



Bhumiraj Allo Processing and Collection Centre, Darchula

# Developing Rural Enterprise in Kailash Sacred Landscape – Nepal: Steps and Processes

The Kailash Sacred Landscape Conservation and Development Initiative (KSLCDI) is a transboundary collaborative programme that works in western Nepal, northeastern Uttarakhand in India, and the south-western part of the Tibet Autonomous Region (TAR) in China. To improve the livelihoods of poor and vulnerable mountain communities, KSLCDI established rural enterprises dealing in locally available high value niche products.

In establishing rural enterprises at high elevations, one must consider challenges to their sustainability: inaccessibility, marginality, fragility, and diversity. Adequate resources must be directed to non-market activities like building confidence, negotiating, and conflict mitigation to form a cohesive work environment.

In KSL–Nepal, the South Asian Association for Regional Cooperation (SAARC) Business Association of Home Based Workers (SABAH) Nepal strengthened the allo value chain in Naugad Rural Municipality (formerly known as Khar VDC) in Darchula district by linking the community with the market through a rural enterprise.



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## Needs Assessment

An initial assessment determines whether the proposed enterprise is suitable for the area, offer insight into existing traditional knowledge, capacity, and skills of potential entrepreneurs and assist in understanding whether it is possible to organize artisans in a cluster to establish an enterprise group in the village.

### Steps for Needs Assessment

- **Understand traditional knowledge and identify potential entrepreneurs:** Focus on how existing traditional knowledge may be used to benefit the community and understand local skills and capacities so that potential entrepreneurs can be identified. From the beginning, it is important to work with and encourage leaders who will become responsible for the enterprise in the future.

- **Build awareness of the benefits:** An organized structure is key for enterprise development. Raise awareness about the benefits of forming an enterprise group, which include mass production, increased efficiency, higher quality products, financial security (easy access to loans), funds generation, and increased visibility.
- **Environmental assessment:** Conservation and development must go hand in hand. Conduct an inventory of resources to ensure resources are used sustainably for business growth.

## Project Interventions for Enterprise Development

| STRATEGIES                            | STEPS   | INNOVATIONS  | OUTCOMES  |
|---------------------------------------|---|--|---|
| Needs Assessment                      | <ol style="list-style-type: none"> <li>1. Understand existing traditional knowledge and identify potential entrepreneurs</li> <li>2. Build awareness of the benefits</li> <li>3. Environmental assessment</li> </ol>  | <ol style="list-style-type: none"> <li>1. Grading of skills to understand capacity of potential entrepreneurs</li> <li>2. Introduction of environmental friendly and energy efficient methods and tools</li> </ol> | <ol style="list-style-type: none"> <li>1. Yarn processing and weaving skills of allo producers increased from C+ to B+; stitching from B to B+</li> <li>2. Sustainable harvesting and processing of allo</li> <li>3. Reduced fuelwood consumption and indoor air pollution by using rocket stoves</li> <li>4. Improved water quality through replacement of caustic soda with ash in allo processing</li> </ol> |
| Capacity Building                     | <ol style="list-style-type: none"> <li>1. Design training interventions</li> <li>2. Knowledge transfer</li> <li>3. Technology transfer</li> </ol>   | Development of pictorial manual to deliver knowledge to people with limited literacy skills  | <ol style="list-style-type: none"> <li>1. 25 skilled entrepreneurs developed</li> <li>2. 82 people working as CFC members</li> <li>3. Community training manual "Greening of the allo product value chain-picture series" developed</li> </ol>  |
| Enterprise Development and Management | <ol style="list-style-type: none"> <li>1. Enterprise registration</li> <li>2. Business plan development</li> <li>3. Market-oriented product design and development</li> <li>4. Adopt a basket approach</li> <li>5. Branding and collective marketing</li> <li>6. Formulate a code of conduct</li> </ol> | <ol style="list-style-type: none"> <li>1. CFC formation</li> <li>2. Branding</li> <li>3. Product diversification</li> </ol>  | <ol style="list-style-type: none"> <li>1. Established an allo enterprise "Bhumiraj Allo Processing and Collection Center"</li> <li>2. Endorsed "Kailash – Truly Sacred Brand"</li> <li>3. Six national and international markets established for allo producers in Darchula</li> <li>4. Barter agreement signed with SABAH Nepal</li> </ol>   |

## Capacity Building

Trainings, workshops, and exposure visits all build capacity, which foster learning among artisans for growth.

### Steps for Capacity Building

- **Design training interventions:** Ensure lessons are provided in understandable language and use simple tools to be more inclusive. Develop training materials that can be used by people with limited literacy. Pictorial manuals and hands-on training are the most effective.
- **Knowledge transfer:** Introduce new ideas that will help adoption of practices. Organize exposure visits and cross-learning activities to enhance understanding. Analyse what can and cannot work in a given context. Such programmes help develop confidence and increase risk-taking behavior, both of which are traits of a potential entrepreneur.
- **Technology transfer:** Introduce new technology and equipment to bring systemic change in product development and value addition. Provide training on effectively handling modern machinery for improved efficiency among entrepreneurs and quality enhancement of products.

## Enterprise Development and Management

Enterprise models run on a demand and supply chain. Following Ohmae's 3C model for establishing businesses (Ohmae, 1991: The Mind Of The Strategist: The Art of Japanese Business), it is imperative to understand who the consumers are (customer) and what value propositions they are given (competition) to determine the success of a given business (company). Therefore, the identification of niche products for enterprise development must be need-based and demand-driven.

### Steps for Enterprise Development and Management

- **Enterprise registration:** Register the enterprise as an accountable body that can exercise the benefits of an institution including loan applications, fund generation, etc.
- **Business plan development:** Develop a cohesive business plan to better understand the risks and opportunities of running a business. According to Ohmae's 3C model, the customer is the most important 'C' in a business. This is based on the theory that acquiring a new customer is five times more costly than retaining an old one.



- **Market-oriented product design and development:** Designing and developing new products requires market understanding. Conduct market assessment to produce need-based commodities.
- **Adopt a basket approach:** Ensure the sustainability of the rural enterprise by looking into a basket of products that can be channeled through the same line. The basket approach ensures a continuous supply of products and minimizes risk in business. In the basket approach, additional logistics costs are prevented, leading to greater profits.
- **Branding and collective marketing:** A competitor must focus on uniqueness if it wants to sustain its business. Understand what value is being created, where the gap in the market is, and how the existence of a particular enterprise will bridge the gap and satisfy the consumer. Branding ensures quality, recognition, and better outreach in the market. Organize producer groups to ensure mass production, collective marketing, and sustainable resource supply.
- **Formulate a code of conduct:** Develop a code of conduct to maintain the quality and standard of products marketed under an identified brand. Set criteria to attain such standards.

## Establishment of an Allo Enterprise

In August 2015, an assessment visit was made to the Naugad Rural Municipality in Darchula. The visit focused primarily on the feasibility of establishing an allo value chain. Artisans' inherent skills, new product development from an existing processing unit, capacity building needs, and feasibility for establishing a Common Facilitation Center (CFC) and its sustainability were kept in mind. The target community was mainly local women and marginalized groups.

## Enterprise Development Model

In 2016, the Bhumiraj Allo Processing and Collection Center was established in Godhani village with support from KSLCDI. Of 23 members, 19 were women. SABAH–Nepal trained the CFC members to strengthen the allo value chain at each node of the intervention and further link producers with the market. Together with community members, a business plan was developed for the CFC. Today, their products have reached markets in Nepal, Japan, Norway, and India where they are sold under the “Kailash Truly Sacred” brand. As of December 2017, there are 82 members in the CFC, 69 of whom are women.



Enterprise Development Model of KSLCDI Nepal  
(adopted from SABAH Nepal’s model)



## Achievements in 2016–2017

- Transferred skills and knowledge on allo from Sankhuwasabha (eastern Nepal) to Naugad
- Organized exposure visits for CFC members to strengthen their marketing skills

- Provided modern machineries (sewing machines, handlooms) to increase efficiency
- Provided energy-efficient rocket stoves to reduce fuelwood consumption, contributing to better environment and health
- Ensured quality assurance, collective marketing, and sustainable supply of produce in the market

## Lessons Learned

Building an enterprise in a remote area required effort to develop cohesiveness and to build trust between the community and the private sector. It required a gradual, step-by-step approach:

- Replacing traditional systems with new technologies requires time as people need to be convinced of their value
- Long term intervention is required
- Developing lead entrepreneurs (whom the community accepts) and human resources at the local level can minimize logistical and transportation costs and help run an enterprise smoothly



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