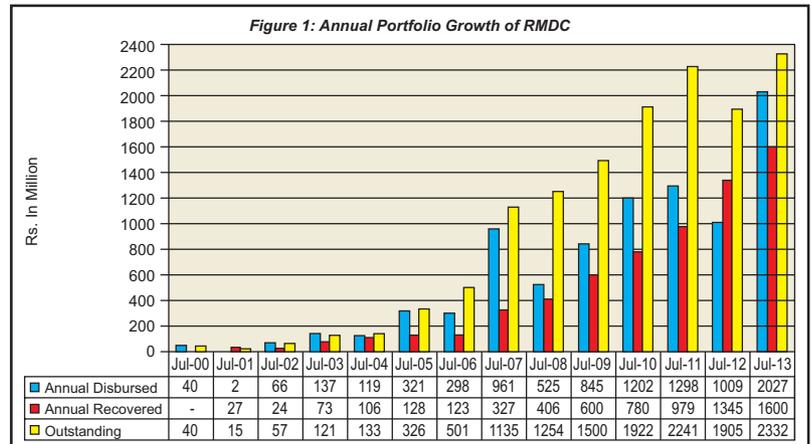


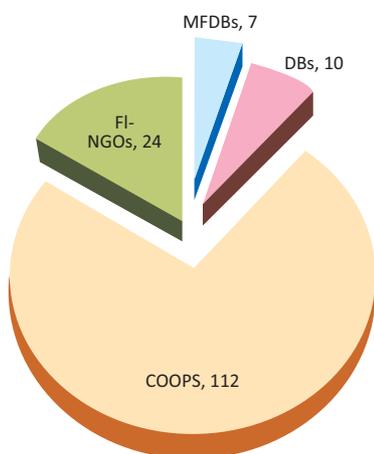
The Rural Microfinance Development Centre Ltd (RMDC) is a wholesale lender to microfinance institutions and other cooperative organizations providing microcredit to the poor in Nepal. RMDC is a 'D' class financial institution as per the Bank and Financial Institutions Act of the country. Incorporated in October 1998, RMDC commenced its operation in January 2000. Till the end of the first quarter of the current fiscal year 2013-14 (17 October 2013 or 31 Aswin 2070), RMDC has disbursed wholesale loan amounting Rs. 9.39 billion to 148 organizations for on-lending to the poor households.



RMDC's Disbursement

reached Rs. 9.4 billion on Sept 17, 2013

Figure 2: Composition of RMDC's Partner Organizations



Loan recovery of RMDC has been recorded hundred percent from the very first year of its operation. Recovering all due amount Rs. 6.96 billion on time, RMDC's loan outstanding with its partner organizations stood at Rs. 2.43 billion at the end of the first quarter of FY 2013-14. RMDC's loan portfolio growth – both disbursement and outstanding has been at an increasing trend from the very beginning except in the last FY2011-12 (see Figure 1).

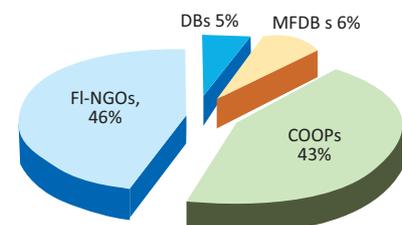
RMDC has also made a considerable progress in the first quarter of FY 2013-14. During this quarter, RMDC disbursed Rs. 535.39 million to the partner organizations and recovered Rs. 441.61 million from them. With a hundred percent loan recovery, RMDC's loan outstanding at the end of the quarter was Rs. 2.43 billion. There was also an increment of 17 new partner organizations in the quarter.

The total number of partner organizations of RMDC as of 17th October 2013 was 153. The partner organizations consisted of 112 cooperative societies, 24 financial intermediary

NGOs, 10 development banks ('B' class bank) and 7 microfinance banks ('D' class financial institution). As mentioned above and shown in Figure 2, cooperative societies came out as dominant type of partner organization of RMDC in terms of number.

The total loan outstanding with the partner cooperative societies also stands at 43%, which is second highest figure among all RMDC's partner organizations' loan outstanding amount. The partner FI-NGOs ranks first sharing 45% loan outstanding in the total loan outstanding figure of RMDC (see Figure 3).

Figure 3: Composition of Loan Outstanding by Different Types of POs



RMDC Shares Listed in Nepal Stock Market

RMDC has listed 52,00,000 units of its ordinary shares @Rs.100 each in the Nepal Stock Exchange Limited. Out of the total 52,00,000 units of share 36,40,000 units are promoter shares and 15,60,000 units are public shares. RMDC had issued 15,60,000 units of ordinary shares to general public on July 2013.

The agreement between RMDC and Nepal Stock Exchange for the listing of shares was signed by Mr. Shankar Man Shrestha, CEO of RMDC and Mr. Sitaram Thapaliya, GM of Nepal Stock Exchange Ltd on September 30, 2013. After listing, the transaction of RMDC's shares started on October 7, 2013.

Housing Forum Held at Manila, Philippines

The "4th Asia-Pacific Housing Forum" was held at Dusit Thani Hotel Manila, Philippines from October 2-4, 2013. The Asia-Pacific Housing Forum is a biennial conference organized by Habitat for Humanity. It gathered under one roof, public, private and people sector stakeholders engaged in seeking solution to poverty housing issues. The 4th Asia-Pacific Housing Forum was held with the theme "Housing as a foundation for breaking the poverty cycle." The Forum was participated by more than 50 countries since its inception in 2007.

Discussions were focused on five tracks: (1) making Affordable Housing Finance Work; (2) Building Resilience to Disasters & Climate Change; (3) Nurturing Shared Value and CSR Leadership in Addressing Poverty Housing Solutions.

Shelter is acknowledged as a basic human right in the Universal Declaration of Human Rights and a fundamental catalyst in breaking the cycle of poverty. Living in a decent home means improved health for the family, children doing better at school and increased livelihood opportunities. Yet in Asia Pacific, which is home to some of the world's fastest growing economies, over 500 million people, or about one in eight, still live in slums.

The forum was highly interactive and inspired in-depth discussions, not just on poverty housing issues, but on a wide range of inter-related issues such as sustainable energy and water, sustainable/livable cities, disaster resilience, corporate social responsibility in housing, sustainable housing solutions, among others.

The delegation from Nepal comprised of Mr. Kishore Thapa, Secretary of Ministry of Urban Development, Mr. Shankar Man Shrestha, CEO of RMDC, Mr. Aruna Paul Country Director of Habitat for Humanity, along with Mr. Yogendra Mandal, Executive Chairman of Jeevan Bikas Samaj, Biratnagar, Mr. Mahendra Giri, CEO of Sahara Nepal Savings and Credit Cooperative Ltd, Jhapa and Ms. Asmani Chaudhary Chairperson of Grameen Mahila Utthan Kendra, Dang which are the major Partner MFIs of RMDC, pioneering in housing finance for the poor in Nepal.



RMDC appointed NCML as RTS

RMDC has appointed NCM Merchant Banking Limited (NCML) as its Registrar to Shares (RTS). The agreement between RMDC and NCML was signed on September 27, 2013 by the CEO of RMDC Mr. Shankar Man Shrestha and MD of NCML Mr. Bijaya Lal Shrestha.

Being RTS of RMDC, NCML will carry out various share related transactions on behalf of the Centre such as keeping and updating the records of shares and shareholders, ownership transfer of shares, signature verification, splitting of shares, dividend distribution etc.



Partnerships against Poverty Summit 2013 held at Manila

Microcredit Summit 2013 titled as "Partnerships Against Poverty Summit 2013" was held at the Philippines International Convention Center (PICC) Manila, Philippines from October 9-11, 2013. The Summit was organized by Microcredit Summit Campaign in collaboration with the Microfinance Council of the Philippines, Inc. together with the sponsorship of the central bank of the Philippines, Banko Sentral ng Pilipinas. It was the 16th summit organized by the Microcredit Summit Campaign.

The theme of the summit was **Partnerships Against Poverty: Finance, Government, Business and Civil Society**. The summit focused on public private partnerships (PPP) which bring together government agencies, civil societies, financial and social

service providers, and other business communities, to eradicate extreme poverty of the world. It promotes the use of PPP as an efficient tool to

help families lift themselves out of severe poverty. The three day long summit was witnessed by around 850 delegates including government ministers, central bankers, commercial bankers, microfinance leaders, payment providers, NGO leaders, and telecoms executives, from around 71 countries. The summit was also attended by 2006 Nobel Peace Prize Laureate Professor Muhammad Yunus, where he announced the Yunus Centre's Commitment to support social business around the world. "We have the ability to end poverty in the world," Prof. Yunus declared. "We just need to come together and use our creative power. Initiatives from citizens and social business can make this happen." At the end of the program, summit delegates made bold Global Commitments to take specific, measurable, and time-bound action to help 100 million

families lift themselves out of extreme poverty. There were 8 participants from Nepal comprising Mr. Shankar Man Shrestha, CEO of RMDC, Mr. Nara Hari Dhakal, Project Coordinator and Rural Finance Sector Specialist of Minister of Finance, Mr. Nava Raj Simkhada, Microfinance and Banking operation Specialist, RFSDCP-II/ADB, Mr. Yogendra Mandal, Executive Chairperson of Jeevan Bikas Samaj, Biratnagar, Mr. Mahendra Kumar Giri, CEO of Sahara Nepal Saving and Credit Cooperative Ltd. Jhapa, Mr. Shukha Ram Yadav & Mr. Dhiraj Acharya from Global Multipurpose Cooperative Ltd. Rajbiraj and Mr. Naresh Nepal, Deputy CEO of CMF, Kathmandu.

Mr. Shankar Man Shrestha who has participated as the member of the Advisory Committee of the Summit also participated the Summit as a Speaker in a workshop session "The Role of National and Regional Networks in Creating an Environment for Sustainable Microfinance".

New Faces at RMDC

RMDC appointed two new officer Mr. Hikmat Bahadur Bam and Mr. Sanjeev Acharya from September 5, 2013 and two junior officers Mr. Sujan Shrestha and Mr. Bimal Kumar Khatiwada from Jul 16, 2013. RMDC welcomes them to the RMDC family.



Mr. Hikmat Bahadur Bam has joined RMDC as an officer. His academic qualification is Bachelor Degree in Business Administration from TU, Nepal. Before joining RMDC, he worked with Prime Commercial Bank Ltd. for 3 years.



Mr. Sanjeev Acharya has joined RMDC as an officer. His academic qualification is Masters in Business Studies (MBS) from Tribhuvan University, Nepal. Before joining RMDC, he worked with Axis Development Bank Ltd. in Credit Department for 4 years and worked with Nepal Health Economics Association, NGO involved in research on Health related issues in Nepal for 15 months. The major trainings he acquired are: i) Training on "SME Lending" conducted by BTI, Kathmandu & ii) Training on "Intelligence on Verification of Fraud & Forgeries in Loan Documents" Organized by IBMS, Kathmandu.



Mr. Sujan Shrestha has joined RMDC as junior officer. His academic qualification is Bachelor in Information Management (BIM) from Tribhuvan University, Nepal. Before joining RMDC, he worked with Ohm Pharmaceuticals Laboratories Pvt. Ltd. for 2 years.



Mr Bimal Kumar Khatiwada has joined RMDC as junior officer. Before joining RMDC, he worked with SACEPS as a Finance officer for 2.7 years. He also worked with Total Management Services Pvt Ltd as an Assistant Finance & Administration Manager for 2.6 years. His academic qualification is Masters in Business Studies (MBS) with Finance Specialization and Bachelor in Law (LLB) from Tribhuvan University Nepal.

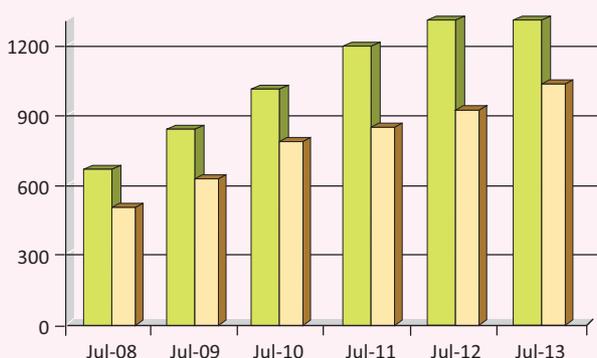
Growth and Performance of RMDC's Partner Organizations

RMDC is partnering with microfinance development banks (MFDBs), development bank (DBs) implementing microfinance programs, cooperatives (COOPs) and financial-intermediary NGOs (FINGOs). The partner cooperatives include savings and credit cooperatives, multipurpose cooperatives and Small Farmer Cooperative Limited (SFCLs). Till July 15, 2013, it has made partnership with 136 organizations out of which 7 are MFDBs, 10 DBs, 24 FINGOs and 95 cooperatives. Till the date, the POs have been providing microfinance services in 67 districts out of 75 districts of the country.

Outreach

As of 15 July 2013, the POs of RMDC have been providing microfinance services to 1.49 million members through their 876 branch offices. Among the 1.49 million members 1.03 million are borrowers. The average annual growth of members and borrowers of the POs in FY 2012/13 was 12 percent and 11 percent respectively. On an average, the borrowers-to-members ratio among the POs is 69 percent. The annual growth trend of members and borrowers of POs has been shown in figure 4.

Figure 4: Growth of Members & Borrowers of POs



Loan Portfolio

The main objective of an MFI is to contribute to the poverty reduction of the country by providing financial access to the poor and help them get out of the poverty trap. To this effect, POs are providing various types of loan products to their members for a wide range of income generating activities, such as retail grocery shop, poultry farming, fruit and vegetable shop, fruits and vegetable farming, cycle repairing, tailoring, tea shop, livestock raising, etc.

As of mid-July 2013, the outstanding loan of POs with their borrowers reached Rs. 23.46 billion with an annual increment of 36 percent in the fiscal year 2012/13. Most of the POs have maintained good portfolio quality. On an average arrear rate of the POs has remained less than 2 percent throughout the period. The growth trend of the POs' loan portfolio is depicted in the Figure 5. The average outstanding loan per borrower of the POs reached Rs. 22.8 thousand as of mid July 2013.

Figure 5: Growth of Outstanding Loan of the POs



Members' Savings

Savings is one of the main services provided to the members by MFIs. The entire partners MFIs have been accepting various types of savings from their members. Savings mobilization is one of the prominent sources of fund for MFIs as well as it is a process of the assets creation by the members for future needs and financial security. As of mid-July 2013, the total members' savings deposits remained with the POs reached Rs. 12.01 billion (see Figure 6).

With the increment in the total savings balance, the savings balance per member was also increasing every year depicting the increasing saving capacity of the members. As on mid-July 2013, the savings balance per member of the POs reached to Rs. 8 thousand from Rs. 6 thousand in the last year, there was an annual increment of around 33% in the FY 2012/13.

Figure 6: Trend of Member's of RMDC's POs

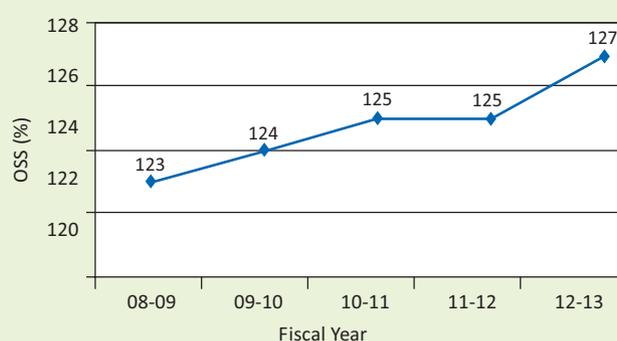


The percentage of members savings balance to outstanding loan ratio of POs also reached 51% by the end of the FY 2012/13, it indicates half of the fund requirement of the POs for on lending has been met by the members' savings. Due to increment in the members' savings, PO's dependency on the borrowed fund also has decreased tremendously.

Operational Self-Sufficiency

Most of the POs of RMDC attained operational self-sufficiency (OSS) in microfinance operation except the few newcomers. They are moving towards attaining the financial self-sufficiency (FSS) level. On an average OSS of the POs stood at 127 percent in the fiscal year 2012/13.

Figure 7: Trend of Operational Self Sufficiency (OSS) of POs



Staff Productivity

The POs are providing employment to 4,757 persons in microfinance operation and among them 2,840 are field staff. The percentage of field staff-to-total staff among the POs stands at 60 percent.

By the end of the fiscal year 2012/13, the staff productivity was on an average 314 members and 216 borrowers per staff (staff includes all staff: from chief executives to field staff and messenger). The outstanding loan per staff was Rs. 4.93 million.

Regarding field staff productivity, the average members and borrowers per field staff was 526 and 362 respectively at the end of fiscal year 2012/13. The average outstanding loan amount per field staff was Rs. 8.26 million at that point of time.

Performance of RMDC's Partner Organizations at a Glance As of mid-July 2013

Outreach

Total no. of members	1,492,947
Total no. of borrowers	1,027,924
Total members' saving balance (Rs. in million)	12,015
Total loan outstanding (Rs. in million)	23,465
Total Overdue loan (Rs. in million)	287

Staff Productivity

No. of members per staff	314
No. of borrowers per staff	216
Outstanding Loan per staff (Rs. in million)	4.93
No. of members per field staff	526
No. of borrowers per field staff	362
Outstanding Loan per field staff (Rs. in million)	8.26

Branch Productivity

No. of members per branch office	1,704
No. of borrowers per branch office	1,173
Outstanding Loan per branch office (Rs. in million)	26.79

Loan Portfolio Quality

Current Repayment Rate	98%
Cumulative Repayment Rate	99%
Past due Rate	1.2%

Profitability

Interest Yield on Portfolio	20%
Operational Selfsufficiency	127%

Others

Borrowers to members Rate	69%
Loan outstanding per borrower (Rs.)	22,828
Savings balance per member (Rs.)	8,048
Savings to Loan Outstanding	51%

Training on Progress out of Poverty Index (PPI) Tool in Nepal



RMDC and Good Return, Australia jointly organized a training program on Progress out of Poverty Index (PPI) from 13 -16 August 2013 at the Trade Tower in Kathmandu. Attended by 41 staff from 19 MFIs and RMDC, the purpose of the program was to build the capacity of the MFIs to understand and use the PPI. The microfinance organizations participated in the training program were: 1) Jeevan Bikas Samaj 2) FORWARD Community Microfinance Bittiya Sanstha Ltd., 3) Sahara Nepal SACCOS, 4) Nerude Laghubitta Bikas

Bank Ltd., 5) Mahuli Community Development Centre, 6) Srijana Samudayik Bikas Kendra, 7) NESDO, 8) CYC, 9) Manushi, 10) Baudha Grameen SACCOS, 11) EDCOL, 12) UNYC Nepal, 13) SOLVE Nepal, 14) Srijana Bikas Kendra, 15) Grameen Mahila Utthan Kendra, 16) Nepal Mahila Samudayik Sewa Kendra, 17) Mahila Sahayogi SACCOS, 18) Nawapratibha SACCOS, and 19) Nirdhan Utthan Bank Ltd.

Good Return's Social Performance Specialist, Muhammad Awais was the trainer of the program. During the 4-day training program,

the participants learned about importance and uses of the PPI tool, and the skills of measurement of poverty rate and changes in poverty over a period of time. On the first day of the training program, concept and the importance of social performance management for MFIs and the application of the PPI tool to achieve the social goal of the MFIs were discussed. On the second day, it focused the discussions on technical aspects of the PPI tool: the techniques and process of collecting data from each household, entry of collected data into a pre-designed MIS and analysis of the data. In order to have a practice on the use of the tool, the participants on the third day visited program areas of 2 nearby MFIs (Manushi and Women Support Cooperative), collected data using the PPI scorecard, entered the collected data into MIS. The trainer also got chance to explain PPI certification process at the end of the third day. On the fourth

(contd. on page 7 ...)



Launch of Risk Management Toolkit for MFIs

Standard Chartered Bank Nepal Ltd. and Rural Microfinance Development Centre Ltd. (RMDC) launched the "Risk Management Toolkit" in Nepal with technical support from MicroSave, India on August 29, 2013. MicroSave, India has introduced similar toolkits in India, Indonesia, Bangladesh and Kenya. The toolkit was formally launched by the chief guest of the occasion Dr. Yubaraj Khatiwada, Governor of the Nepal Rastra Bank. In his opening remarks Dr. Khatiwada warned that the microfinance sector is more vulnerable to risk as compared to other financial institutions in the market. He further stated that apart from the usual market risk, operational risk and credit risk, the microfinance sector faces risk from politics. He said, "An MFI should be professional and keep away from politics."

Dr. Khatiwada acknowledged that the microfinance sector is servicing over 1.8 million families across the country. He said, "Other countries are providing loans at 25% - 30%, while Nepal provides loan at 20%. This justification cannot be used in our context as the Nepalese people expect to receive loans at an even lower rate."

The Governor urged the microfinance practitioners to consider the social development of the clients and not only concentrate on profiteering from the business. He said that the central bank develops regulations only after discussion with the concerned parties.

(contd. on page 8 ...)



RMDC organized Leadership Development Program for MFIs

RMDC organized a one day leadership development workshop on August 31, 2013 in Kathmandu. The workshop was designed for the chief executive officers of partner MFIs of RMDC. There was participation from 35 microfinance institutions. RMDC has been organizing numerous trainings and workshops for its partner organizations in the past. However, this time the workshop further enhanced the capacity building of the heads of these microfinance institutions.

The workshop was very interactive and was facilitated by Mr. Bikal Prasad Sherchan and Ms. Usha Malla Singh of National Institute for Leadership Development Pvt. Ltd. They ensured maximum participation from the attendees giving relevant examples in the Nepalese context. Using their vast



experience and knowledge in the field, they were able to associate and understand the need and relevance of good leadership in the microfinance sector. The workshop entailed presentations on the need for good leadership and characteristics of a good leader, experience sharing in groups and enactment of different situations a leader has faced with.

At the closing of the workshop, Chief Executive Officer of RMDC, Mr. Shankar Man Shrestha thanked the resource persons for conducting the workshop in a brilliant manner. Mr. Shrestha commented that with the microfinance growing into an industry, we are continuously facing with new challenges in the form of trade unions, unhealthy competition, over indebtedness of clients' etc to name a few. He further reiterated that a leader makes or breaks an institution as s/he is like the pilot navigating the MFI, they set the fate of the organizations. In this regard RMDC decided that such a workshop is crucial for the leaders of its partner MFIs to set right attitude and sense of social responsibility among MFI leaders.

The workshop ended on a high note with all the participants feeling rejuvenated and invigorated. Many participants also said that they would conduct similar workshops for their managers at their respective institutions. With the success and positive feedback received from this program, RMDC has decided to conduct a similar workshop for the managers of its Partner Organizations in the near future.

Exposure Visit of Partner MFIs of RMDC to Bangladesh

The prominent Partner MFIs of RMDC visited Bangladesh from Sep 18-27, 2013. RMDC organized the program in cooperation with IDF (Integrated Development Foundation) of Bangladesh. The main objective of the visit was to give exposure to the best practices of microfinance to the Nepalese MFIs. Bangladesh is known to be the Mecca of microfinance in the world. The visiting team comprised nine senior officials of the partner MFIs of RMDC and two officials of RMDC, with the total number of 11 participants.

The participants were Mr. Bharat Raj Dhakal, CEO, Muktinath Development Bank Ltd., Pokhara, Mrs. Rajani Mally, Executive Chairperson of Mahila Sahayogi SCO Ltd., Kathmandu, Mrs. Menuka Giri, Executive Director, Nepal Women Community Service Centre, Dang, Mr. Dambar Bahadur Shah, Deputy General Manager, Kisan Multipurpose Coop Ltd., Kailali, Mr. Ganesh Bahadur Chand, Managing Director, Udaydev Multipurpose Coop Ltd., Kanchanpur, Mr. Kiran Tharu, Deputy Executive Director, UNYC-Nepal, Bardiya, Mr. Dinesh Katuwal and Mr. Rishi Prasad Neupane,

Department Chief, Nerude Laghubitta Bikas Bank Ltd., Morang, Mr. Kamal Shrestha, Senior Internal auditor, Manushi, Kathmandu, Mr. Roop Bahadur Khadka, Manager, RMDC and Mr. Pradeep Kumar Poudel, Officer of RMDC. The team was led by Mr. Roop Bahadur Khadka.

During the visit, firstly the team visited center meeting, branch office and head office of Grameen Bank, Bangladesh, discussed various facets of the operations of the bank. Likewise, the participants visited centre meeting and branch office of IDF, ASA and BURO, some of the prominent MFIs in Bangladesh. IDF has been providing microfinance as well as other social services to a large part of the people of Chittagong hill tracks. The exposure visit has been fruitful in many ways. The

interactions on various matters with the clients, branch staff and officials of these institutions have been insightful and informative. The participants have observed and discussed about MIS, accounting, loan and saving products and operational and financial efficiency of the MFIs. The major places of visit were Dhaka, Chittagong, Cox's bazaar and Bandarban. At the end of the program each participant expressed his/her satisfaction over the visit and said that they would use the knowledge gained from the visit for the betterment of their concerned organization.



RMDC Convened Regional Annual Review Workshop in Pokhara

RMDC convened Annual Review Workshop of its partner MFIs in the Western Region from September 24-25, 2013 in Pokhara. The workshop was attended by a total of 53 participants representing 19 partner MFIs in the Western Region and had reviewed the performance of the FY 2012/13 at length.

Ms. Annapurna Shrestha, Manager of RMDC in her welcome remarks highlighted the background and objective of the workshop. Mr. Ram Dayal Rajbanshi, Senior Manager of RMDC, briefed on the contents and methodology of the workshop stating that it will help build a road map for microfinance in the region. He further added that MFIs have been focusing more on their financial growth often forgetting their social mission. Speaking from the chair, CEO of RMDC Mr. Shankar Man Shrestha said, "Banking with the poor is possible and viable, and there should be no confusion on this." He further said, "For the microfinance clients, rate of interest is not the main concern. More important thing is services that are easy and timely." He said that this workshop aimed to increase and strengthen the understanding, cooperation and goodwill between the partners of RMDC and to make a unified effort for the fight against poverty. He said, "We should emphasize on quality

than quantity. Making huge profit by MFIs will not send the right message to the people. We should use part of the profit for strengthening the capacity of the clients."

Each year RMDC organizes an annual review workshops of its partners in the various regions providing a platform for learning, sharing experiences and generating new ideas to improve and strengthen microfinance operations and practice. This year RMDC applied a different method of learning for its partner organizations. The older partner MFIs were divided into four groups with one representative from each organization. Each group was asked to visit and study one MFI to conduct detailed appraisal of it and present their findings, lessons learnt and suggestions at the workshop. This new method proved to be a success. The participating organizations appreciated the new method of study and dissemination of findings in the forum. It has developed appreciative eyes among the groups and the participants, and has brought out the good things being practiced by MFIs.



On the first day the four groups presented their study findings. The group presentations made by the MFIs after their study visit was very informative and of high standard. The newer MFIs had much to gain from the presentations. On the second day, each MFI presented their status and progress report. This was followed by a discussion on the identification of various problems faced by the MFIs in their operations. The discussion came to a conclusion on five major problems faced in the sector namely: multiple financing and over-indebtedness of clients, youth unemployment and brain drain, mission drift among MFIs, loan size, and high dropout rate of MFI staffs and clients. Each group was given one topic each and asked to come up with the necessary strategy required to be adopted by microfinance practitioners. The workshop concluded with the Lessons Learnt and Seven Point Declaration by the participating MFIs. Every participating MFI left the workshop invigorated and full of new ideas to be implemented. It has built up understanding, harmony, motivation, close relationship and cooperative spirit among the MFIs.



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Training on Progress ...

day, the participants were facilitated to analyze the data to find out poverty rate in the surveyed area. The challenges on the application of PPI tool by the MFIs were also discussed on the day. Finally, participants submitted their individual action plan of PPI Pilot.

A short closing session was organized to formally conclude the training program

which was presided by RMDC's Chief Executive Officer Mr. Shankar Man Shrestha. Mr. Shrestha in his closing remarks thanked the trainer Mr. Awais and his colleague for excellent facilitation and to the participants for their active participation. Mr. Shrestha encouraged participants to focus their program on their social performance along with their financial performance for sustainability of the microfinance program. He also announced a prize to the MFI which demonstrates the greatest poverty outreach in the pilot results.

After the training, these participating MFIs will be surveying a sample of around 7000 clients from 38 branches (2 branches per MFI) in 14 districts, and the pilot survey will produce a comprehensive data set for the microfinance sector. RMDC and Good Return believe the program will be a positive step for institutions with a social mission of poverty alleviation. The PPI will enable MFIs in Nepal to demonstrate achievement of their social missions of poverty alleviation.

Training on Internal Audit for Accounts Committee Members of Cooperatives

RMDC organized a training program on internal audit for Accounts Committee members of the partner cooperatives from October 1-2, 2013 in Kathmandu. The main objective of the training program was to make them conscious about their roles and responsibilities in their organizations. Apart from this, it was also to impart the concept of internal audit, its need and process both theoretical and practical. The major contents of the course were cooperative guideline, roles and responsibilities of accounts committee members, scope and process of internal audit, risk management, fraud management, PEARLS monitoring system and internal audit reporting. The training program was coordinated by Ms. Annapurna Shrestha, Manager of RMDC and facilitated by Mr. Roop Bahadur Khadka, Manager of RMDC and Mr. Rosan Kumar Adhikari, Training Consultant of RMDC.



In this training altogether 25 accounts committee members of 13 Co-operatives from Chitwan, Rasuwa, Rupandehi and Kavrepalanchowk districts have participated. The training



program was found to be very fruitful and relevant. The participants expressed that it was a great opportunity for them to learn many things related to their responsibility. At end of the training the participants were found highly energetic and enthusiastic to put their learning into actions after their return to their respective organizations. They acclaimed that the roles played by RMDC in creating institutional culture and financial transparency in the rural financial sector is outstanding. At the end of the program each participant prepared an action plan of his/her organization. This training program was the second in the series, and RMDC plans to offer this type of training to all the partner cooperatives in the coming days.

During the closing ceremony Mr. Ramdayal Rajbanshi, Senior Manager of RMDC expressed his satisfaction over the outcome of the training program and he suggested all the participants to implement the knowledge gained from this training in their organizations. At the end of the program, he also awarded certificates to the participants of the program.

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Launch of ...

Chief Executive Officer of SCBNL, Mr. Joseph Silvanus stressed on the importance of risk management and said that this sector must keep itself abreast with the various international risk management practices for its development.

Chief Executive Officer of RMDC, Mr. Shankar Man Shrestha stated that Nepal microfinance is a home grown industry and over the years microfinance services have been increasing at a fast pace. However, Mr. Shrestha cautioned that as the number of over indebted clients are on increase due to over financing and multiple financing of MFIs, the risk in the sector is also rising fast "Unhealthy competition and over ambitious target of MFIs to grow has led to reckless lending without taking into account the capacity of the clients" he said further.

This was followed by a panel discussion on 'Managing Growth in Microfinance' with Mr. Iyer Balaji, Director, Global Microfinance, Standard Chartered Bank Nepal Ltd. as moderator. The discussion dealt on the problems and challenges faced by the microfinance sector in Nepal. The panelists were Mr. Gorakh Rana, Standard

Chartered Bank Nepal Ltd., Mr. Shankar Man Shrestha, RMDC, Mr. Narayan Prasad Poudel, Nepal Rastra Bank, Mr. Ashoke S.J.B. Rana, Himalayan Bank Ltd., Mr. Ram Chandra Joshee, Chhimek Laghubitta Bikas Bank Ltd., Mr. Pavol Vajda, International Finance Corporation and Mr. Bhoj Raj Basyal, Nirdhan Utthan Bank Ltd. At the end of the discussion, the floor was opened for the questions from the audience.

The launch of the toolkit was followed by a one and a half day workshop where 30 MFI's senior officials participated and Mr. Manoj Sharma, Director, MicroSave and his two colleagues facilitated the program. The course broadly covered key concepts of microfinance risk management, risk reporting, risk management framework and the major risks faced by MFIs. The major risks such as operational risks, credit risks, financial risks (i.e. foreign exchange risks, liquidity risks, interest rate risks) and strategic risks faced by MFIs were thoroughly discussed in the sessions. The program was very fruitful to the participating MFI officials as this was the first training program of this kind in the country and is very important for them in the present context.