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Nepal: The GTZ Experience of Self- Help Promotion at Local Level

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Nepal: The GTZ Experience of Self-Help Promotion at Local Level

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PREFACE

Documentation and dissemination of development experiences are important activities of ICIMOD in the context of fulfilling its goal of evolving appropriate approaches, strategies, policies and programmes for sustainable development of mountain areas and alleviating the poverty of mountain people. As part of this endeavour, the Centre brings out publications resulting from its own research studies, workshops, meetings, and consultations on a regular basis. ICIMOD also, from time to time, draws on the experiences of other agencies that are of significant interest and relevance to the development of mountain areas.

The present document prepared by Dr. Krishna B. Bhattachan and Dr. Durga P. Ojha of the Impact Monitoring Unit of GTZ, Nepal, summarises the experiences of five Grass Roots' Level Self-Help Programmes undertaken by GTZ in Nepal. It presents the basic elements and structure, objectives, scope, and coverage as well as strengths and weaknesses revealed in implementing each of these programmes. It is hoped that this paper will be very useful for government agencies, INGOs, NGOs, and other agencies involved in formulating and implementing poverty alleviation programmes in Nepal as well as in other mountain regions.

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ABSTRACT

A major strategy of GTZ-supported rural development (RD)/poverty alleviation (PA) projects in Nepal is to promote and strengthen self-help capabilities at the local level. This paper summarises the experiences of five different self-help programmes and raises some policy issues for poverty alleviation. The programmes are (i) Swabalamban, (ii) Self-help Banking, (iii) Banking with the Poor, (iv) Small Farmers' Cooperative Limited, and (v) Grass Root Level Institutional Development in Gorkha. An analytical framework is presented which identifies the conditions of poverty reproduction in rural Nepal as the interaction of the prevailing social and economic structures that reinforce each other. Based on experiences in Nepal and South Asia, three pre-conditions to poverty alleviation are specified — effective organisation of the poor, human development, and access of the poor to economic resources and income generating opportunities. The concept, approach, strategy, and status of the five programmes are summarised and their strengths and weaknesses are examined within this framework. The paper concludes with important policy issues such as target group orientation, sustainability, mass orientation and replicability, comprehensive vs. partial approach, and environmental issues.

GUP : Gorkha Development Project
GO : Group Organisation
GTZ : Deutsche Gesellschaft für Technische Zusammenarbeit (German
Technical Cooperation)

HELVETAS : Swiss Technical Assistance

IMG

IRD

IRAD

NFE
NGO

ON

ABBREVIATIONS

ADB-Manila	Asian Development Bank-Manila
ADB-N	Agricultural Development Bank-Nepal
BSP	Biogas Support Programme of SNV
BWTP	Banking with the Poor
ChFDP	Churia Forest Development Project
CSD	Centre for Self-help Development
DANIDA	Danish International Development Agency
DDP	Dhading Development Project
FRG	Federal Republic of Germany
GATE	German Appropriate Technology Exchange
GDP	Gorkha Development Project
GO	Group Organiser
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HELVETAS	Swiss Technical Assistance
HMG-N	His Majesty's Government of Nepal
IBP	Intensive Banking Programme
IDS	Integrated Development Systems
IFAD	International Fund for Agricultural Development
IG	Inter Group
IGA	Income-generating Activities
IGG	Income generating Group
IMU	Impact Monitoring Unit
IRD	Integrated Rural Development
IRDP	Integrated Rural Development Project
LCP	Local Contact Person
NFE	Non-formal Education
NGO	Non-government Organisation
O & M Fund	Operation and Maintenance Fund

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BACKGROUND

The failure of development strategies in the nineteen-sixties and seventies to improve the living conditions of the poor led to the concept of integrated rural development (IRD). Several donor-supported IRD projects have been implemented in Nepal from the late seventies onwards, but experiences with these have not been encouraging. IRDPs used the contemporary keywords of rural development, such as target group orientation, poverty alleviation, self-reliance, institution building, and sustainability, in their plan documents. The approaches undertaken in practice, however, did not match the concept.

Invariably IRDPs followed top-down, service delivery-oriented sectoral development approaches which focussed on district line agencies. Projects were preoccupied with establishing their own infrastructure — both physical and institutional — which resulted in almost all the responsibility for development in the project area being taken over by donors. There were pressures to disburse funds, bring about quick results, and achieve physical targets. As a result, there was little room for introducing or establishing the long-term processual and institutional changes necessary for a broad-based self-sustaining process of development. Consequently, projects failed to achieve the objective of improving the living conditions of the poor majority.

Rural development and poverty alleviation (RD/PA) efforts in all other developing countries confirm the experiences of Nepal. The few successful examples clearly indicate the need for fundamental changes in development strategies for improving capacities/capabilities at grass roots' level, if the living conditions of the majority are to be effectively improved. The projects in Nepal, supported by the German Government, beginning with the Dhading Development Project introduced in 1983, based their approaches on these experiences. The need for reorientation was also clearly outlined by GTZ, the German Agency for Technical Cooperation, in its RRD (Regional Rural Development) concept and guidelines, which are based on GTZ's experiences in rural development support (GTZ 1988; 1993). The RRD concept outlines the simultaneous need for improving capacities in service institutions to reach the poor as well as for improving capacities at the local level (that of the intended beneficiaries) in order to increase self-reliance and improve the ability of the rural poor to access available services and/or resources.

Currently, there are five RD/PA projects of the German Government at various stages of implementation as part of its technical assistance to Nepal — Dhading Development Project (DDP), Gorkha Development Project (GDP), Rural Development through Self-help Promotion - Lamjung (RDSP-L), Small Farmers' Development Project - Technical Assistance (SFDP-TA), and Churia Forest Development Project (ChFDP). These projects are promoting the fundamental processes of building capacities /capabilities at the grass roots' level as a strategy for alleviating poverty. Among the major programmes being supported for improving capacities at local level are: institutional development of small farmers into the Small Farmers' Cooperative Limited by DDP/SFDP-TA, Rural Self-reliance (Swabalamban) Development by DDP, GDP, RDSP-L, ChFDP, Banking with the Poor by RDSP-L, Self-help Banking by ChFDP, Grass Root Level Institutional Development

in Gorkha by GDP, Women in Development by ChFDP, and Production Credit for Rural Women by DDP. Most of these programmes are promoted through intermediary NGOs (GTZ 1988;1993).

OBJECTIVES

The Impact Monitoring Unit (IMU) of GTZ has assessed five programmes — Small Farmers' Cooperative Limited (SFCL), Banking with the Poor (BWTP), Self-help Banking Programme (SBP), *Swabalamban* (Self-reliance), and Grass Root Level Institutional Development in Gorkha. Although all are oriented to promoting local self-help organisations with similar objectives, there are commonalities of and differences in the various programmes, institutional models, and strategies. Experiences from the five specific approaches are summarised in this paper with reference to a conceptual framework for poverty alleviation with the following specific aims:

- to highlight the various programme approaches/strategies/institutional models;
- to indicate the programme achievements so far and their potentials;
- to indicate their strengths and weaknesses;
- to encourage learning processes among various intermediary institutions (NGOs and others) through experiences from the diverse approaches; and
- to document the experiences and analyse policy issues for the benefit of all concerned agencies (including the supporting GTZ projects) and individuals concerned with rural development in Nepal.

ANALYTICAL FRAMEWORK

Conditions of Poverty Reproduction in Rural Nepal

Poverty in rural Nepal is conditioned and perpetuated by the prevailing social system and economic structure which reinforce each other.

The social system - along with its accepted norms, values, and cultural practices - determines household behavioural patterns which generally lead to substantial and unproductive expenditure, e.g., in social/religious events, festivities, and rituals. The compulsion to indulge in such unproductive expenditure constitutes perpetual significant leakages from the household economies of the rural poor. The social norms and values also contribute to high population growth which further augments the problem.

Economic structure ensures not only persistence in but a widening of disparities in the context of ownership of productive resources, particularly land and livestock, and, consequently, in access to and benefits from common property resources such as forests, pastures, and so on. In the case of the majority of the rural poor, their productive resource base is hardly sufficient for subsistence. Production is not only low due to small holdings and primitive technology, but it is also uncertain due to dependence on weather. Food deficits and lack of local employment opportunities force the majority of poor households to borrow from local moneylenders (as one of the limited options) to meet some of their subsistence needs as well as social and religious obligations.

Thus, indebtedness is endemic and substantial in rural Nepal. High interest rates eat up future household earnings, contributing to spiralling food deficits over time. Once indebted, households are trapped in a situation in which further dispossession of productive means becomes inevitable. Every adverse turn of events, e.g., bad weather or a death in the family, reinforces the process of progressive dispossession of the means of production.

Pre-conditions for Poverty Alleviation

Both social and economic forces, interacting together, strongly reinforce poverty. Any gains on the economic front can easily be neutralised or reduced in the absence of appropriate social or institutional reforms. Therefore, simultaneous interventions are needed on both fronts if the issue of poverty alleviation is to be substantially and sustainably addressed. This calls for multi-faceted interventionist measures, at both micro- and macro-level, involving multiple actors, each providing appropriate and complementary support.

The general experience of rural development efforts in third world countries and the specific experience of South Asia (including Nepal) (SAARC 1992; Kievelitz 1996) indicate the following preconditions if efforts to alleviate poverty are to succeed.

Effective Organisation of the Poor

Effective organisation of the poor at the local level must be promoted and strengthened: without the organisation and 'empowerment' of the poor, who have little power on an individual basis, poverty alleviation efforts will be ineffective. Effective local organisation is needed to increase claim-making capabilities and to enable the poor to access the services and resources meant for them; to put pressure on organisations to respond to locally-identified priority needs; and to solve local problems collectively through local resource mobilisation and participation.

Human Development

Human development is one of the preconditions for sustainable poverty alleviation. Awareness/attitudinal change, social/institutional reforms, and capacity building at the

local level are its main components. There is a need to instill the awareness (or bring about a change in attitude) that most problems can be solved without waiting for external assistance and that the poor can come together and change things to their advantage through individual and collective capacity building. Reform of the social and institutional rigidities responsible for perpetuating poverty: e.g., unproductive expenditure; wasteful consumption patterns; and undynamic norms and value systems; is essential. Such reforms can help to prevent leakages from household economies to a great extent, and this is crucial in order to break the poverty cycle. Furthermore, institutionalisation of learning or sharing of experiences and self-evaluation are other key dimensions in human development.

Access of the Poor to Economic Resources and Income-generating Opportunities

Conditions for continued improvement in the incomes of poor households must be created in order to facilitate sustainable poverty alleviation. At the local level, access to external resources in the form of credit, mobilisation and utilisation of local savings, introduction of appropriate technologies, and promotion of additional income-generating opportunities are essential. Savings and investment in productive activities/assets would be feasible only if incomes increase; and these, in turn, can provide a basis for sustainable household incomes in future. Sustainable use of natural resources is essential for increasing incomes.

In addition, complementary macro-level efforts on the part of the government and other agencies are needed to create preconditions for sustainable growth of local economies (e.g., improvement in infrastructure and access to resources/markets), and removal of exogenous institutional obstacles that prevent the poor from introducing the necessary changes. Local-level efforts should be supplemented by appropriate pro-poor institutional reforms and policy formulation at the macro-level.

Discussion of the five self-help promotion programmes in the next section will be generally guided by the above framework. Individual programmes and their approaches have been designed (and even evolved over time) with specific focusses, strategies, and objectives. The programmes, therefore, are not expected to incorporate, with due emphasis, all the necessary elements or preconditions for poverty alleviation. The framework only provides a reference for discussion.

SUMMARY OF FIVE SELF-HELP PROGRAMMES

This section presents, in brief, the concept, approach and focus, operational strategy, and status of the five self-help programmes, and their efforts at organisational development, human development, improvement in access to resources, and income-generating opportunities. Strengths and weaknesses of each programme have also been identified on the basis of an assessment of their experiences in the field.

Swabalamban Programme

Programme Concept, Approach, and Focus

The Swabalamban programme, initially called the 'Self-reliant Development of the Poor by the Poor', was initially introduced into a small village in Palpa district in 1985 through IDS (Integrated Development Systems), a Nepalese NGO, with support from Helvetas. With increasing success, it was extended to other districts. The programme has been implemented through a new NGO called Rural Self-reliance Development Centre (RSDC) since 1991*. As of mid-1995, the programme covered fifteen districts in which 23,000 members were organised into 800 groups. Financing is through donor support, primarily of GTZ, HELVETAS, and DANIDA (Ojha and Shrestha 1996).

The basic aim of the Swabalamban (self-reliance) programme is to build self-confidence, self-reliance, and self-respect among the poor people in rural communities through promotion of organisations of the poor as a means of alleviating poverty in a sustainable manner. The programme is based on the premise that the poor can discover latent strengths through their own involvement in efforts to bring changes to their lives; which is the key to meaningful progress.

The programme is usually started in marginal, disadvantaged rural communities/areas. As an integral strategy, Swabalamban is designed to encourage or build up concomitantly 'a pattern of behaviour' that is to be accomplished at a minimum cost without inputs from specialised experts.

Operational Strategy

The entry point of intervention in a community is the formation of Income-generating Groups (IGGs), and these are the grass roots' organisational basis for a whole range of economic and social development activities to be promoted in the community. Every household in the locality is encouraged to be a member of the IGG. Targeting the poorer households is ensured through preferential programme support, by using a decision-making process in which the whole group participates. The RSDC motivators, one of which is assigned to each programme VDC, play a crucial catalytic role. The programme is comprised of a wide range of activities, including group savings, revolving and Swabalamban funds, social reforms, and mutual help practices.

Programme Status

As of July 1995, the Programme had organised, within the two districts of Dhading and Gorkha, a total of 402 IGGs with a total of 10,340 members covering 34 per cent of all VDCs, and this constitutes 10 per cent of all the households within the districts.

* Recently there has been a split within the RSDC. Several senior officials and field workers have left to start a new NGO called *Samagra Bikas Sewa Kendra*.

Eighteen per cent of the IGGs are exclusively women's groups. Household coverage within VDCs, in which the programme has been in operation for over two years, range from 25 to 80 per cent. The average number of members in an IGG is 26 with a range of from seven to 56.

Organisational Development

The IGG is the core of the *Swabalamban* programme. It is through organising the villagers that all changes are introduced by the programme. The IGG meets once a month and all important decisions are made in a participatory manner (Photo 1).



The IGG meets once a month and all important decisions are made in a participatory manner

The need for a higher level organisation to improve the effectiveness of the programme has been recognised, and a concept of *Swabalamban Pariwar* (or Self-Reliant Family) has been formulated. An attempt has been made to operationalise the concept in some relatively successful programme areas, e.g.; in Darkha VDC, Dhading. A clear-cut organisational development vision is still lacking.

Most of the IGGs are functioning organisational entities with their own internal leadership structure consisting of a president, secretary, treasurer, and other formally inducted members. Groups meet quite regularly; attendance is high; savings are regularly collected and mobilised; rules/regulations and other decisions, including social reform measures and community activities, are formulated and enforced; and programme management functions are increasingly being taken over by the IGGs. In spite of this, dependence on motivators is quite high.

Decision-making within IGGs, in areas that do not involve support or subsidy from RSDC, are quite participatory and effective. Both formal and informal rules, regulations, and sanctions are formulated and enforced to ensure implementation of group decisions. In contrast, the decision-making system within RSDC, e.g., loan sanctions from the RSDC revolving fund, is quite centralized. Some activities, e.g., holding meetings and keeping the minutes of decisions, collecting savings, and maintaining records/mobilisation of the *Swabalamban* fund are almost exclusively undertaken by the IGGs.

IGGs have become important organisations through which community activities that have local priority are being undertaken, e.g., literacy classes, village sanitation, construction of drinking water systems, trails, school buildings, and the like. Many activities are undertaken by the groups on their own. In some cases, the programme provides a small incentive grant through which substantial local resources are mobilised.

Human Development

Swabalamban messages are imparted by the motivator through both a formal forum in the monthly IGG meetings and through a continuous informal interaction in the community. Participating households and community leaders feel that awareness of mutual help practices, village sanitation, education of girls and adults, and adoption of family planning has increased; at the same time, use of alcohol and unproductive expenditure on rituals and festivities, gambling, and smoking have decreased. In some cases, the traditional patron-client relationship, which is responsible for the exploitative bonding of the poor to the rich, is also breaking down.

Many villagers are also provided training in both farm and off-farm skills; they also take part in suitable observation trips. IGGs have organised literacy classes in many settlements. Given the widespread organisational base created by the IGGs, there is a potential for introducing massive local-level primary skill development programmes which could then form the basis for sustainable long-term increases in household income (Ojha and Shrestha 1996).

Access to Resources and Income-generating Opportunities

The *Swabalamban* Fund involves the pooling together of monthly savings' contributions by IGG members as a cooperative credit system which is administered by the collective decisions of the group. The magnitude of resources generated through this means has been substantial, increasing progressively over time. As of July 1995, the total *Swabalamban* Fund was Rs 2.4 million* in two districts.

All the money in the *Swabalamban* Fund is loaned out to members for a wide variety of needs, including buying food; repaying debts to village moneylenders; and expenses for illness, delivery, or death in the family. It insulates the poor from (or reduces their

*There are 56.75 Nepalese rupees to one U.S. dollar

dependence on) exploitative moneylenders and its impact has been substantial. Almost every rupee in the fund is used and the turnover is very high, about seven times, with 100 per cent repayment rate.

The Capital Revolving Fund is currently earmarked at the rate of Rs 100,000 per VDC. Granting small, collateral-free loans from this fund to the poorest members of the groups for income-generating activities has been one of the most important target group oriented interventions of this programme. It is not meant to meet all the credit needs of the IGG, it is only meant to be a selective intervention in favour of the poor. This fund is primarily administered by the motivators.

Disbursement of loans is exclusively for productive purposes. Most loans are quite small and are for a short period. The targeting is quite effective with 74 to 87 per cent of borrowers belonging poorer groups, although relatively well-off households also seem to have managed to obtain loans. The loans have helped to create substantial productive assets as well as immediate increases in the incomes of poorer households (Photo 2). Almost a third of outstanding loans are overdue.



The loans have helped to create substantial productive assets as well as immediate increases in the incomes of poorer households

Demand for loans from this fund — provided at an interest rate of 12 per cent per annum, which is ultimately repatriated to the group's *Swabalamban* fund—is quite high. The *Swabalamban* programme, with its wide organisational base, however, could be an important medium for channelling institutional credit to needy households in rural areas. Appropriate credit-linking mechanisms need to be worked out and operationalised to facilitate this.

All efforts to increase local productivity through improved technologies in the farm sector, as well as efforts to impart skills in the non-farm sector, are carried out by RSDC on its own. The motivator attempts to provide services as a multipurpose technician, a role not only unmanageable but also ill-suited to his expertise. With few exceptions, no deliberate attempts are made to link the government and non-government service agencies to the IGGs.

Strengths and Weaknesses

Strengths

The Swabalamban programme is one of the most effective rural development and poverty alleviation interventions in the country. The following are its distinctive positive elements.

- It has a strong focus on self-reliance and local participation with transparency in decision-making at the IGG level; the approach of ensuring participation, even on the part of the relatively well-off in the community seems to have given legitimacy to the change process and reduced potential conflicts.
- The motivators have been quite effective in their roles as change agents; their demonstration of the appropriate code of conduct and behaviour suited to Swabalamban advocacy is the crucial factor.
- The programme stresses the critical areas of social/institutional reforms that not only help weaken the reinforcement of poverty but also increase self-respect and human dignity among the poor.
- The programme has demonstrated that the poor are also capable of mobilising local resources and savings to meet their needs; and this helps to reduce substantially the overt dependence on moneylenders.

Weaknesses

The programme has substantial potential to contribute to poverty alleviation efforts in Nepal if the following critical weaknesses are appropriately addressed.

- Conceptual clarity and end vision for the programme should be formulated and internalised by all RSDC officials and field workers.
- The potential of the programme to facilitate local development activities on a larger scale than at present is appreciable, provided appropriate higher-level organisations of the IGGs are promoted and strengthened. Such organisations are necessary for effective access to external resources and to solve larger problems beyond the settlement/village level.

- Linkages of the IGGs with external agencies need to be actively promoted. Besides linkages with technical service agencies, ways and means to link the IGGs with formal, rural financial institutions are important if household incomes are to be increased.
- Primary skill development at the village level should be increased in order to take care of most of the problems locally.
- The current centralized RSDC management needs to be appropriately decentralized to improve the effectiveness of the programme.

Self-help Banking Programme (SBP)

Programme Concept, Approach, and Focus

The Self-help Banking Programme (SBP) was introduced by the Centre for Self-help Development (CSD) on September 15, 1993, in the Churia Forest Development Project (ChFDP) areas. ChFDP/GTZ had been providing them with financial and technical support. As of July 1995, the SBP covered 30 VDCs and a municipality in Siraha, Saptari, and Udayapur districts. SBP is one of the five main programmes implemented by CSD in various parts of Nepal (Rapp et al. 1996a).

The SBP is a banking programme modelled after the *Grameen Bank* programme of Bangladesh. The CSD has made some changes in this proven model to suit local conditions. In the beginning, the *Grameen Trust* of Bangladesh provided the necessary loan funds to start the programme, and later the Himalayan Bank Limited of Nepal provided the necessary capital in bulk amounts at a low interest rate, which is the current situation. The ChFDP has been providing operational expenses and some community development support.

The SBP focusses exclusively on credit and savings' related activities. The general objective of the SBP is to bring about improvement in the quality of life of the rural poor and disadvantaged people. Specific objectives include reaching out to the landless, marginal farmers, and disadvantaged, poor rural women by creating employment opportunities for them, organising them into centres, and encouraging saving habits. The SBP is making an effort to fulfill ChFDP's objectives and principles by providing credit support for off-forest income-generating activities for target groups in order to reduce pressure on the Churia forest.

Operational Strategy

Exactly five members comprise a group and a maximum of eight groups comprises a centre. All groups within a centre meet weekly at the centre hall and motivators facilitate the meetings. Centres are managed by a unit office. The SBP/CSD's head office is in Kathmandu, with one project office at Lahan in Siraha district, and ten unit offices in different locations in the three districts. The Board of Directors and other central office

staff, including the Executive Director, operate from the Kathmandu office. Centres are the main arena of SBP activities. Centres function directly under the supervision and control of unit offices. Each centre is led by a centre chief and a deputy centre chief; both are elected from among the group leaders.

There are several steps in the SBP operational process: identification of target area and target group, organisation of pre-group training, and formation of groups and centres. Centres meet weekly to collect weekly savings, extend loans, collect weekly loan installments, review progress, discuss problems and needs, and determine other community development activities. Thirty-nine motivators, who spend most of their time either in the field or at the unit office, are the backbone of the programme. The SBP plans that after 11 years, sufficient resources, both financial and human, should be established so that each centre can be turned into a self-help bank.

Group members receive collateral free loans of from Rs 2,000 to Rs 5,000 for the first time and Rs 5,000 to Rs 10,000 for the second time on a group accountability basis. This loan is spread into 55 weekly installments and 20 per cent interest is charged.

Programme Status

Altogether, 30 VDCs and Lahan Municipality were covered by the programme as of July 1995. A total of 115 centres with 2,629 members organised into 542 self-help groups were covered during the period. The repayment rate was 100 per cent. The amount of group savings collected was Rs 160,285.00 and the centre fund totalled Rs 391,077. Similarly, the amount of individual savings was Rs 60,364. The outstanding amount in the emergency fund was Rs 4,718.

The SBP has given less emphasis to community development activities. By July 1995, a few activities, such as improved cooking stoves, rower and treadle pumps, hand tubewells, pit latrines, adult literacy facilitators' training, and adult literacy classes, were introduced. These activities were implemented with support from the ChFDP and other supporting institutions.

Organisational Development

The landless, marginal farmers, and disadvantaged, poor rural women are eligible for membership in SBP groups. Eligibility is determined by means of Participatory Rural Appraisal (PRA) and 11-day pre-group training courses. Weekly centre meetings are held regularly under the supervision of motivators. Groups mostly discuss repayment, loan demand generation, and savings and their mobilisation. Interested members make weekly contributions to individual savings but each member makes a mandatory contribution to her group savings. Those members who receive loans contribute five per cent of the total loan amount to the centre fund. Groups have shown a strong concern for mobilising centre funds but the SBP/CSD has strong reservations about it. Structurally, members can participate in a group and a centre but not in the units and

the project office. So far, none of the groups is functionally active as a group outside the weekly centre meetings.

Each centre has a chief and a deputy; and each group has a group chairperson and secretary. Groups select their leaders during Pre-Group Training (PGT), and all the group members from a centre select the centre chief and deputy from among their group chairpersons. Caste/ethnic backgrounds of centre leaders reveal that 70 per cent of the leaders are from lower castes, are indigenous peoples, or are Muslims. Leadership in all centres is stable, because the roles and duties are very standardised and routine and overshadowed by the presence of the motivators. Centre leaders are capable of running the centres on their own, except for filling in the pass books.

The SBP activities are centralized in the decision-making sphere, including loan sanctions and centre funds, despite the principle of group accountability which demands a more participatory, decentralized system. Motivators play a significant role in making decisions at centres. Groups and centres can make decisions about their individual savings.

Almost all centres have their own centre hall, and a few have a temporary place to hold weekly centre meetings. None of the centres has an office. Unit offices are run by senior and junior motivators. Most of the group members visit occasionally and centre leaders frequently visit unit offices but rarely visit project offices. Accounts are well maintained by motivators.

Human Development

In the SBP, awareness among motivators, centre leaders, and members is created through vows taken at weekly meetings. Motivators vow not to discriminate against any one and not to take anything from anyone for free while discharging their duties. Centre leaders vow to save money by not incurring unnecessary expenses, to keep their courtyards and children clean, and not to smoke or drink. All members vow to save regularly, keep inside and outside the home clean, and send children to school.

Except for a few centres where most of the members are Muslims, most of the centres have mixed caste and ethnic groups. Among the caste groups, members belonging to traditionally higher caste groups are very few. Inter-caste and ethnic relations are a very encouraging social attribute of the centres.

The SBP/CSD has made no significant efforts at capacity building. Further, it has no programme other than the factors included in the vows mentioned above to reduce unproductive household expenses. All members being women, they do not spend money on alcohol but most of their spouses do. They have made no significant organised effort to reduce unnecessary costs on rituals and festivities associated with *rites de passage* (Rapp et al. 1996a).



In the SBP, awareness among motivators, centre leaders, and members is created through vows taken at weekly meetings

Access to Resources and Income-generating Opportunities

The SBP has institutionalised three mandatory savings' schemes: group savings, centre funds, and emergency funds. These funds are meant to develop the savings' habit in all members and to generate capital. The centre fund has been established with the long-term goal of generating capital at the centre level to make it self-reliant; the fund ranges from a few hundred to 15,000 rupees, depending on the age of the centre and volume of transactions, both from the SBP and centre funds. According to the SBP/CSD rule, up to 50 per cent of the centre fund can be mobilised. To some extent, group and individual savings have also been mobilised. The surplus is not being ploughed back to increase business.

The SBP has begun to develop linkages with other concerned agencies, particularly with international organisations such as SAVE US and UNDP. The repayment rate is 100 per cent because of proper utilisation of funds. Only a few linkages have been established with district line agencies. Marketing linkages are weak. Lack of follow-up support prevents the programme from realising its full potential.

Strengths and Weaknesses

Strengths

The SBP has become a very effective poverty alleviation programme in the Terai region of Nepal. The following are its main strengths.

- So far, the SBP programme has made a positive contribution to poverty alleviation by involving poor women in profitable income-generating activities and subsequently raising their self confidence and family/household incomes (Figure 4).



The SBP programme involves poor women in profitable income-generating activities and subsequently helps to raise their self confidence and family/household incomes

- The SBP has a potential for expansion at the national level, especially in the rural and urban Terai and urban hill areas and their rural hinterlands.
- One of the significant contributions of the SBP is helping poor rural women from traditional households to come out to the centres to interact with other women in groups.
- A very high participation of traditionally low castes, indigenous peoples, and Muslims in groups and centres and their access to leadership positions are the SBP's distinguishing characteristics.
- Use of PRA techniques and pre-group training to identify target groups and a very well-designed training module to train motivators, both of which have proved effective.
- So far a 100 per cent repayment rate has been achieved.

Weaknesses

The SBP's contribution to poverty alleviation can be increased if the following weaknesses are removed.

- The SBP focusses solely on credit and savings' activities without complementing them with social and institutional reforms. There is an inadequate social and community development component in SBP programme which limits the effectiveness of achievements made through income-generating activities.
- The current structure does not allow members to participate beyond their centres.
- The group accountability system demands a participatory decentralized system but SBP activities are centralized.
- There is only a limited attempt to develop external linkages, especially market linkages, or to assist members in establishing their own markets.

Banking with the Poor Programme (BWTP)

Programme Concept, Approach, and Focus

The Banking with the Poor Programme (BWTP) was designed, developed, and implemented as an action research programme under the Intensive Banking Programme (IBP) by Rastriya Baniya Bank (RBB) in 1992. In Lamjung, it has been implemented by the Self-Reliant Society Service Centre (SERSOC), a local level NGO registered with the Lamjung District Office, since June 1993. The RDSP-L/GTZ has been providing support for SERSOC's organisational development, including administrative support to carry out the BWTP programme, since August 1994. SERSOC strengthens and organises the target groups and BWTP-RBB provides them with the necessary credit. The BWTP programme was implemented in three (Besisahar, Gaonsahar, and Nalma VDCs) of 61 VDCs in Lamjung district (Rapp et al. 1996b).

The BWTP programme is very specifically oriented to credit and savings' related activities. Its objectives include establishment of self motivated and sustainable grass roots' organisations capable on their own of handling socioeconomic development activities and of developing self-reliance in poor households.

The target group includes all persons whose annual per capita income is less than Rs 2,500. The programme tries to reach both men and women to an equal extent

Operational Strategy

SERSOC helps target groups to form Self-Help Groups (SHG). SHGs in a settlement ultimately form a Self-Help Organisation (SHO). The SHO is expected to serve 100 to 200 households in a settlement. SHG members elect their group leaders and SHGs elect their SHO leaders. Both hold monthly meetings to discuss credit and savings' activities. Motivators help SHGs and SHOs to conduct meetings. Each SHO is expected to cover 20 SHGs in the hills. These SHOs are visualised as part of the Self-Reliant Society to be developed in the long run.

The SHOs administer loans, ensure monthly repayment of installments, collect savings, and recommend new borrowers to the bank. Several members of a household can receive loans, but the total amount should not exceed Rs15,000 per individual and Rs30,000 per household. Loans should be repaid in 32 installments. No specific rules are established to ensure the participation of women. A fourteen per cent interest rate is charged by the bank. SERSOC and RBB plan to make the SHOs an independent institution within five years.

Programme Status

Altogether three SHOs, one in each VDC, with 43 SHGs have been formed. The total amount of loans disbursed is Rs 1,953,500. Rupees 97,625 have been collected through a compulsory savings' scheme, that is, a five per cent deposit of the total loan amount, and Rs 28,852 were collected from group savings. Very few members have made contributions in the form of personal savings. Seventy-one of the total income-generating activities involve livestock. Constraints to the selection of enterprises include inaccessibility of markets, lack of raw materials, and lack of training and know-how. Group pressure has contributed to a 100 per cent repayment rate. Some members have benefited from the biogas programme supported by SNV-Nepal and from the latrine construction programme supported by GATE/GTZ (Figure 5). A few members have benefitted from the organic farming programme introduced with support from SFDP-TA/GTZ, from the *gurjo* (herbal tea) cultivation carried out with support from Gorkha Ayurvedic, and from seeds and saplings' distribution supported by the District Agricultural Office.



Some members have benefited from the biogas programme supported by SNV-Nepal and from the latrine construction programme supported by GATE/GTZ

Organisational Development

Among the eligible households for which annual per capita income is less than Rs 2,500, very few have joined the SHGs and SHOs. The SHGs and SHOs are formed during mass meetings organised jointly by SERSOC and BWTP-RBB. Both SHGs and SHOs meet separately each month. Field workers help to conduct SHO meetings, but SHGs conduct their meetings themselves. During the meetings, members discuss loan demand generation and processing, savings, repayment, formation of new SHGs, and programmes given by SERSOC. SHOs play a key role in making decisions about recommendations to the bank for individual loans. Members, even those who are illiterate or who come from the traditionally low castes, have the opportunity to participate and hold positions on the executive board. SHGs are active but SHOs are inactive because they lack the financial and technical support needed to run their activities properly. The Self-Reliant Society (SRS) is so far non-existent.

Each SHG and SHO has a chair, vice-chair, secretary, and treasurer. SHG leaders are elected by respective SHG members and SHO leaders are elected by SHGs during a mass meeting. High caste people, mostly men, occupy most of the leadership positions at all levels. SERSOC's chairperson is a very seasoned social worker who has been providing strong leadership to the organisation.

Final decisions about loan sanction, repayment, and interest rates are made by the bank. Decisions about SHG and SHO formation, community development activities, and human resource development are taken by the SERSOC in consultation with its field workers. SHG and SHO members make decisions about their individual savings and interest rates, if such a fund is mobilised, and the SHO about the emergency fund.

None of the SHGs and SHOs have offices or a permanent place to organise their meetings and other activities. SHG members who take loans, their SHG and SHO leaders, and the field worker visit the bank. SHG and SHO leaders occasionally visit the SERSOC office in Besisahar. Field workers often reside in the community, but they do not have their own offices, other than the SERSOC Headquarters in Besisahar.

Human Development

In the BWTP programme there is no emphasis on raising the awareness of SHG and SHO members and leaders. The only awareness-raising activities carried out by field workers are those providing information about biogas and about adult literacy classes.

In a few SHGs where persons belonging to depressed castes are participating, along with privileged caste counterparts, there are very cooperative and friendly interactions. In a few cases, women from the depressed castes have been able to take over the leadership of SHGs which have members from the privileged castes.

SERSOC and RBB have no activities related to capacity building or to reducing unproductive household expenses (Rapp et al. 1996b).

Access to Resources and Income-generating Opportunities

To develop the habit of saving among the target population, and to generate their own capital to invest in Income-generating Activities (IGAs) in the long run, various compulsory savings' schemes have been introduced for SHG members. These include compulsory deposits, group savings, and individual savings. An interest subsidy provided by the government is deposited in the savings' account. For compulsory deposits, five per cent of the initial loan is deposited in the SHO account by the SHG members. Group savings have been mobilised for various purposes, including repayment of installments. Very few members have been able to contribute personal savings. It appears that compulsory savings are accepted and regarded as useful. Group savings are still in the initial stages.

The loan requirements of all SHG members are met by Rastriya Banijya Bank under its BWTP programme (Figure 6). According to the promissory notes, SHOs and the bank directly enter into an agreement about the loan, and, hence, SERSOC's role is taken for granted as that of a facilitator. Seventy-one per cent of the total loans are invested in livestock production. These activities have helped to raise the household incomes of participating members, but the lack of access to markets has prevented them from increasing their earnings through profitable income-generating activities. No linkages have been established with concerned line agencies.



The loan requirements of all SHG members are met by Rastriya Banijya Bank under its BWTP programme

Strengths and Weaknesses

Strengths

The BWTP has made a positive contribution to alleviating poverty in rural areas. The following are its main strengths.

- Representation of low caste members on the executive board is one of SERSOC's distinguishing characteristics.
- Unlike many other NGOs, SERSOC is an NGO with local origins and it is based locally.
- SERSOC has been able to develop very good external linkages with various donor agencies such as Small Farmers' Development Project (SFDP-TA/GTZ), German Appropriate Technology Exchange (GATE/GTZ), Biogas Support Programme (BSP/SNV-Nepal), Gorkha Ayurvedic, and South Asia Partnership Nepal (SAP-Nepal).
- So far the repayment rate in BWTP is 100 per cent, but it has yet to be seen whether it remains so as SHGs mature.
- Increasing participation of women in SHGs is a positive feature of the programme.

Weaknesses

If the following weaknesses of Banking with the Poor (BWTP) are removed by Support Activities for Poor Producers of Nepal (SERSOC), Rastriya Banijya Bank (RBB), and Rural Development through Self-Help Promotion-Lamjung (RDSP-L), its contribution to poverty alleviation can be improved significantly.

- One of the main weaknesses of the BWTP programme is that both SERSOC and RBB have paid too little attention to SHG and SHO formation and strengthening.
- The SHOs, the main pillars of the self-reliant credit and savings' groups, are very weak and the Self-Reliant Society is non-existent.
- There is no stress on social reform and community development.

Small Farmers' Cooperative Limited (SFCL)

Programme Concept, Approach, and Focus

The Small Farmers' Cooperative Limited (SFCL) is an institutional innovation of the Small Farmers' Development Project (SFDP) implemented by the Agricultural Development

Bank (ADB/N). Promotion of SFCLs has been conceived, designed, and tested in Dhading since 1987/88 through the collaboration of the ADB/N, DDP/GTZ and SFDP-TA/GTZ; the approach is currently being replicated in other parts of the country by ADB/N (Mishra and Bhattachan 1994; Siebel and Mortuza 1995).

SFDP is a relatively successful target group oriented programme implemented by ADB-N since 1975 with the principal objective of poverty alleviation. The entry point is provision of institutional credit to increase household production and incomes. The basic approach is to organise small farmers into groups through which credit is channelled to individual farmers for productive activities. The programme in its original set-up is implemented through the Group Organiser (GO), a bank employee who is responsible for facilitating/ implementing all activities ranging from social mobilisation to decisions regarding loan approval and recovery. The programme supports activities to: promote self-reliance in small farmers through organising them; using their skills, labour, funds, and local resources; encouraging small farmers to plan and implement group activities, including community development; building up linkages among small farmers with service delivery agencies; and evolving a pro-small farmer credit delivery system. Members are eligible to receive non-consumption credit of up to Rs 30,000 per small farmer.

The SFDP is the largest target group oriented poverty alleviation programme in Nepal. The credit component has been supported by IFAD and ADB/Manila. UNICEF provides support to community development programmes. By January 1995, 182,000 small farmer's households (or 1.02 million people) were organised in 24,000 small farmers' groups in 652 VDCs in 75 districts. Thus, SFDP has been able to reach out to about seven per cent of the total population living below the poverty line in Nepal. Cumulative credit disbursement has been over Rs 2.6 billion.

A decade of implementation of SFDP in the country had indicated its clear potential to reach the target population and contribute to poverty alleviation. However, it remained a Bank-implemented programme with high cost of administration, low repayment rates, and limited participation of beneficiaries, leading to serious concerns regarding its sustainability as well as its capability for rapid expansion to meet ever-increasing needs. In order to address these problems through an innovative impetus to SFDP, action research was carried out in Dhading, commencing in 1987/88, through the collaborative efforts of DDP/GTZ and ADB/N; a number of measures geared towards promotion of sustainable small farmers' institutions capable of implementing the programme autonomously was introduced. The positive outcome of the action research led to a long-term cooperation agreement between the ADB/N and DDP/GTZ in 1989; the programme is integrated with the SFDP-TA/GTZ which is providing technical assistance, follow-up, coordination, and support measures to ADB/N to replicate the Dhading experience in the rest of Nepal. The main innovative elements of the programme are promotion of higher-level organisations of SFs to ultimately form their own associations at VDC level (called SFCLs); rapid expansion of SFDP programme coverage to new VDCs as well as within existing programme VDCs; increased training and capability building measures in support of institutional

innovation; and promotion of investments in various kinds of productive infrastructure and community development work.

Operational Strategy

The institutional innovation of SFDP, i.e., the SFCL, has a three-tiered organisational structure — SF groups at the settlement or village level with membership normally ranging from five to eight members; Inter-groups at the Ward level where one representative from each group is represented; and the Main Committee (or the Association) at the VDC level consisting of a representative of each Inter-group. The organisation is registered as Small Farmers' Cooperative Limited (SFCL) under the Cooperative Act; all members of the SF groups within the VDC together form the General Assembly, the ultimate body for policy formulation and for steering the functioning of the SFCL.

The transformation of the SFDP programme into autonomous SFCLs was achieved through deployment of local 'promoters' in each Ward — volunteers from among the existing SF group leaders — who undertook the tasks of mobilising and supporting the SF groups and who also acted as the outreach of the GO, thus augmenting the effectiveness and coverage of the programme substantially. Most of these promoters subsequently provided leadership to the emerging Inter-groups and the Main Committee. Another element of the strategy consisted of employing and paying local youths/women workers who assisted the GO as well as the farmers' organisations in all aspects of SFDP management. They played a crucial role not only in the transformation process but, as apprentices, learned to become proficient SFCL managers. The whole process of transformation, which took about five to six years in Dhading, incorporated an in-built mechanism to sustain it.

After completion of the transformation process, ADB/N formally hands over management of the SFDP to the SFCL. Wholesale credit is provided to SFCL at a four per cent interest margin for retailing by the latter to its members as per prevailing bank/government policies. At the current volume of financial transactions, this margin is expected to meet the operating costs of the SFCLs; combined with other sources of income, including investment of farmers' savings, it is expected that each SFCL will earn a reasonable profit. Each small farmers' group member is eligible to receive loans of up to Rs 5,000 with an 80 per cent interest subsidy, up to Rs 15,000 with a 33 per cent interest subsidy, and up to Rs 30,000 (if the previous loan repayment record is excellent) with no subsidy. Interest rates are from 14 per cent to 18 per cent, depending on the purpose of the loan.

The SFCL, through its executive body, the Main Committee, formulates plans and programmes based on inputs from its members, groups, and Inter-groups (Figure 7). It makes decisions related to loans and other investments, collection of overdue loans, savings' mobilisation, community development activities, and any other activities beneficial to its members. On the other hand, Inter-groups are responsible for mediating between SFGs and the Main Committee. Inter-groups scrutinise loan demands and



The Main Committee formulates plans and programmes based on inputs from its members, groups, and Inter-groups

discuss overdue loans, savings, and community development activities. Youth workers are the backbone of the programme. They are responsible for office management, including maintaining accounts, programme coordination in the field, and other requisite support, i.e., facilitating Inter-group meetings.

Programme Status

The SFDP covered only four VDCs out of fifty in Dhading district when the DDP began collaborating with the ADB/N. Currently the programme covers twenty-four VDCs. ADB/N has formally handed over the SFDP programme management to seven SFCLs covering seven VDCs and informally to the Main Committees of an additional three VDCs*. The transformation process is at different stages in other SFDP programme VDCs in Dhading.

By July 1995, altogether 4,113 small farmer members, organised into 604 groups and federated into 71 Inter-groups, were organised in seven SFCLs within Dhading district. The proportion of SFCL-covered households to total households in the programme area ranged up to 70 per cent. The amount of loan disbursement through these seven SFCLs during the year 1994-95 was Rs 8,919,687 from the Bank source, Rs 2,272,501 from the revolving fund, and Rs 1,005,586 from internal sources. Thus, the total amount of loan disbursement from these three sources was Rs 12,197,774. The amount of

* The Dhading experience of promoting SF organisations (SFCLs) and handing over the programme management has been replicated in 21 other SPOs in different parts of the country since last year. ADB/N plans to hand over programme management to an additional 60 SFCLs during the current fiscal year (1996-97).

savings collected by the seven SFCLs during the same year was Rs. 721,555 and savings' mobilisation was in the region of Rs 399,697.

Organisational Development

Organisational development of SFCLs in Dhading is quite encouraging. The small farmers have demonstrated that they can run the programme autonomously. Participation of small farmers is continuously increasing. They have demonstrated the capability of solving problems at various levels — settlements, wards, and the VDC — as appropriate through the Groups, Inter-groups, and Main Committee*.

The Main Committee remains at the centre stage where its leaders lay down participatory regulations for other levels/actors associated with the structure. Task forces and sub-committees are formed to carry out their functions more intensely and effectively. Monthly meetings of Inter-groups and Main Committees are held regularly with improved meeting agenda related to loans, savings, overdue payments, repayment, livestock insurance, and community development activities. Both the decision-making process and communications have become more transparent.

The structure of leadership of the SFCL is composed of the Group, Inter-group, and Main Committee. Entry into leadership positions is fairly competitive at the highest levels and much less competitive at other levels. SFCLs allow for non-credit oriented leadership positions to develop. However, the leadership structure at all levels of the SFCL is biased towards upper caste males. Several rules and practices enforcing accountability of leaders have come into operation in the SFCLs.

Programme-level decisions, such as setting the loan ceilings, sectoral budgets, allocation of community development activities' fund, livestock insurance activities, evaluation of Inter-group performance, action against small farmers with overdue loans, and hiring and firing of staff, are made by the Main Committee, usually during its monthly meeting sessions. Inter-Groups also make significant decisions related to community development activities, overdue loan collection, action against farmers who have overdue loans, small farmers' group and Inter-group savings, and loan utilisation (Figure 8). Inter-Groups make loan recommendations to the Main Committee. The loan requests of small farmers are generated in monthly meetings of small farmer groups.

Each SFCL (Main Committee) office is administered by two youth workers, and their assistants in a few cases. The overall responsibility for keeping the SFCL office functioning, hiring and firing of staff, and laying down the terms of their office is vested in the Main Committee by the SFCL Constitution. Office administration is effective. Most Inter-groups, Loan Committees, and Main Committees meet monthly on a fixed date. All meetings are regular and fairly efficient.

* Very recently there has been an initiative to establish a federated district-level organisation of the SFCLs.



Inter-Groups make significant decisions related to loan recommendation, community development activities, overdue loan collection, action against farmers who have overdue loans.....

Human Development

The whole transformation of SFDP into the SFCL, which involved an intensive awareness-building process with the SF groups and their leaders regarding their problems and the need to create their own organisation to solve them, has been a human development process. A large number of need assessment, awareness building, organisational/management, and specific skill development training/seminars/ workshops has been conducted through which SF leaders, promoters, youth workers, and farmers have been trained. Extensive use of farmer to farmer exposures and learning processes has been made.

Compared to some other grass-root level institutions' promotional programmes, the social awareness promotion component, focussing on relatively disadvantaged and deprived castes, has received low priority in the SFCLs. Thus, inadequate attention has been given to addressing one of the basic causes of persistent poverty. The capability building programme, because of its focus on leaders, has also relied generally on the better-off among the SF, since leadership positions are largely held by members belonging to privileged castes.

SFCL very strongly believes that both credit and community development activities go together, and often the latter strengthens the former activities. Capacity building is of highest priority in SFCL. SFG members and IG members and their leaders were intensively

involved in various capacity-building activities, e.g., in the areas of agriculture, horticulture, livestock, health and sanitation, local roads, and community forestry (Mishra and Bhattachan 1994; Siebel and Mortuza 1995).

Access to Resources and Income-generating Opportunities

SFCLs have access to institutional, subsidised credit and make substantial investments leading to increases in the incomes of members.

SFCLs have developed group savings, Inter-group funds, Main Committee funds, and SFCL shares to generate capital at local level. There is an immense potential for mobilising all these funds to reduce the bulk loan from ADB-N. Small farmers' group savings have already accumulated substantial amounts, ranging from 150 thousand to 340 thousand rupees, in each SFCL. Such funds could be used productively at the SFCL level*. IG savings are as yet quite small. Only a small proportion of the SFGs has mobilised savings because of easy access to subsidised loans through the ADB/N. The SFCL management had done little to mobilise such savings. Only one SFCL was found to have mobilised small farmers' group savings to establish a fertilizer dealership managed by the Main Committee.

The repayment rate for credit disbursed by the SFCLs after taking over the management from ADB/N has improved substantially. Even the collection of overdue loans inherited from the ADB/N has improved. The ability of the SFCLs to maintain a high repayment rate, close to 100 per cent, will be the litmus test of the sustainability of the SFCLs. Since theoretically SFCLs can go to other sources besides ADB/N for bulk funds, the potential for access to external funds is immense. External credit is used to provide loans to small farmers to invest in agriculture, livestock, and small businesses.

Strengths and Weaknesses

Strengths

SFCL is an effective self-help promotion programme for alleviating rural poverty. The following are its outstanding features.

- SFCLs are very advanced in terms of management autonomy. Small farmers themselves have taken over the SFDP management from ADB-N.
- Small farmers are represented and participate in decisions at all levels.

* Recently the SFCL in Chattri-Deurali has even started to mobilise general savings from farmers for reinvestment in its members; this has the potential for ultimately developing into a rural bank owned and managed by small farmers.

- Unlike many other programmes, an organisational structure has evolved that is capable of taking care of most of the farmers'/community's problems; it is emerging as an effective pro-small farmer pressure group.
- Coverage of small farmers in the SFDP programme areas increased several-fold after commencement of the transformation process, making the programme more effective in its outreach than before.
- Repayment of loans disbursed by SFCLs is greater by a substantial degree than the ADB/N managed SFDP.
- All SFCLs are running at a profit already after two years.
- SFDP has a nation-wide base which can be transformed into SFCLs at a much faster pace than was possible in Dhading; thus the potential of this programme for wide-spread replication is very good.

Weaknesses

SFCL can contribute significantly to poverty alleviation if the following weaknesses are removed by both the implementing and supporting agencies.

- There is still an overt dependence of SFCLs on the ADB/N for loans, partly due to the various restrictions still placed by the Bank on independent operations by the former.
- The ADB/N has also been reluctant to pursue a policy of rapidly weaning out SFCLs, possibly due to the bureaucratic culture of the Bank.
- The government's policy of subsidising interest on loans made of a certain amount to small farmers under SFDP has made it unattractive for the SFCLs to mobilise their own savings; this remains a major constraint to more effective savings' generation and mobilisation.
- The transformation process of SFDP into SFCLs has taken quite a long time in Dhading. This process needs to speed up significantly if the approach is to be replicated at the desired rate.
- SFCLs had inherited a backlog of outstanding loans from the SFDP of ADB-N, many of which will be very difficult to recover; such outstanding loans will limit the effectiveness of the SFCLs to reach out to all needy small farmers and may also remain a problem or irritant to their effective operation.
- Inadequate social mobilisation and reform measures seem to have limited the potential impact of SFCLs on the welfare of participating households.

Grass Root Level Institutional Development in Gorkha

Programme Concept, Approach, and Focus

The Grass Root Level Institutional Development Programme in Gorkha is an action research programme that has been implemented in Gorkha district since 1991 by Support Activities for Poor Producers of Nepal (SAPPROS) with support from the Gorkha Development Project (GDP) of GTZ. The programme was first implemented in two VDCs, namely, Ghyalchowk and Bhumilchowk, in 1991, and expanded to Tanglichowk and Makaisingh VDCs in 1993 and Ghairung VDC in 1994. Two more VDCs will be covered in this fiscal year (Sharma and Joshi 1997; Upadhyay 1995).

The main objective of the programme is the development of self-reliant grass roots' level institutions. The programme has five main components: (a) institutional development, (b) community development, (c) resource generation and credit operation, (d) income generation, and (e) human resource development.

The programme is oriented towards social mobilisation, empowerment of the poor, and development of self-governing organisations along with credit and savings' related activities.

The target group includes women, 'tribals', marginal, and disadvantaged groups.

Operational Strategy

Until 1994, the SAPPROS programme was modelled after the SFCL programme with an organisational hierarchy of groups, Inter-groups, and Main Committees. As SAPPROS began to face a number of problems in implementation, it abandoned the idea of federated higher-level organisations. Instead, the programme focussed on building grass roots' level credit/savings and user groups and had a vision of developing them into village-level cooperatives.

SAPPROS assists target groups in forming credit/savings' groups and user groups by providing trainers. At least 25 members qualify as a group to form a village-level cooperative. Each group selects a chairperson, vice-chair, secretary, and treasurer. All decisions are made at monthly group meetings. Groups form *Mul Samiti(s)* (Main Committees) at the VDC level, but their role is reduced. SAPPROS, with its headquarters in Kathmandu and its field offices located in Abu Khairani, supervises the programmes in Gorkha and also in Lamjung where a similar programme is being implemented with RDSP-L support. Social mobilisers play significant roles in all activities of the groups.

Group members generate the capital necessary through group and individual savings, labour certification schemes, operation and management funds, and livestock insurance schemes. Group members receive loans of usually up to Rs 2,000 with interest rates, ranging from 24 to 36 per cent, the rate being determined by the groups themselves.

Programme Status

As of July 1995, altogether 258 Credit and Savings' Groups with 2,444 members and 72 User Groups with 2,390 member households were formed in five VDCs. As of December 1996, these groups were consolidated into 98 Credit/Savings' groups with 2,048 members and 76 User Groups with 2,809 member households. Altogether 27 Inter-Groups were formed in five VDCs by July 1995, but all were subsequently dissolved. The Main Committees of Ghyalchowk and Bhumi Chowk VDCs were registered as local NGOs with the district office. An *ad hoc* Committee was formed in Tanglichowk VDC.

Organisational Development

The evolving organisational development of SAPPROS is interesting as it went through two phases. At the initial stage of programme implementation from 1991 to 1994, following the SFCL model, credit/savings' groups and user groups were established as primary forms of groups. The target village was to be identified on the basis of socioeconomic indicators developed by SAPPROS; and once the target village was identified, a household survey was to be carried out to identify target beneficiaries based, again, on socioeconomic indicators. In practice, however, no clear cut criteria were used for identification of target groups. Priority was given to women, 'tribals', marginal, and disadvantaged groups.

A Local Contact Person (LCP) was responsible for identifying eligible group members. Literacy classes were used as an entry point for implementing the programme. These classes focused on group formation, savings and credit, income generation, environment, women's empowerment, and so on. Among the group members, those who completed two-thirds of a six-month long course were encouraged to form savings' groups. Functional groups, that is, credit and savings' groups, comprised of seven to 10 members, were organised at settlement level; these groups were federated into Inter-groups at the Ward level; and these Inter-groups were further federated into Main Committees at VDC level. In addition to Inter-groups, women and users' groups were represented on the Main Committee. User groups were formed to implement, operate, and manage community development activities (Figure 9). A livestock insurance committee was formed in each VDC to operate a community-based livestock insurance system. Local Contact Persons (LCPs) were used as catalysts for social mobilisation.

By mid-1995, SAPPROS discovered there were several problems related to the institutional development of these groups. The problems included the failure to internalise group concepts on the part of members, increasing dependence on the Main Committee, deterioration in group solidarity, lack of coordination and leadership, and lack of linkages among various groups at different levels. Promotion of a higher-level organisation (*Mul Samitee(s)*) without sufficient time being allowed for the organisational maturity of groups and growth from below was identified as a basic problem.



User groups were formed to implement, operate, and manage community development activities

To tackle these problems, SAPPROS de-emphasised the focus on higher-order organisation of the groups and focussed exclusively on the creation of credit/savings' groups at grass roots' level with the aim of transforming them into village-level cooperatives. In the process of regrouping and amalgamation, all existing Inter-groups were dissolved. The idea was to establish a primary cooperative with at least 25 members. A Chair, Vice-Chair, Secretary, and Treasurer are selected by group members. Groups discuss and make policies on credit and lending. Social mobilisers are the kingpins of the organisation at group level.

The credit/savings' groups meet every month on a fixed day. Decisions related to credit and savings (both individual and group), including the amount, interest rate, loan period, and penalty for overdue payments, are made at monthly meetings.

Sustainable infrastructure and management of natural resources are promoted through user groups. Membership is open to all users, rich or poor. SAPPROS provide technical and management support to these groups, and all activities are undertaken by the groups themselves. Their commitment is ensured through creation of an operation and maintenance fund (O&M Fund), the labour certificate scheme in which up to 50 per cent of their daily wages used to be deposited with the Main Committee.

User Groups are formed to implement, operate, and maintain drinking water, irrigation, and community forestry projects. Non-target group populations are also eligible for membership. Additionally, community infrastructural development activities, such as suspension bridge construction and trail road construction, are also implemented through user groups.

SAPPROS has emphasised expansion of the community resource base by providing information about new technologies and income-generating activities (Figure 10).



SAPPROS has emphasised expansion of the community resource base by providing information about new technologies and income-generating activities

Human Development

Non-formal education is used both as an entry point for programme implementation and as an important human development activity.

Training and observation tours are the two main components related to human development. Management training, including credit/savings' operations, livestock insurance, and skill development training in specific fields, such as horticulture, off-season vegetable farming, and coffee farming, have been provided to about 400 members. In addition, forest nursery training, adult literacy classes, and social mobilisation training are provided to some members.

Some groups have commenced social reform activities, for example, by taking action against offenders involved in child marriage, dowry, gender discrimination, gambling, and alcoholism, but with only moderate success due to resistance from the local elite. In the case of indigenous ethnic groups, alcohol is believed to have religious and cultural significance, so it is difficult to stop its consumption. All group members rationalise occasional unproductive expenses for special occasions (Sharma and Joshi 1997; Upadhyay 1995).

Access to Resources and Income-generating Opportunities

In all five VDCs, the total amount of all kinds of savings by July 1996 amounted to Rs 5,171,838.00 of which Rs 2,883,803.00 was held by the groups and Rs 2,288,035.00 by the Main Committees. Creation of substantial capital through group savings, livestock insurance, membership fees, operation and maintenance fund, labour certification scheme, and introduction of new technologies provided opportunities for income generation.

SAPPROS introduced a Labour Certificate Scheme in order to generate capital at local level and to improve the access of poor members to infrastructural services. In this scheme, members who contribute labour are paid only half the total wages in cash. They receive a labour certificate for the other half of their earnings, but the money is deposited with the *Mul Samiti(s)* in their individual accounts, and they are eligible to take loans from the fund.

Strengths and Weaknesses

Strengths

SAPPROS has made a positive contribution to poverty alleviation in rural areas. The following are its main strengths.

- SAPPROS has proved its ability to include indigenous ethnic groups and women in its programme.
- It has been providing a basis for collective action to alleviate poverty and for community welfare.
- Group decision-making is completely transparent.
- The programme has demonstrated its ability to expand the local resource base.
- The community development and resource generation activities are among its best achievements.
- All members have internalised the message that the savings' habit is more important than the actual amount of savings.
- It has addressed well the felt needs of the community for infrastructure.

Weaknesses

If the following weaknesses are removed, the programme's contribution to poverty alleviation would increase significantly.

- Conceptual clarity about the 'target' population is needed.
- Further clarity on 'higher order organisations' is also required for organisational sustainability.
- Promotion of external linkages of the groups, both vertical and horizontal, are necessary.

POLICY ISSUES

The five GTZ-supported self-help promotion programmes consist of five different innovations. Each has its own origin, concept, objectives, strategy, focus, strengths, and weaknesses. At this stage, all five programmes are moving progressively forwards to meet their individual objectives. It should be stressed that the process of promoting sustainable self-help organisations is complex and time consuming. It may be premature to come out with definitive conclusions and make policy recommendations based on them, especially with respect to programmes like the SBP and BWTP which have only been in operation for a few years. However, experiences from these five programmes, irrespective of the period of implementation, clearly indicate that grass roots' level organisations can be developed in rural areas and that the quality of life of the poor can be improved, using different strategies and organisational structures, and, of course, with varying degrees of effectiveness and success. Based on the analytical framework and the specific assessments of the programmes, the important issues relating to promotion of self-help organisation and poverty alleviation are as follow.

Target Group Orientation

Each programme has its own specialised target group orientation. SFCL's target group consists of small farmers; *Swabalamban's*, the poorest of the poor and disadvantaged groups, especially in remote and marginal areas; BWTP targets the rural poor; SBP the women, and SAPPROS target women, indigenous peoples, and disadvantaged groups. The assessment studies indicate that specified target groups are being reached by all the programmes, but excluding non-target groups from programme benefits is also difficult. The most successful in terms of targeting seems to be the SBP. Even the *Swabalamban* programme, which is very closely supported and facilitated by the field workers, has been unable to fully exclude non-target groups from obtaining subsidised credit from the revolving fund. Because of the less rigorous criteria of target group definition and identification, SFCL, BWTP, and SAPPROS are likely to include substantial numbers of fairly well-off farmers.

Identification of a target group or population is not an easy task, but a clear definition is required if the programme is to succeed. If the definition is ambiguous, often the better-off people sideline the intended target population. Redefinition of target groups based on objective criteria such as assets, including houses, and using techniques such

as pre-group training and situational analysis, would help to deter those who are well-off from joining the programme. Another alternative would be to allow the local people to define and decide upon their own target groups without external intervention. Often, either the nature of the programme itself or the group members themselves may want to include well-off people as well, but, in such a situation, it is necessary to make sure that the poor receive due priority.

Sustainability

Sustainability is a term that can be interpreted and understood differently depending upon one's perspective. In the context of promotion of self-help organisations, sustainability can be defined as the ability of the target group and their organisation to continue to solve their own problems effectively, even after the external (project), subsidised support is withdrawn. For this, the organisation must be capable of solving their own problems in a participatory manner, must be able to mobilise and/or generate resources for continued operation, and must be able to exert pressure and access resources for continued improvements in the welfare of its members.

From this perspective, none of the self-help organisations promoted by the five programmes have reached a fully sustainable stage. The most advanced and mature in terms of organisational and financial sustainability are the SFCLs. Currently, they are still being provided with technical assistance from the GTZ Project and the Bank. Nonetheless, the approach is well designed from the sustainability perspective and has been demonstrated to work well. The *Swabalamban* programme still has a long way to go to attain sustainability — among the large number of IG groups, only a few are capable of undertaking the requisite activities independently; this might be due to the focus on the disadvantaged groups and geographical areas that require more intensive efforts and time to bring about the necessary changes. There is also lack of a clear-cut, long-term organisational vision as well as lack of a concept of financial sustainability. Linking the IG groups with service institutions, including rural finance institutions, as well as a concept of higher-level organisations to take care of the higher-level problems and establish external linkages, transcending settlement levels, appear to be important steps towards improving their capabilities.

SBP, BWTP, and SAPPROS do not have a concept of sustainability in the sense defined above. There is no clear vision of developing these organisations into self-help organisations. These are actually rural finance programmes with the 'groups' being the medium for channelling production credit to individuals. The other elements necessary for building organisations, e.g., human development and community activities, are substantial in these two programmes. SBP, which specifies eleven years as the time period when the 'Centres' should be capable of sustaining themselves, does not have a clear-cut basis for such a vision.

The issue of sustainability in self-help programmes with credit components is very much tied to operational costs, interest rates, depreciation, bank margins, linkages, human

development, and capacity improvement. The question of sustainability would be best addressed if locally-developed organisations were duly encouraged and strengthened. It might be easy to think of raising the interest rate by a range of 20 to 30 per cent in order to make credit-oriented self-help programmes sustainable, but, from the poor member's perspective, the programme may be no different, or even worse than the local moneylenders.

Mass Orientation and Replicability

Given the nation-wide base of SFDP, SFCL has an immense potential for mass orientation. From the point of view of both organisational and financial sustainability, it can easily be replicated, especially in areas that are relatively accessible and linked to markets. SFDP is already providing services to over seven per cent of the total small farmers of Nepal. In spite of the slow process of expansion in Dhading due to the experimental and learning processes, almost 50 per cent of the VDCs were covered by the programme within a period of six years. The process can now be rapidly replicated in other areas, and, as a policy, it is recommended that GTZ (and other donor)-financed rural development projects should incorporate SFCL promotion as a major support area.

SBP, BWTP, and SAPPROS have a potential for replication and mass coverage, especially in monetised areas which are linked with markets like the *Terai*. On the other hand, *Swabalamban* has demonstrated the capability of improving the living conditions of the poor and disadvantaged hill people, even in remote and marginal areas where other efforts have failed dismally. Opportunities for replicability are great because of the low cost of programme implementation, but mass orientation is constrained by the limited possibility for training and deploying committed field workers on whom the success of the programme heavily depends.

The speed of expansion or replication appears to be very slow and expensive in the beginning. However, the replication of SFCL is slowly gaining momentum with smaller investments than in the initial phase. Unless a movement to promote self-help organisations is created nationwide, the success of self-help programmes in specific areas may not bring about sufficient impact on poverty alleviation. However, all the cases studied indicate that such programmes definitely contribute, although in small ways, to alleviating poverty.

A Comprehensive vs. a Partial Approach:

The SFCL and the *Swabalamban* programmes could be considered to be 'comprehensive' approaches, because they incorporate almost all the necessary elements discussed in the 'analytical framework', in comparison to the 'partial' approach of the SBP, BWTP, and SAPPROS programmes which focus mainly on providing the poor with access to institutional credit for productive purposes.

Both the SFCL and *Swabalamban* programmes have a great potential for alleviating poverty in a sustainable manner because of their comprehensive approaches, although each has its shortcomings and strengths. SFCL is lacking focus on a poorer groups and social reform measures. *Swabalamban* is lacking access to institutional credit linkages; the small revolving fund provided by the GTZ projects is inadequate to meet the existing high demands for production credit even in the rural hill context. On the other hand, the *Swabalamban* programme has a very effective social awareness and reform component which is contributing significantly to the prevention of unproductive household expenditure. This is likely to contribute more effectively to breaking the persistent cycle of poverty (than, e.g., an exclusive focus on increasing household income) by reducing dependence on moneylenders and emancipating poor households from economic and social bondage. The significant improvements in the economic situation of the *Swabalamban* participants in Dhading and Gorkha, in spite of the limited credit from the programme, is testimony to this.

On the other hand, SBP, BWTP, and SAPPROS are undoubtedly important poverty alleviation programmes that are focussing on income generation. However, the other elements necessary for sustainable poverty alleviation, namely, building organisations and human development, including social reforms, are not adequately addressed. In the case of SAPPROS, members have made efforts to bring about social reforms. Lack of linkages between credit/savings' groups and user groups also appears to be a problem. Thus, these programmes only partially address the issue of poverty alleviation. Their strength, however, lies in their focussed and tested approaches as well as the routinised procedures amenable to quick replication, as has also been demonstrated by the *Grameen Banks* in Nepal.

In spite of the relative advantages and shortcomings of these approaches, the policy implication for rural development projects is really limited. Proven and effective poverty alleviation programmes are few in Nepal, as are promoting agencies, whereas the need is vast. If well coordinated, avoiding possible conflict and competition, both these approaches could conceivably be complementary. For example, the *Swabalamban* programme and the SBP or BWTP or SAPPROS can be complementary — the former concentrating on social mobilisation and the latter on providing institutional finance. A similar complementarity is conceivable between SFCL and SBP/BWTP/SAPPROS or even between SFCL and *Swabalamban*.

Supporting projects should coordinate to avoid differential policies and to promote complementary approaches within their project areas where different self-help promotion programmes are being implemented simultaneously. However, this may not always be possible due to situations beyond the control of the projects, i.e., due to the rural finance policies of HMG, for example, credit channelled through SFCL and BWTP were interest subsidised until 1996 but SBP charges full interest.

The policy of the government to provide interest subsidies on institutional credit to target groups, in spite of its intention of relief for small farmers, had actually become a deterrent

to mobilising local resources generated by the farmers themselves. For example, the group savings of SFCLs mostly remain unused, whereas, in the case of *Swabalamban*, which does not have access to institutional credit, the local savings of the IGs have a seven-fold turnover; the *Swabalamban* fund is growing rapidly and meeting the various emergency and subsistence needs of its members, thereby reducing dependence on local moneylenders. Experience shows that the poor need easy access to credit rather than interest subsidies. This is an area of macro-reform that the government should consider seriously.

It would also be worthwhile for the projects to introduce a serious dialogue with self-help promoting organisations that are following a 'partial' approach to introducing human development and organisational development measures as well, so that their effectiveness could be increased. This, of course, will have to be carried out without jeopardizing the basic thrust of specific programmes. If necessary, incorporation of such measures could also be made a precondition for the project providing support.

Environmental Issues

Concern for environmental degradation and the need for action at the community level are addressed as part of awareness creation and human development measures in the SFCL, *Swabalamban*, and SAPPROS programmes, i.e., through the Non-Formal Education (NFE) courses, support for reforestation, management of community forests, promotion of improved cooking stoves, and the like. These measures are, however, limited. The programmes need to carefully consider the environmental effects in promoting productive activities. This could even be made a condition by the GTZ projects for supporting the programmes. For example, ChFDP has included clauses against environmentally detrimental activities in its guidelines for Savings and Credit programmes, although the same does not seem to have been rigorously followed by the *Swabalamban* or SBP programmes in their loan investment criteria.

Population Dynamics

Population growth nullifies many gains made on the economic front. The effectiveness of poverty alleviation/self-help promotion programmes could be increased if an awareness of population dynamics could be integrated into these programmes. Currently, none of the programmes incorporates direct activities relating to awareness, health, and population control measures. The institutional base created by these programmes in the form of groups and their higher-level organisations could be an important medium for education and programme implementation in this area. Projects supporting these programmes can coordinate and even provide financial support to incorporate population activities as part of the human development measures under self-help promotion.

Indigenous Self-Help Groups

There are many different, indigenous self-help groups operated by different ethnic groups. *Guthi* (religious and social organisation) among the Newar(s), *Dhikuri* (rotating credit associations) among the *Thakali*(s), *Rodi* (sociocultural associations) among the *Gurung*(s), *Bheja* (social, economic, and political organisations) among the *Magar*(s), and *Kipat* (a land tenure system) among the *Limbu*(s) are some examples of popular indigenous self-help organisations. There is a potential to revitalise these and other indigenous self-help organisations to make a substantial contribution to poverty alleviation programmes (Bhattachan 1996).

To summarise, SFCLs have a very mature organisation with an emphasis on credit-savings and community development activities, but they have paid no attention to social reform. There is great potential for mass orientation, replicability, and sustainability. *Swabalamban*, on the other hand, has a very strong human development component, along with an effective primary organisation and potential for replication, but it has no vision of higher-level organisation and no link with institutional credit. Compared to these two programmes, SBP and SAPPROS have evolved organisations and improved access to external resources, but they have paid very little attention to human development. Similarly, BWTP has a very good external linkage with a fledgling but evolving organisation. Those programmes which have given less emphasis to human development and organisation building should make efforts to accord them the high priority they deserve.

Finally, it should be stressed that poverty alleviation efforts through promotion of self-help organisations at the grass roots' level needs concomitant macro-level support if a long-term sustainable development process is to take root. For example, without increasing access and market linkages, potential, local comparative advantages cannot be realised, and there will be a limit to the possibility of growth in local productivity. Similarly, institutional rigidities that limit the access of the poor to services and resources meant for them need to be removed through appropriate policies and legislation. His Majesty's Government of Nepal (HMG-N) and its national, regional, and local bodies should pay special attention to formulation and implementation of pro-poor, macro-economic policies and reforms. Also, HMG, with the support of donors, should create a national fund for poverty alleviation programmes. A clear decentralization policy is another important element in the success of self-help programmes in poverty alleviation.

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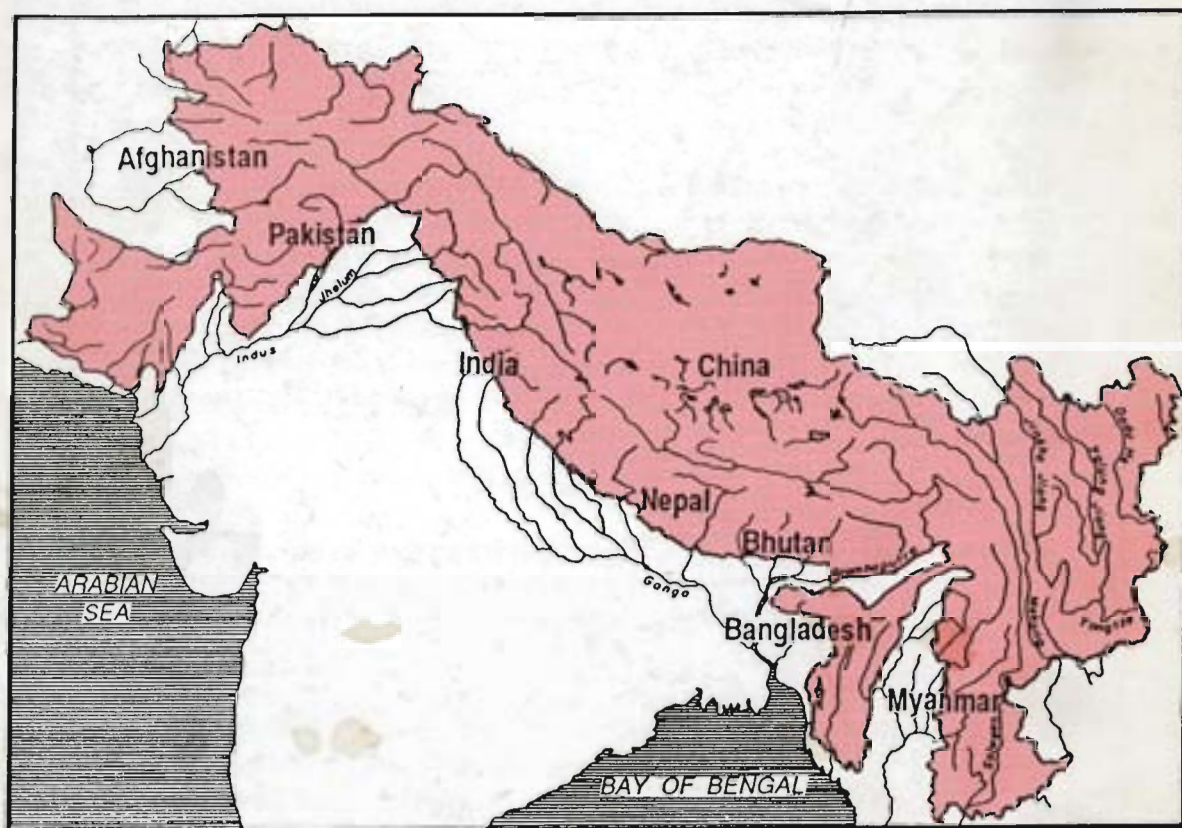
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