

DEVELOPMENT NEPAL ANNUAL REPORT 2016



CHAIR'S MESSAGE

2016 has been a year of significant re-focus for Development Nepal. We now have over 15 years' worth of experience working to alleviate poverty in the Sunsari district of Nepal, working to give the poorest communities and individuals improved access to essential resources and opportunities, and increased ability to make choices and influence change. Since it was founded, Development Nepal has grown to reach over 4,000 people across 45 communities under our flagship umbrella programme Ujyalo Bhabisyā or 'A Brighter Future' (Programme UB).

We have always been community-led in our work and Programme UB delivered a participative programme along 5 core poverty alleviation themes – education, micro-finance, healthcare, rights and infrastructure – but always tailoring our programme to address the then current needs of our communities whether it be delivery of child or adult literacy and numeracy classes, women's health training, kitchen gardening training, irrigation pumps, micro-finance savings and credit support or community buildings. Throughout that time, one of the most pressing issues faced by our communities has been access to finance, hindering people's ability to help themselves out of the poverty cycle. We understood the need for finance even when collateral was not available, so we established a Saving Group approach to micro-finance.

Members of a Saving Group save regularly and then on a monthly basis the Saving Group members agree who can borrow the collective saving. This structured process offers accountability and oversight so that even the poorest are able to access finance, and, as a consequence, Development Nepal has provided secure saving facilities to over fifteen hundred people, and accessible micro-credit for projects including animal husbandry, vegetable farming improvements, and setting up small shops. While the Savings Group members ultimately decide which members' requests for loans are acceptable, we strongly encourage projects to be focused on livelihoods and income-generation.

Development Nepal is now embarking on a new chapter in its growth. Ujyalo Bhabisyā has become a trusted brand in the area for sustainable and reliable support. We believe that the charity can create a sustainable future through the establishment of a strong and successful Ujyalo Bhabisyā financial co-operative ('Co-operative'), building in part on our well received Savings Group model. Over the longer term sufficient scale should allow Development Nepal to support and expand our education, health and livelihood activities.

During 2016 we have substantially reduced our direct delivery of education and health work. We have wound down our direct delivery of child supplementary classes from 20 communities to a handful of communities as we have sought to re-focus the core Nepali Ujyalo Bhabisyā team on the task of establishing and growing a Co-operative.

As a UK registered charity committed to achieving the greatest impact for every pound raised we are reliant on the support of volunteer advisors and trustees to enable us to deliver Programme UB and support the Co-operative. We are extremely grateful for the time and energies of the advisors, and those who generously fundraise including the super fundraising efforts of the DN 2016 Spring Ball Committee, and those who provide standing orders. On page 6 we provide a brief overview of some of the support provided freely and very generously by volunteer advisors during 2016. We could not have achieved all that we have achieved this year without the help of these advisors and those who generously gave of their time and resources to fundraise.

On page 7 you can read about how the money that is raised is spent in Nepal in our summary financial statements.

If you think you could help or want to support Development Nepal in any way please do get in contact with one of the Trustees: chris@developmentnepal.org, brian@developmentnepal.org, charlie@developmentnepal.org or roland@developmentnepal.org.

Thank you for your ongoing interest in, and support of, Development Nepal.

Christopher Kelly, Chair of Trustees

FOCUS ON THE UB CO-OPERATIVE

Launching the UB Co-operative

In 2016 the Development Nepal trustees committed to fundraise to provide an interest-free loan of up to £25,000 in instalments as loan capital to help scale the Co-operative. This loan, together with the savings from the 10 founding Saving Groups and strategic and organic growth of the Co-operative, will support a substantial increase in the number of income generating loans that can be advanced by the Co-operative.

Development Nepal will subsidise the establishment and operational costs of the Co-operative until the costs can be covered by the Co-operative's own income, ambitiously targeted for 2020. During this period Development Nepal will continue to ensure appropriate financial management and oversight through already established mechanisms in Nepal: regular locally provided audit, and a professional finance consultant in Kathmandu providing internal audit and financial management support; and from the UK: our trustees and advisors include chartered accountants and auditors who regularly review processes and financial reporting.

Ambition

Development Nepal's ambition is that by 2020 the Ujyalo Bhabisya Co-operative will have:

- Fully established and smoothly operating Co-operative policies and processes
- 2,000 members, from 100 Saving Groups within the Co-operative
- loan capital of £100,000
- sustainable self-generated funding to contribute substantially to delivering our education, health and livelihoods programmes in Sunsari



Progress to date

The local Nepali team has been working hard to establish and grow the Co-operative. When the Co-operative was established, changes to Nepali Co-operative legislation meant that the geographical area that the Co-operative could work in was restricted, so that only 10 Ujyalo Bhabisya Savings Groups comprising 250 Ujyalo Bhabisya programme members could participate in the new Co-operative.

By 31 December 2016 membership of the Co-operative had risen to 42 Saving Groups and grown to just over 700 members. Savings by these members are approximately £20,200, with the first instalment of an interest-free loan capital from Development Nepal adding a further £7,900 – bringing the total loan capital available for small income generating loans to £28,100.

The UB Co-operative ethos

To be a member of the Co-operative an individual needs to commit to saving at least 100 Rupees (75p) a month. After a period of saving the individual qualifies to be able to take a loan, subject to funds being available within the Co-operative and approval of their Saving Group.

An interesting aspect of the Co-operative is that we have maintained the link with community Saving Groups which were a key part of our Programme UB. To join the Co-operative a person has to join a community Saving Group, with a Saving Group varying in the number of individuals from 5 to 50, but always focused on a specific geographically located community. Saving Groups meet on a monthly basis, to collect the month's savings,

and to decide which member can borrow the collective savings albeit through the Co-operative modality. The structured nature of these meetings encourages regular savings, while the peer lending component reduces the risk of default, as community members have proven to be very aware of their fellow Saving Group members' ability to repay loans.

In time, the profit generated by the Co-operative will in part come to support the traditional Programme Ujyalo Bhabisyala activities and therefore establish a sustainable pathway to delivering the wider educational and health benefits to communities which have been at the heart of our work.



What differentiates the UB Co-operative from others?

Our target beneficiaries are the ultra-poor. These are people who would never have access to basic financial services as they are too poor to be considered of interest to financial institutions, and working hand-to-mouth have very few tangible assets to use as collateral for a loan. We have sought to make both our savings and loan facilities accessible to the ultra-poor. We do this through working in the following way:



A member of our Nepali team visits each community when the Savings Group meets - to facilitate the Savings Group meeting, provide support to the maintenance of the savings balances for members and loan application process, and to collect excess funds not required to be borrowed, or make available funds from other Savings Groups that are surplus to the requirements of those Savings Groups. *The vast majority of co-operatives work through individual members, and require individuals to come to a central point to deposit savings or collect a loan. Our model recognises and responds to the lack of time available to the poorest, by taking banking to the poorest.*



Having a minimal charge to open an account. The charge entitles a saver to be a member of the Co-operative, with the associated rights and responsibilities, and contributes in a small way to the cost of facilitating the savings and loan process. *We have made the barrier to entry to membership and full participation in the Co-operative as low as possible.*



Not requiring collateral for the small loans that our members take. Recognising that the ultra-poor rarely have tangible collateral, our model builds on the social and trust capital that is established between members of a community. *We believe we have enabled even the very poorest communities to have access to savings and loan facilities.*



Offering a very reasonable interest rate. The corollary of providing a loan is that the money that is being loaned out is earning interest for the savers. Nepali co-operative law regulates the levels of interest rates that can be applied, and within these constraints our rates are very reasonable. *We believe we have made micro-finance available to the ultra-poor at very reasonable rates and this is evidenced by the excess demand for loans, and the continued growth in numbers wishing to save and become members of the Co-operative.*

UB Co-operative Case studies



Shanti Sah: From a little, a lot

Shanti is 45 years old and lives in Mahendranagar-9 in Sunsari district. She has been a member of the Shantinagar Saving Group for around 3 years during which time she has saved over 11,000 Rupees (£85).

She runs a small grocery shop in the village which she has built up with the benefit of loans from the Co-operative. In the time she has been a member she has already taken out and repaid two loans of 25,000 and 30,000 Rupees to improve the business and income from her shop. She currently has taken a third loan of 30,000 Rupees and with the profits that the shop has now generated she has bought a nearby small paddy field and will be producing rice which she can sell in her shop.

Shanti credits the Co-operative with much of her success and has found that the Co-operative has delivered significant opportunities for her. She is particularly complimentary of the Co-operative's model of community-based transactions and member ownership and the opportunity that savers with even low amounts of savings have to take out relatively larger loans without collateral. This type of access to loans is not otherwise available. She appreciates too the focus on encouraging a good savings habit through regular deposits and receiving a good level of interest. The fact that the community as a whole will in due course benefit from Co-operative funded educational programmes is an added bonus.



Manju Chaudhari: Scaling livelihoods

Manju is 44 years old and lives in Mahendranagar-9 in Sunsari and is a founder member of the Shantinagar Saving Group. She has also saved over 11,000 Rupees (£85).

She is an experienced poultry farmer along with her husband and has benefitted from two loans from the Co-operative totaling 37,000 Rupees. Skilled poultry farming can be fairly profitable although it requires upfront capital and is subject to potentially high impact risks (such as bird flu). The ability to take loans from the Co-operative offers opportunities and cash flow which just would not be available anywhere else.

As a founding member of her Saving Group she believes in the community ownership model and the combination of both positive saving association and micro-finance.



Babiya Devi Mukhiya: livelihood as a social lifeline

Babiya is a 60 year old widow living in one of the poorest fishing communities in Sunsari. She has 3 sons living away from home.

Babiya lives in a small house made of local bamboo and wood. It has a single room. Whilst her husband was alive, the family income was based on agriculture and fishing. However when he died, Babiya was left without an income and lonely.

Babiya joined the local Development Nepal Ujyalo Bhabisyia Savings Group, saving 100 Rps (75p) a month, before taking out a small loan from the Co-operative to sell snacks in the village and, later, by the local secondary school. She makes fresh and delicious local snacks such as puffed rice, potato chips and fried fish and they are very popular with the local community! Babiya meanwhile now has a regular income and is kept active.

The Co-operative has supported many people like Babiya. They do not own land or property and are unable to access financial institutions. For them, the Co-operative provides a lifeline.

OUR TEAM IN NEPAL

We are grateful to our excellent local Nepalese team who make Programme UB and the Ujyalo Bhabisyia Co-operative a reality for our communities in Sunsari. Ram Niraula ably leads the local Nepalese Programme UB and Ujyalo Bhabisyia Co-operative team comprising Kalpana Ghimire, Umesh Uranw and Simta Subba. Ram and his team are supported by our local implementing partner, UCHEP, led by Rabin Ghimire.

Our thanks to the Nepalese Community Motivators who, until May, were delivering child supplementary education in our communities: Gita, Yogita, Uma, Menuka, Ssuhmita, Talashi, Samjihana, Rina, Punam, Minamaya, Sanju, Sobha, Hira, Kailash and Parmeshwar.

Development Nepal is grateful for institutional financial management and internal audit support provided by Harihar Maharjan and advisory support provided by Ravindra Shakya. We are grateful to all the Nepalese team for their ongoing efforts.

VOLUNTEER ADVISORS & SUPPORTERS

Our heartfelt thanks is extended to the following, who have generously supported Development Nepal in 2016 with their time and expertise:

- Matt Rees for his ongoing support as a key Development Nepal UK based advisor and in particular his support to establishing the UB Cooperative; and
- Johannes Haverkamp for his support to the financial management of Development Nepal, and Robert Dodds for his support to undertake the independent examination of Development Nepal's financial accounts.

FUNDRAISING & ONGOING SUPPORTERS

The Trustees wish to thank the hard work of the Development Nepal 2016 Spring Ball Committee – without whose support the ball would not have happened – and the essential funds to support the UB Co-operative would not have been raised. In particular the Trustees wish to recognise the hard work of Nick Kelly who chaired the ball committee, Lucy Coutinho, Emma Robinson, Jennifer McGuire and Julienne Zammit.

The Trustees would like to extend their thanks for those who generously supported the Auction & Raffle at the Development Nepal 2016 Spring Ball including: Katie Allen, Ali Aygun, Nick Bildner, Lucy Davidson, Anthony Gamble, George & Nikki Hancock, Alistair & Jane Impey, John & Denise Kelly, Roger Lascelles, Tamsin & Stu McCarthy, Elizabeth & Hector Muir, Nell Murphy, Gilly Orr, James Perry, Pratap Rayamajhi, Rowena Smith, Graham Smith & Charlie Ullman, Bryony Walker, John Walton, The Fez Club and Beam Suntory.

The Trustees are grateful for the on-going financial support provided through regular giving which brings greater certainty over our income and enables us to plan our UB programmatic activities better. In particular, we wish to extend our gratitude to: R Collins, S Moorhouse, N Picton, D Smith, B Trail, J Wheatcroft, R Hicks, BP McGuinness, J & B Wong and C Kelly for their regular giving commitments. We would also like to extend our thanks to the fundraising efforts of Simon Holland-Brown and those who have given one-off donations including those who have provided repeated support such as D Potter and the Just Trust.

TRUSTEES

During 2016 the Trustees of Development Nepal, who provide their time and expertise unpaid and voluntarily, have been Brian Wong, Charlie Ullman, Roland Hancock and Christopher Kelly (Chair).

Development Nepal trustees and advisors provide their expertise and time for free.

HOW THE MONEY IS SPENT

Development Nepal intends to subsidise the establishment and operational costs of the Co-operative until the costs can be covered by the Co-operative's own income, ambitiously targeted for 2020. During this period Development Nepal will continue to ensure appropriate financial management and oversight through already established mechanisms in Nepal: regular locally provided audit, and a professional finance consultant in Kathmandu providing internal audit and financial management support; and from the UK: our trustees and advisors include chartered accountants and auditors who regularly review processes and financial reporting.

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Income

During 2016 Development Nepal received £40,829 (2015: £6,746). Income was generated through the DN 2016 Spring Ball, fundraising efforts of Simon Holland-Brown, individual donations and standing orders. Due to the nature of the timing of Development Nepal's fundraising events income is best considered over a 2 year period.

Expenditure

During 2015 Development Nepal had expenditure of £26,828 (2015 £18,755) of which expenditure of £15,868 (2015: £17,842) related to direct charitable expenditure on Programme UB and the UB Co-operative, and expenditure of £10,960 (2015: £913) related to the 2016 Development Nepal Ball.

Funds balance

At 31st December 2016 Development Nepal had funds of £41,692 (2015: £27,744) of which £7,859 (2015: £2,422) is held as an interest-free loan within the Co-operative. Funds held by members of the Programme Ujyalo Bhabisyas Savings Groups within the UB Cooperative are not accounted for in Development Nepal's accounts.

At 31st December 2016 our UB Cooperative held funds of 3.8m Np Rps (c£28,400 at 31 December 2016, comprising savings of 2.7m Np Rps and a Development Nepal interest-free loan of 1.1m Np Rps).

Our complete Development Nepal accounts, together with information on our accounting policies, can be accessed at www.developmentnepal.org.