State-sponsored livestock insurance could be added to the programme at minimal cost. For example, it costs NPR 250 to insure 80 per cent of the value of a project worth NPR 10,000 against all factors of natural death<sup>15</sup>.

## Further technical recommendations

- Although non-agricultural projects (trade, crafts, services, etc.) yield better results, they are less common because of the beneficiaries' lack of skills. Vocational training would therefore increase project diversity and improve profitability.
- The provision that 15 per cent of the MEI input be used for household expenditure was not always relevant since some families who made use of it were not among the neediest (but were often simply less committed to income generation). On the other hand, the ad hoc distribution of relief items to most destitute families encountered through the MEI programme proved extremely relevant.
- The launch of such a large-scale programme must be preceded by a pilot phase to identify challenges, test procedures and ensure optimal coordination. In the case of the ICRC-NRCS MEI, lessons were learned only at the end of the first phase of implementation and could not be immediately applied to the programme.
- At the start of the MEI programme in 2006, the initial grant amount of NPR 10,000 was sufficient to start a small-scale business. However, between 2006 and 2009 the inflation rate in Nepal varied between 6.4 per cent and 11.4 per cent per annum,<sup>16</sup> and was even stronger in the livestock sector<sup>17</sup> than in the rest of the economy. The project value should therefore have been progressively raised accordingly. In late 2009, the review estimated that it should be at least NPR 15,000 and at most NPR 18,000.

<sup>15</sup> The insurance covers 80 per cent of the capital for a premium of 5 per cent. Half of the premium is paid for by the State.

<sup>16</sup> [www.economywatch.com/economic-statistics/Nepal/Inflation\\_Average\\_Consumer\\_Price\\_Change\\_Percentage/](http://www.economywatch.com/economic-statistics/Nepal/Inflation_Average_Consumer_Price_Change_Percentage/)

<sup>17</sup> According to the ICRC's contacts, inflation in the livestock sector has been above 15 per cent per annum owing to the world food price crisis and a domestic rise in demand for meat. In the Terai, the demand for meat has been further exacerbated by the establishment of two large slaughterhouses in neighbouring India.

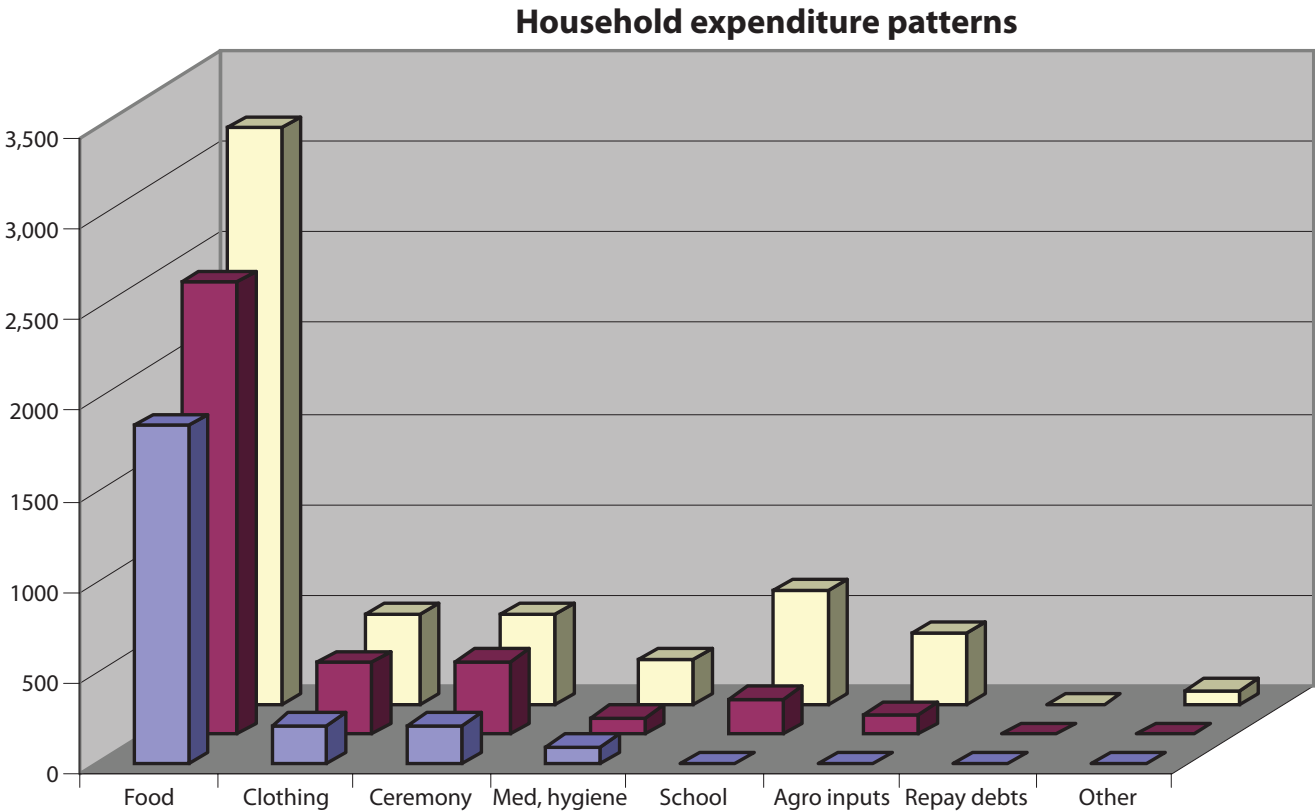
# ANNEX 1: CONSUMPTION PATTERN OF MEI BENEFICIARY HOUSEHOLDS

Most families assisted by an MEI were among the poorest in their communities, were heavily indebted and were on average more vulnerable than the general Nepalese population in spite of the additional income generated by the MEIs. Despite their poverty, with the income generated by their MEI project many households were able to save at least a small fixed amount (anywhere from NPR 5 to 500), as their consumption pattern did not increase in proportion to the rise in income. On average, food constituted by far the biggest expenditure (53%), followed by schooling (13%), clothing and participation in social events, festivals and ceremonies (9%), and agricultural inputs (6%). Medical and hygiene-related expenditures and debt repayment represented only 4 per cent of the average household budget.

Although all households, irrespective of their revenues, spend a disproportionately large portion of their income on food, the results

of the sample reveal that consumption patterns vary considerably between households depending on their level of income (poor, median and better-off households), as shown in Figure 3. Unlike middle-income households (2<sup>nd</sup> quartile) which set aside part of their income for schooling in addition to basic necessities, poorer households (1<sup>st</sup> quartile) are not able to pay for their children's education, to buy agricultural inputs or to pay off debts. At the other end of the spectrum, richer households (3<sup>rd</sup> quartile) spend a relatively large share of their budget on their children's education, clothes, ceremonies and agricultural inputs. Spending on education and agricultural inputs could be regarded as investments that could, in the medium to long term, have a strong positive multiplying effect on income, and on which the poorer households are unable to capitalize.

**Figure 3: Household expenditure patterns**



# **CASE STUDIES**



*MEI assistance gave Jogendra a new lease of life. Today, he makes a decent living from his rickshaw, and is one of the most sought-after load carriers in the area.*

## 1. A NEW LEASE OF LIFE FOR AN IDP

Jogendra Rai and his family were displaced from Diktel, the headquarters of Khotang district in eastern Nepal, during the armed conflict. The family owned 3 bigas (2 hectares) of land, 6 buffaloes, 15 hens and 7 ducks. "I used to earn enough to comfortably feed my family for a year. I was never worried about anything", says Jogendra.

Jogendra's family took shelter in many locations before finally settling in Bange IDP camp, Sunsari district, where they were given a small piece of land to build a shelter. "While in the IDP camp, I struggled a lot to make ends meet. Earning a meagre NPR 100-150 per day as a wage labourer, I could not always guarantee food for my family. Life was difficult; I barely earned NPR 3000-4000 a month, even in the best of months."

For almost a year, the ICRC, the NRCS and other humanitarian organizations visited Bange IDP camp and provided the IDPs with food and non-food items to help them meet their immediate basic needs. They re-assessed the situation a year later, and decided to provide economic assistance to restore the lost livelihoods of IDP families that were willing and capable; one such family was Jogendra's.

"I knew how to work a rickshaw, so I chose to buy a rickshaw load carrier with the grant given by the Red Cross. This support has given me a new lease of life."

Today, Jogendra relies on the rickshaw for a living; he is one of the most sought-after load carriers in the area. He earns between NPR 5000-6000 per month on average. Whenever he has time, he also sells meat or vegetables in the nearby market. He considers himself lucky to be standing on his own two feet again and no longer dependent on others for survival.



## 2. AN IDP RECOVERS HIS FORMER PROSPERITY

When they were chased out of Haripur, Koshi Tappu, Bijay Limbu and his family were forced to leave behind everything they had – six bigas (4 hectares) of land, livestock and a life of prosperity. “With my wife and two daughters, I came to Chatra IDP camp in Sunsari, where I settled down with the help of the Red Cross. Then I tried my hand at whatever work I could get although I am a trained electrician by profession.”

With his MEI grant of NPR 10,000, Bijay chose to start an electrical repair shop. He already had the skills; all he needed was seed money to buy equipment and rent a shop space. “I worked so hard that in a year I set up two electrical repair shops, one in Bange and one in Chatra. I also have a mobile shop, which goes from Chatra to Chakkar Ghatti and for three days a week travels to the market.”

On average, Bijay earns about NPR 48,000 a month from the sale of electrical goods and around NPR 18,000 from the repair shop. He has invested part of his earnings in livestock and in expanding his business further. He has bought eight goats from the income received from the electrical shop.

“My wife and eldest daughter help me in my business. Today, having started with nothing in the IDP camp, I make NPR 2,000-3,000 per day from sales of electrical goods.”

Bijay's wife also learned to weave Dhaka caps thanks to MEI skills training for women in the IDP camp. She purchased a loom worth NPR 3,100 from the income of the electrical repair shop. The caps she weaves in her spare time earn her NPR 105 per cap.

Bijay's two daughters are now enrolled in a private boarding school, for he wants to give his children the best education possible.

*“I knew I could do it, all I needed was a little push and MEI assistance was that push. From then on I have not looked back; I have only looked forward and invested the earnings from the project to expand”, says Bijay.*



*Hiran Devi recalls, "before we received support from the Red Cross, we did not have any money and we were barely able to feed ourselves properly even once in 10 days. Today I have the confidence to send my children to school from the money I make from this business."*

### **3. HIRAN DEVI'S RICE RETAILING BUSINESS**

Hiran Devi Mandal's husband, from Morang district in eastern Nepal, was killed during the conflict. After her husband's death, she was faced with the challenge of managing the entire family on her own. "I had no savings, so starting something of my own, even on a small scale, was impossible."

The ICRC/NRCS MEI assistance package came to Hiran Devi and her family as a welcome relief; it provided her with much-needed money to start a bhuja (rice retailing) business.

She goes to a nearby market in Biratnagar on alternate days, waking up at dawn and returning only in the afternoon. "I go to the market with thirty kilos of rice on a rickshaw and do the rounds of the shops. Shopkeepers like the quality of my product and buy from me." Although illiterate, Hiran Devi is now able to make calculations and carry out monetary transactions by herself.

"I make an average profit of NPR 6-7 per kilo of rice sold or between NPR 150-200 per day and about NPR 5000 a month, though this fluctuates. I also sell paddy depending on the season."

Hiran Devi's two children are studying in an English middle school. "Quality education for my children was one of my most cherished dreams. I am happy that the assistance provided by the Red Cross made my dream come true."



*"The income that I make from the grocery shop is not enough to meet all our basic needs; we cannot afford to eat whatever we want with that income. However, what matters is that the Red Cross was the first to support me and I received this assistance to open a grocery shop when I had nothing. It helped me sustain my family during those difficult days. Back then, it came to us as a huge relief", says Gita.*

#### **4. GITA DAHAL, MEI AT A TIME OF NEED**

After her husband was killed during the conflict, Gita Dahal, from Bange Ward No. 9, Sunsari district, was forced to make a living as a daily wage labourer. Left with a 10-year-old son, Nishan, she had to borrow money from relatives to make ends meet.

With the MEI assistance from the Red Cross, Gita chose to open a small grocery shop in her house. "Convincing people to buy from my grocery store was difficult. Only a few people came to my shop, the rest preferred buying from the nearest market, where goods were cheaper. Mobile vendors on bicycles made the situation even worse for me." The vendors bought groceries at low prices from Jogbani, a town on the Indian border, and sold them to the villagers. Gita could not compete.

"I only sold goods like noodles, biscuits, chocolates, rather than basic household items, which would have brought in more income. On average, I earned NPR 50-100 a day."

To supplement her income, Gita runs a grocery and tea stall at the local weekly market on Saturdays. Her son helps out at the weekly market, but goes to school the rest of the week. During the peak season, Gita earns a profit of NPR 500-750 a day from their stall in the market.

Gita later received NPR 100,000 as interim relief from the government. She used NPR 75,000 to pay back the money that she had borrowed from her relatives. She invested the remaining NPR 25,000 in a poultry farming business. "Today, I can perfectly manage the shop along with the poultry. I no longer need to work as a daily wage labourer."

## 5. VEGETABLE FARMING LEADS TO PROSPERITY

“Misfortune does not come ringing alarms”, says Kok Bahadur Gurung of Chitwan. He is referring to his 14-year-old son, Chitra Kumar, who was handicapped when an improvised explosive device blew up while he was in a nearby jungle fetching grass for the livestock. Chitra Kumar lost a hand below the wrist and received minor injuries on other parts of his body; he is permanently disabled.

Kok Bahadur’s six-member family is dependent on five kattha of land (1/6 hectare) on which they grow vegetables, some paddy and potatoes. The family has also leased 2.5 kattha (1/12 hectare) of land to augment its income.

Chitra Kumar’s disability meant the loss of an able body. The family was assessed and selected for MEI assistance by the Red Cross. To help it grow vegetables more efficiently, it was provided with seeds, insecticides, pesticides, a sprayer and a sprinkler.

These inputs led to increased production. Kok Bahadur’s village is located a mere 15-minute walk from a highway and his family now sells vegetables at a good price by the roadside, mostly to wholesalers transporting produce to Kathmandu. They sell both seasonal and off-season vegetables to obtain better prices. The family needs about NPR 8,000 to cover all basic monthly expenses, and is able to manage that income. Kok Bahadur is very happy with the support provided by the Red Cross, and is determined to continue with his business.







## 6. LILA CHAND, WORKING HARD WITH MEI

Lila Chand, a mother of three (two sons and a daughter), hails from a remote village in Rukum District. When her husband was killed during the conflict, she was left to shoulder the responsibility of the family all by herself. She had a very difficult time making ends meet with the limited produce from her small farm, and was desperately looking for income-generating opportunities to provide for her family, including her children's education.

When she was selected for MEI assistance, Lila decided to raise livestock. She received two pregnant goats and NPR 1,500 in cash to purchase food and other items for her family. After receiving the goats, she managed to build a shed for them herself. Today, she has five goats and three kids. The present estimated worth of the goats is NPR 18,000, and she has an annual income of NPR 8,000, or about NPR 650 per month. She plans to use the income to expand her goat farm, for food and for her children's education.

Lila's neighbours respect her entrepreneurship and admire her ability to work hard. Since receiving MEI assistance, her family has been able to spend more money on food, clothes, the children's education and other family requirements. Lila Chand is one among thousands of poor men and women in rural Nepal looking for business opportunities to secure their livelihoods.

**ICRC MISSION**

The International Committee of the Red Cross (ICRC) is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance. The ICRC also endeavours to prevent suffering by promoting and strengthening humanitarian law and universal humanitarian principles. Established in 1863, the ICRC is at the origin of the Geneva Conventions and the International Red Cross and Red Crescent Movement. It directs and coordinates the international activities conducted by the Movement in armed conflicts and other situations of violence.

**NRCS MISSION**

The mission of the Nepal Red Cross Society (NRCS) is to relieve human suffering and to reduce vulnerability through community participation and mobilization of an increased number of volunteers, by mobilizing the power of humanity through expansion and strengthening of the organizational structure of the society and by building links with governmental and non-governmental organization.



