

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.

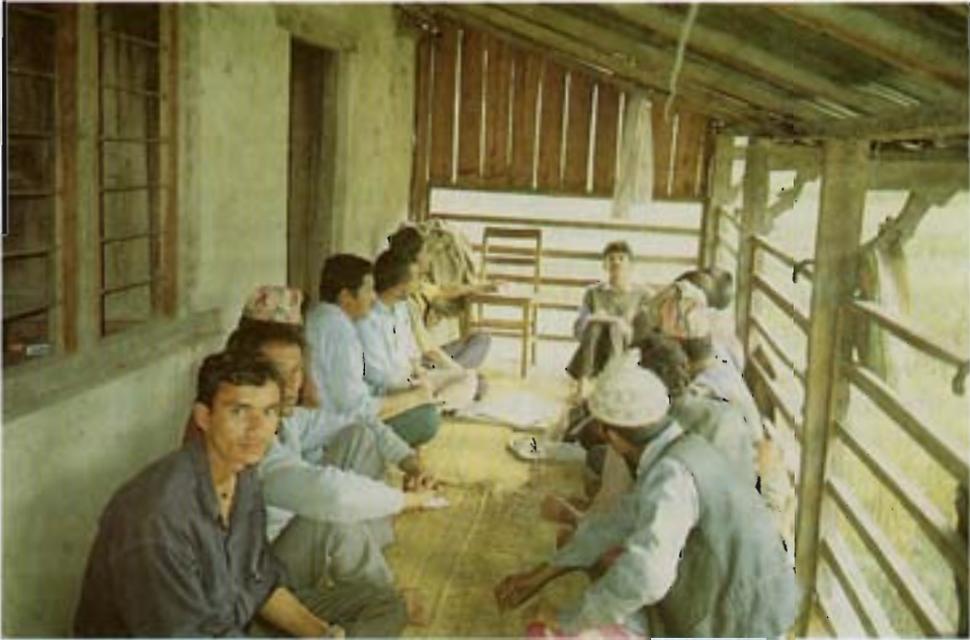
Operational Strategy

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*.

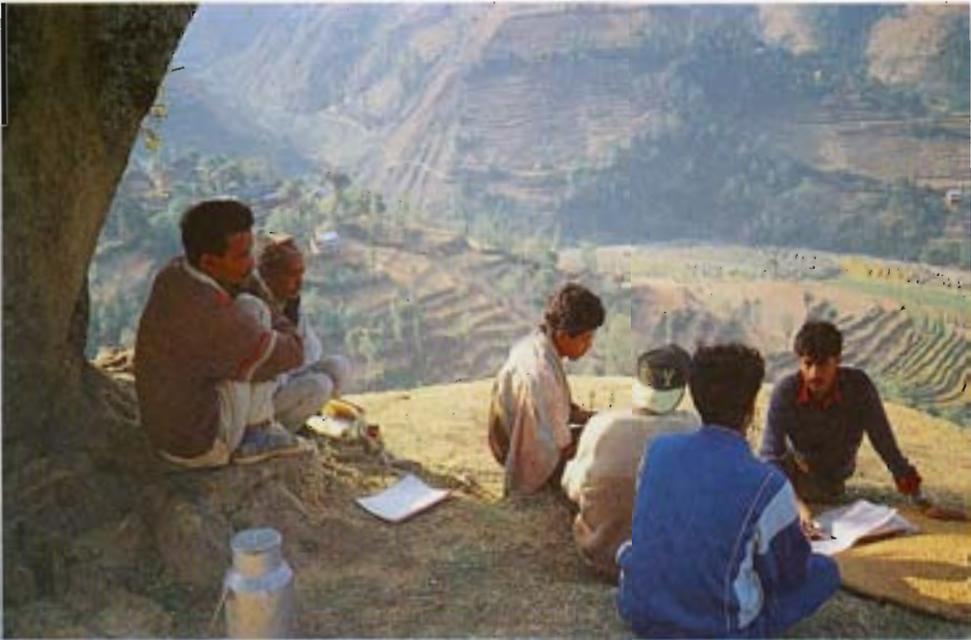
The Main Committee remains at the centre stage where its leaders lay down participatory regulations for other levels/actors associated with the structure. Task forces and sub-committees are formed to carry out their functions more intensely and effectively. Monthly meetings of Inter-groups and Main Committees 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

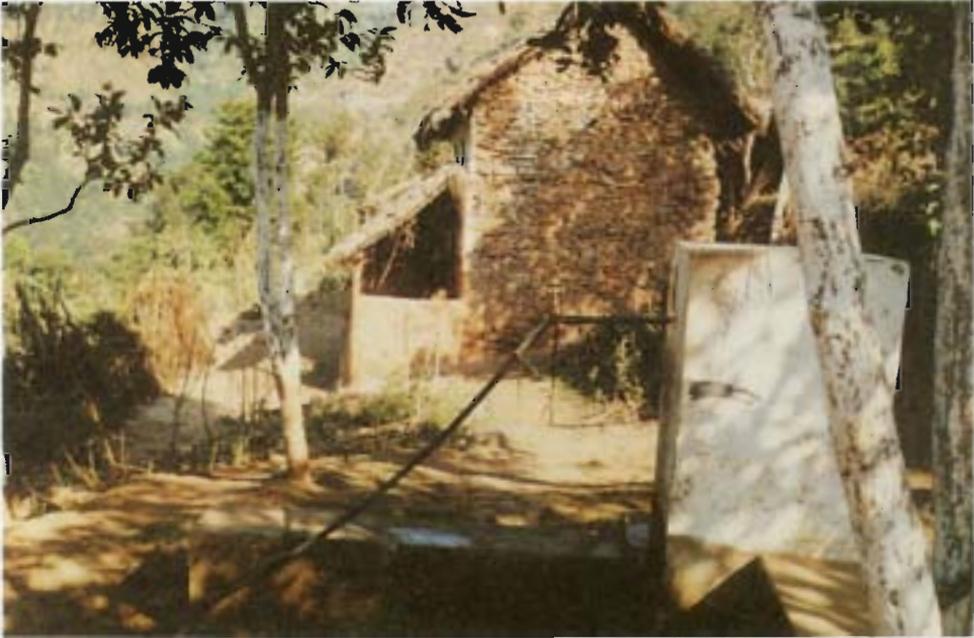
As of July 1995, altogether 258 Credit and Savings' Groups with 2,444 members and 72 User Groups with 2,390 member households were formed in five VDCs. As of December 1996, these groups were consolidated into 98 Credit/Savings' groups with 2,048 members and 76 User Groups with 2,809 member households. 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.