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## Acronyms

- BFI: banks and financial institution
- CI: community institution
- FI: financial institution
- DFID: Department for International Development
- NGO: non-governmental organization
- MFI: microfinance institution
- SAFAL: Sustainable Access to Finance and Livelihoods in Nepal
- UK: United Kingdom
- VDC: village development committee
Message from the Board

Namaste! It is our pleasure to be associated with Samriddha Pahad UK (SP UK). Over the past four years, Samriddha Pahad UK has directly touched the lives of 25,000 people, strengthening 83 community institutions and their intermediaries. Samriddha Pahad UK has grown from a small organization to managing a loan portfolio of NPR 72 crore (USD 7.6 million) in hard to reach hill and mountain areas.

Since commencing operations at the ground level, Samriddha Pahad UK has worked to develop behavioral change, proving that the mountain people are responsible with 100% loan repayments and no defaults. Aimed at bringing about a systemic change, Samriddha Pahad UK has worked with 14 banks in areas where there were no banks, introducing a unique finance model implemented for the first time in Nepal.

Samriddha Pahad UK has remained true to its mission and vision by evolving as a Nepali institution with all Nepali staff and the support of distinguished board members. A vision to set up a not-for-profit distributing company has materialized and a section 166 company called ‘Samriddha Pahad’ was registered last month – a natural evolution for our organization’s sustainability. The company Samriddha Pahad is chaired by Mr Prithvi Pandey, with Mr Shankar Man Shrestha, Ms Ritu Vaidya, Mr Keshav Acharya and Mr Bal Govinda Bista on the Board.

In 2015/16, Samriddha Pahad UK will continue to expand to more remote hills of Nepal, focusing on facilitating financial linkages, delivering high-quality financial literacy and livelihood training, as well as providing technical support to its existing working partners and local financial institutions. We would like to take this opportunity to thank everyone – our partner organizations, banks, donors, board members and staff.

Rameshore Khanal, Member
Shankhar Man Shrestha, Member
Graham Wrigley, Chairperson
(Board members)

Message from the CEO

I am pleased to share with you the 4th Annual Report of Samriddha Pahad UK. The year 2014/15 saw decent growth for Samriddha Pahad UK, with increased reach for our program activities. Despite the challenging geographic terrain and scattered settlements in the hill and mountain areas in which we work, Samriddha Pahad UK has made the utmost effort to reach the underserved population in these areas with access to finance, thereby contributing to uplifting their standard of living. Programs at Samriddha Pahad UK are aligned with government policies, particularly with those of the central bank (Nepal Rastra Bank), concentrating on our priority districts, Taplejung and Bajura.

A strong internal control and monitoring system has been put in place, which has given an extra edge to our credibility, while optimising resources efficiently. Moreover, we are happy to have witnessed early impacts of improved access to finance in the rural hills through our Mountain Finance Model.

In 2015/16, Samriddha Pahad UK will continue to expand to more remote areas in the Far Western and Eastern Development Regions of the country, focusing on investment facilitation and demand-based capacity building measures to our target beneficiaries.

We aspire to become a world-class, Nepali-managed organization with an emphasis on organic growth. I am grateful to our International Board of Trustees and Board of Advisors for their confidence in us and also for my colleagues, without whom we would not have come such a long way in accomplishing our goals. We have also been fortunate to receive funds from DFID over the last two years – which has enhanced the leverage of our Samriddha Pahad UK Institutional funding. I would also like to thank all of our partners for their continued support and hard work. Most importantly, I heartily thank the people from the communities who worked with us, welcomed us into their lives and becoming a part of the change that we dream to create. I wish you happy reading.

Arun Rana
Chief Executive Officer (CEO)
Vision
To improve the livelihoods of hill and mountain communities through sustainable access to finance linked with appropriate livelihood opportunities and local institution strengthening.

Mission
To serve as a catalyst and promote systemic private sector development in the rural hills and mountains of Nepal by bringing together local communities and financial service providers to extend access to formal financial services to low-income households and enterprises.

Our Focus Areas

Access to Finance
Samriddha Pahad UK educates community members on financial literacy and enterprise finance to help them become financially aware and responsible and ensures that rural clients receive formal access to finance services.

Private Sector Development
We collaborate closely with private-sector financial service providers to penetrate those areas where there is a high incidence of poverty, but also with a high potential for economic development.

Improved Living Standards
Our approach goes beyond coordinating basic financial services. Holistic financial services enable mountain people to create jobs, improving their living standards and uplifting rural communities.

Institutional Strengthening
Samriddha Pahad UK enables community institutions to understand and expand their potential to build on their existing capacities and skills making them self-sustainable and independent by facilitating access to financial and non-financial services.

Samriddha Pahad UK has three specific goals – to work with the mountain communities to strengthen their access to finance, to bring about a systemic change in our working districts, and to remain a truly Nepali organization. Samriddha Pahad UK is currently implementing two projects – SAFAL and Samriddh Pahad Phase II.
Key Milestones

2014/2015
Samriddha Pahad UK continued implementing SAFAL Nepal project and launched Samriddha Pahad project in Terathum and Taplejung districts focusing on Kanchanjunga Conservation area.

- Loan facilitation: 40 CIs from BFIs
- Technical & financial support: 17 MFI branches
- Total loans disbursed: USD 4.7 million
- Loan clients: 7,151
- Member outreach: 20,148
- Total CIs linked with FIs: 90
- Total loans facilitated to CIs: USD 7.2 million
- Total clients using loans: 11,870
- Total outreach: 38,671
- Financial Literacy Training participants: 17,429
- Livelihood Training participants: 17,888

2013/2014
SAFAL implemented;
- Total loans facilitated: USD 1.9 million
- Loan clients: 3,756
- Member outreach: 12,105

2012/2013
SAFAL project funded by DFID launched in Eastern and Western Nepal.

2011/2012
Samriddha Pahad UK pilot ‘Mountain Finance Model’ in Eastern Nepal
First loan disbursed amounting to USD 21,078 from NMB Bank to Singhadevi Milk Coop in Ilam

2010/2011
Samriddha Pahad Nepal country office established

2008/2009
First seed towards Samriddha Pahad UK sowed

2009/2010
Samriddha Pahad conducts research with a vision to serve the hill and mountain people

Working Districts

- Lady from Bajura | Pic: P. Devkota
- Samriddha Pahad UK continued implementing SAFAL Nepal project and launched Samriddha Pahad project in Terathum and Taplejung districts focusing on Kanchanjunga Conservation area.
Access to Finance

Our Mountain Finance Model attracts investment from Nepali banks and financial institutions (BFIs) for those living in the hills and mountains. This model facilitates linkages between community institutions (CIs) and BFIs for wholesale loans, which are then channelled to individuals in rural areas for productive use. Under this model, the capacity of community institutions and individual clients is built by engaging them in various capacity development programs, like institutional capacity development, financial literacy training and livelihood training. Client origination (the identification of clients) for BFIs, the capacity building of community institutions, the sharing of market information and close monitoring of the performance of beneficiaries are key features of this model. Commercial and development banks and micro finance institutions are the supply-side actors, while cooperatives are the demand-side actors in this model.

In the year 2014/15, the Mountain Finance Model was implemented in 8 districts (East: Taplejung, Panchthar, I lam, and Terathum; Far West: Dadeldhura, Doti, Achham and Bajura), reaching 20,148 community members. Total loans of NPR 46 crore (USD 4.9 million) were facilitated through 40 cooperatives and 17 microfinance institution branches, which were availed by 7,151 loan clients.

Case story:
The choices we make define our lives forever

“I had my son when I was very young, about 16 years old. I got married when I was 15, right after I failed the SLC. I did not know where my life was headed and my husband provided me with the stability I needed. I am happy, even without an education or fancy shoes; I am content, and that’s what really matters.”

At the age of 15, Manisha Poudel was married and after 10 months she had a beautiful son. However, Manisha is a victim of child marriage. As she was never asked her opinion, she never gave one. She, unlike others in her village, got lucky. Her husband is a kind man who waited on her hand and foot after she delivered their first son. In return, she asked if she could take a loan to open a restaurant.

“The amount I asked for was pretty big. As I was planning to invest it in a business that my father had tried to run, but failed, my husband was sceptical. That made me doubt myself. My grandmother is the one who told me to have faith and to persevere, so I did. So far, we haven’t had any losses, but we haven’t reached breakeven either. But I am hopeful.”

Like most of her female neighbours, Manisha is affiliated with Labrekuti Women’s Multipurpose Cooperative, Chillingdin, in Panchthar. It is a women-oriented organization that works to uplift women in the community. With the NPR 100,000 (USD 1,052) Manisha loaned from Labrekuti Women’s Multipurpose Cooperative, with the help of the SAFAL project, funded by UK Aid through DFID, Manisha has managed to buy supplies, re-furnish the restaurant, and buy a few chickens as a side business. Her plan is to provide the villagers with food that they would not cook at home. “No one comes to a restaurant to eat ordinary food – they want different and tasty food”, she enthuses.

With the knowledge she gained watching Pakistani cooking shows while pregnant, Manisha believes she can make people want to spend money on her food.

“I am confident I can run this restaurant; and, who knows, maybe I’ll open one in Kathmandu as well!”

Manisha, with her son, Chillingdin, Panchthar
Private Sector Development

The population residing in the hill and mountain areas continue to be deprived of basic financial facilities. Access to commercial banks is very low, at almost 27% of rural households, compared to 54% access to cooperatives.\(^1\) Banks still see mountain areas as not profitable due to high client origination, operation and monitoring costs. The banks lack sufficient market information about remote areas, which doubles the risk of loan investment. Samriddha Pahad UK bridges the gap by building the capacity of community institutions to ensure that the target population receive quality financial services and by providing up-to-date market information, strengthening the demand side, sharing operation costs, and monitoring performance/loans. Samriddha Pahad UK aims to bring about systemic changes in hill and mountain areas to ensure that the target populations invest their time in income generation, which will uplift their living standards and break the cycle of poverty.

Our technical and financial support has helped open nine microfinance institution branches in close collaboration with Society of Local Volunteers’ Effort (SOLVE)-Nepal, Laxmi Laghu Bitta Bittiya Sansthan, Nirdhan Utthan Bank Ltd and Kisan Micro Finance Bittiya Sanstha in Panchthar, Ilam, Achham and Bajura districts. Samriddha Pahad UK has also formed partnership with eight BFIs, namely, NMB, Bank of Kathmandu, Himalayan Bank, Clean Energy Development Bank, Rural Micro Finance Development Center, First Micro Finance Development Bank, Sana Kisan Bikas Bank and National Cooperative Bank. In addition, Samriddha Pahad UK supported cooperatives to access the Rural Self Reliant Fund promoted by Nepal Rastra Bank.

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Case study:

New branch establishment through Deficit Finance Model in Mangalsen, Achham

SAFAL project’s deficit finance model supported Nirdhan Utthan Bank Ltd, a microfinance institution to open a new branch in Mangalsen VDC, Achham as the VDC did not have a formal financial institution. Within two months of its operation, 9 microfinance groups were formed with 131 members - all women. In 9 months the branch had catered to 675 members and disbursed loans amounting to NPR 40,000 (USD 421) to 101 female loan clients. The members took loans for various income generating activities with individual loan sizes ranging from NPR 40,000 to 150,000 (USD 421-1,579).

Manisha KC Saud is among the 101 female loan clients from Tikhada Mahila Swabhnamhi group-who availed a loan of NPR 40,000 (USD 421) for a year at an annual interest rate of 18 percent. Her husband is an army officer and is usually away from home due to his posting which puts a huge burden on Manisha to raise her two children single handedly.

Manisha KC Saud in her Grocery Shop

Manisha worked as a tailor in a local tailoring shop in Mangalsen – a skill which brings her income to support her family. Manisha decided to invest the loan to open a small grocery shop as it was easy to manage her shop and she now stitches clothes right outside her grocery store in her village, Tikhada.

Manisha says, “The loan boosted my confidence and that is why I opened a grocery store. The financial literacy training has helped me to plan my monthly expenses consciously. I am happy with my business. I earn around NPR 8,000 to 10,000 (USD 84-105) per month, manage all my household expenses as well as pay for my children’s education. My children attend a boarding school in Mangalsen. I want to open a small tea shop near the government school in Tikhada to cater tea and snacks to the children.”
Improved Living Standards

Financial literacy training empowers women in rural settings

Manamati Sherma, from Hangum VDC Ward No 9, Panchthar was struggling to eke out a living. She worked as a domestic helper and weaved bamboo products during her free time. She did not earn enough, which meant her children were not able to attend school.

Manamati heard about a training on financial literacy and wanted to attend, but she was unable to join as she was not a member of the Dashami Agriculture Cooperative Limited. She showed interest in joining the cooperative and was allowed to attend the financial literacy training provided by the SAFAL project, funded by DFID. During the training, the trainer shared a story about an individual who had opened a tea shop after attending a similar financial literacy training.

The story motivated Manamati to do something similar with her life. She became a member of Dashami Agriculture Cooperative Ltd and took a loan for NPR 80,000 (USD 842), with which she opened a small tea shop. Now that she works in her own shop, she has more free time and so can continue weaving bamboo products, which she sells in her shop for extra income. Her husband supports her in her business.

“I have started saving regularly and it feels nice to have some money at hand,” she shares.

Manamati has repaid her first instalment and has saved around NPR 10,000 (USD 105) as capital.
Institutional Strengthening

Most commercial bank activities are limited to in and around accessible regions, leaving the Mid-Western and Far Western Development Regions of Nepal without banking facilities from private commercial and development banks.2

One of the key challenges in promoting access to financial services in hill and mountain areas is the limited institutional capacity of cooperatives working in the region, which restricts them from accessing loans from BFIs. To overcome these constraints, Samriddha Pahad UK works with cooperatives to build their capacity and make them capable of meeting the investment criteria to be eligible for a loan from BFIs. Under the institutional development programme, Samriddha Pahad UK provides training in the areas of management, governance, internal control, and credit management. In the year 2014/15, Samriddha Pahad UK conducted an assessment of more than 200 cooperatives, of which about 40 cooperatives have been linked with BFIs for investment.

Case story:
Institutional development through SAFAL project

The Shree Pragatisil Women’s Saving and Credit Cooperative Ltd was established 10 years ago in Koli VDC, Bajura with about 25 women. These women wanted the cooperative to generate capital and started a savings and credit facility to upscale the social, political and financial standing of poor and ultra-poor women in the district. But the cooperative was unable to function as planned.

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The various institutional capacity building training provided by SAFAL helped the cooperative to strengthen its internal capacity, due to which it was able to meet the minimum standards of the Nepal Rastra Bank’s Rural Self Reliance Fund (RSRF) for receiving loans. Shree Pragatisil received a wholesale loan of NPR 2,000,000 (USD 21,053) from the fund, with help from the SAFAL project, funded by UK Aid. The member outreach of the cooperative has now reached 300 (from 224) members and the monthly savings have increased from NPR 10 to 100 (USD 0.10–1.05) per member. The cooperative has provided loans to 40 clients who want to start or expand their own business. The share capital of the cooperative has increased from NPR 94,750 to NPR 256,300 (USD 997 to 2,697) in one and half years since SAFAL became involved.

“We owe the development of our cooperative to the SAFAL project. Our systems are strong and we function better. Our aim is to become a model women’s cooperative with breakthrough financial performance in Bajura.” said Pansa Karki, Chairman of the Shree Pragatisil Women’s Saving and Credit Cooperative Limited.
Unaudited Financial Highlights

<table>
<thead>
<tr>
<th>SOURCE OF INCOME</th>
<th>2014/15 (NPR)</th>
<th>2014/15 (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open fund balance</td>
<td>19,114,365</td>
<td>191,508</td>
</tr>
<tr>
<td>Funds received</td>
<td>92,812,299</td>
<td>929,890</td>
</tr>
<tr>
<td>Other income</td>
<td>265,685</td>
<td>2,662</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112,192,349</strong></td>
<td><strong>1,124,060</strong></td>
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<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>2014/15 (NPR)</th>
<th>2014/15 (GBP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure (CAPEX)</td>
<td>2,375,674</td>
<td>23,802</td>
</tr>
<tr>
<td>Operation expenditure (OPEX)</td>
<td>39,618,076</td>
<td>396,935</td>
</tr>
<tr>
<td>Program expenditure</td>
<td>59,937,986</td>
<td>600,521</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>101,868,736</strong></td>
<td><strong>1,021,258</strong></td>
</tr>
</tbody>
</table>

Our Team

Samriddha Pahad UK aims to strengthen its internal governance and standardize its operations to stand out as a Nepali organization working to improve access to finance. We currently have a team comprised of 17 in the country office, 8 in the field and 44 with our 9 partner NGOs. The backbone of Samriddha Pahad UK is our energetic and hardworking support and field staff, who continue to take up new challenges and implement our activities in the districts.

Our Partners

Financial institutions

Strategic partners

Donors

Partner NGOs

Mahila Jagaran Sangh
Ilam Municipality-6, Singghahmini
Phone: 027-520445, 27-521645
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Web: www.mjsilam.org

Mahila Jagaran Sangh
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Phone: 024-520884
Email: mjspanchthar@outlook.com

Environment Conservation & Development Forum
Fungling-4, Taplejung
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Web: www.ecdf.org.np

Integrated Development Society
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