

RMDC convened its 15th Annual General Meeting successfully on January 13, 2014 in the City Hall, Kathmandu. The meeting approved the annual report presented by the Chairman Mr. Ashoke Shumsher Rana on behalf of the Board of Directors. It also approved the Balance Sheet, Profit & Loss Account and Cash Flow of the fiscal year (FY) 2012/13. According to the report, during the FY 2012/13, RMDC earned operating profit of Rs. 228.08 million.

The AGM approved Rs.78 million for the distribution of cash dividend at the rate of 15% to the shareholders from the profit of the fiscal year 2012/13. The AGM also appointed J.B. Rajbhandari



RMDC Convened 15th Annual General Meeting

& Associates as the auditor of RMDC for the FY 2013/14.

The AGM elected Mr. Raj Kumar Timilsina and Mr. Rajeeb Prasad Pyakurel as the representatives of the public shareholders to the RMDC Board of Directors. The Chairman of the RMDC Board welcomed and congratulated the newly elected directors on the occasion.

The Rural Microfinance Development Centre Ltd. (RMDC) was established on October

30, 1998 under the then 'Company Act, 1996' as a public limited company, and was licensed by the Nepal Rastra Bank as the wholesale lending organization for microfinance in Nepal. It has been lending to microfinance development banks, financial intermediary non government organizations and cooperatives to on lend to the poor, the destitute and the deprived people especially women from those families. It has been conducting various trainings, workshops and seminars for

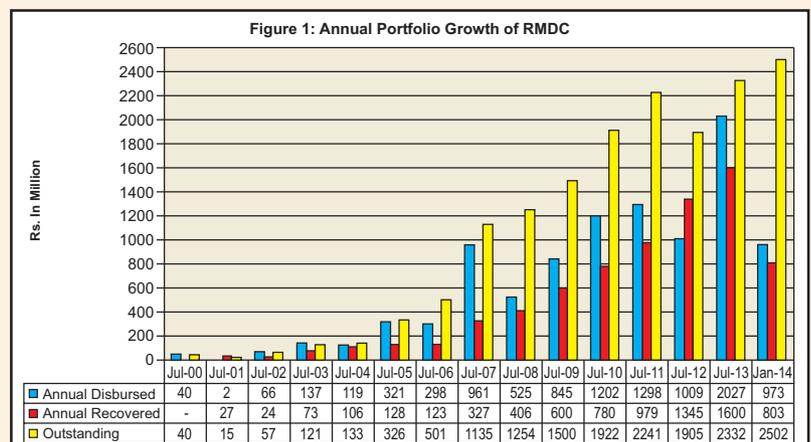
officials, staff and clients of MFIs for their capacity building. It has also been providing technical and financial support and on site consultancy services to MFIs. It also has been conducting monitoring and follow up of their operations for their institutional strengthening.

The Centre now has authorized capital of Rs. 1 billion, issued & paid up capital of Rs. 520 million and has a total net worth of Rs. 1.52 billion.

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RMDC Disbursed Rs. 9.8 billion to MFIs till mid-January 2014

The Rural Microfinance Development Centre Ltd. (RMDC) is a wholesale lender to microfinance institutions and cooperative societies providing microcredit to the poor in Nepal. Till the end of the second quarter of the current fiscal year 2013-14 (14 January 2014), RMDC disbursed wholesale loan amounting to Rs. 9.82 billion to 147 organizations for on-lending to the poor households. Loan recovery of RMDC has been hundred percent from the very first year of its operation. Recovering all due amount of Rs. 7.32 billion on time, RMDC's loan outstanding with its partner organizations stood at Rs. 2.50 billion at the end of the second quarter of this fiscal year. RMDC's loan portfolio growth on both disbursement and outstanding, has been at an increasing trend from the very beginning (see Figure 1).



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Workshop on Grameen Generalized System

Grameen Bank, Bangladesh is the pioneer microfinance organization in Bangladesh. It was established by Nobel Laureate Prof. Muhammad Yunus in 1976 and has been improving its lending system from time to time. With a view to suit to the changing needs of the target people, Grameen Bank introduced the Grameen Generalized System twelve years ago with new products and improved approaches. It has been replicating around the world.

Considering the Grameen experience as a learning opportunity for the microfinance sector in Nepal, RMDC in joint collaboration with the Grameen Trust, Bangladesh organized a one and a half day "Workshop on Grameen Generalized System" from October 23 - 24, 2013. Thirty-one chief executives and senior officials of RMDC's partner organizations were brought together for this event held in Pokhara. The special guest for the occasion was Managing Director of Grameen Trust, Prof. H.I. Latifee and Mr. Abdul Hai Khan, General Manager and Mr. Mir Hossain Chowdhury, Deputy General Manager of Grameen Trust were the resource persons. The program was coordinated by Ms. Annapurna Shrestha, Manager, of RMDC.

During the opening ceremony Mr. Ram Dayal Rajbanshi, Senior Manager of RMDC welcomed the team from Bangladesh and the participants of the workshop. Mr. Rajbanshi said "Grameen is not a new word for anyone in the microfinance sector and the Grameen model is also the dominant model of microfinance in Nepal." He also outlined the objectives of the workshop. Mr. Hai Khan made a brief introduction of Grameen Trust. He said microfinance needs to be redesigned with new features that would be more borrower friendly in terms of products and services. He said, "We still are fine tuning the Grameen System. If modification is required we do so. That was how we came up with the Grameen Generalized System or Grameen II."

In his opening remarks, Prof. H.I. Latifee shared the Grameen experience with the participants. Prof. Latifee highlighted the history of Grameen Bank as the history of

microfinance in the world and said that it was Prof. Yunus who wanted to empower poor people by giving them access to financial services. The Grameen philosophy 'Credit is a human right' meant that the poor can take care of themselves provided they have access to credit. According to him, problems are there, but there should be a problem solving culture as well and there is a solution to every problem. "The same is true with Grameen. Grameen faced numerous problems, but we came up with solutions and became creative. The Grameen is the combined effort of all those who are involved with the bank", he further added. He cited how the availability of credit improved the standard of living of the members and that was possible because credit was used as an antibiotic. At the end, he said that as long as we do not change our attitude towards problem solving, such problems will remain unsolved.

CEO of RMDC, Mr. Shankar Man Shrestha, in his opening remarks, stated that the Grameen model covered almost 80% of the microfinance in Nepal and that the Grameen Trust has promoted Grameen replication in several countries across the globe. He stressed on the need for MFIs to know their clients, their needs and capacity, and not to deviate from the main purpose of microfinance. "Microfinance is not a static industry. It changes over the time and modifications have to be made to suit the changing needs of the borrowers. Microfinance should be dynamic and address the needs of the clients", he further added. However, he said, we should not over burden our clients with too many loans that lead them to over indebtedness and ultimately to financial and social destruction of their families.

The workshop was conducted by Mr. Khan and Mr. Chowdhury. They had disseminated a lot of information, experience and knowledge where participants were encouraged for open discussions on various issues. Sessions were held on relevant topics



such as - features of Grameen Generalized System (GGS); savings and insurance program; provisioning and write off policy; delinquency and default management; internal control and auditing. They also talked about the various incentive scheme carried out for the staff and clients of the Grameen Bank, Bangladesh. Many participants were keen to learn about the 5 star incentives for the staff and branch managers. The floor discussions were informative and interactive with the resource persons providing various examples for solving problems.

The workshop was formally concluded with closing remarks from Prof. H. I. Latifee where he thanked the participants for their active participation and suggested the participants to identify, analyze and involve staff members while solving problems. He hoped that with true leadership, microfinance in Nepal would overcome the challenges and problems it is facing such as, over lapped financing, client dropouts and high staff turnover. In the end he added, "We can learn from the experience of others but we have to proceed according to our own strategy and policy."

Addressing the participants, Mr. Shankar Man Shrestha said, "We hope all of you will take the message from the workshop to your organizations that will help to build up your microfinance system." He stressed on the fact that some problems faced by the microfinance sector such as over lapping, over financing and over indebtedness of clients can be solved together with mutual cooperation. He further added, "We have to be answerable for our actions. We have to be sensible and give the right message to the community, the general people and the politicians. We should launch financial literacy programs for our clients. We have to educate our clients and be transparent in our operation." Mr. Shrestha also spoke about the need to include many poor people which are being left out from microfinance programs and hoped that MFIs would revisit their vision and mission to come up with the right strategies.

The workshop ended on a high note with all the participants educated on the Grameen experience and innovative approaches that could be applied in the Nepalese context as well. The participants believed the workshop to be productive and left the venue invigorated and enthusiastic to implement fresh ideas in their respective institutions.



RMDC Convened Annual Review Workshops of its POs

RMDC has been organizing annual review workshops of its partner MFIs for the last ten years with a view to assess their progress and achievements, and chart out strategies to resolve problems encountered in their operations. RMDC recently convened two such Annual Review Workshops of its Partner Organizations (POs). The first workshop was held in Biratnagar from November 27–28, 2013 intended for MFIs working in the Eastern Region of Nepal. The Eastern Regional Annual Review Workshop had a total of 43 participants from 13 different MFIs in the region. The second workshop included both the Mid Western and the Far Western regions of Nepal and was held from December 11–12, 2013 in Dhangadi. This Annual Review Workshop was a conglomeration of 92 participants representing 34 MFIs of the two regions. The participants were the chairpersons and members of the Board of Directors and the CEOs of MFIs and cooperatives.



The objective of the workshops was to review their operations; problems and strengths and weaknesses, and learn from each other's experiences. The workshops were coordinated by Ms. Annapurna Shrestha, Manager of RMDC. In her welcome remarks, she highlighted the background and objective of the workshop. Senior Manager of RMDC, Mr. Ram Dayal Rajbanshi outlined the contribution of microfinance towards poverty alleviation in the regions. However, he also cautioned that MFIs must be vigilant about the usage of loans by their clients as research showed that some microfinance loans were found to be used for consumption purposes rather than productive activities.

Addressing the gathering, Mr. Shankar Man Shrestha, CEO of RMDC said, "We have the power within us to change the face of our rural society and steer the country out of poverty." He stressed on the need for MFIs to reevaluate themselves and assess where they were deviating from the path of best practice of microfinance. "Let us empower our clients so that they are not only employed, but have the capability to employ others", Mr. Shrestha asked the MFIs to start becoming self-reliant and sustainable, and ultimately empowering MFIs' clients also to be the same. He once again stressed on the need for MFIs to visit the households of their clients to get a true picture of their living condition, experience and capacity and to come up with services and products that would assist them, in their struggle to get out of poverty. Mr. Shrestha encouraged the newer partner organizations of RMDC stating that all the current dominant MFIs in Nepal started as a small MFI and grew bigger in due course of time and there were much to learn from their experience and operations.





Both the workshops followed the module of exchange visits of peer MFIs in their respective regions wherein the older MFIs were divided into groups and asked to visit and conduct in-depth study of one MFI prior to participating in the workshop. The various groups made presentations on their findings; lessons learnt, challenges faced and positive and innovative ideas and products carried out by the host MFIs. The exchange visit proved to be very useful and helpful in making self-realization of their shortcomings and encouraging them to carry out microfinance programs in appropriate manner.

Both the workshops proved to be a success. At the end of the workshop of the Mid & the Far Western Regions, the older MFIs were allocated as guardians of the newer POs to facilitate better understanding of microfinance and forge relations between the old and new partners of RMDC. During the closing session, Mr. Shankar Man Shrestha once again stressed on the need and importance of MFIs to undertake regular household visits to analyze the needs of the clients and provide them with suitable products and services that will improve their conditions. He also pointed out that MFIs should also move towards financing the agricultural sector and the youth for creating

self employment within the country and barring them from going abroad for inferior works as a strategy to upgrade the national economy. At the end, he said, "We must not forget our integrity and spirit of microfinance. We must not engage in activities fueled by greed. With dedicated efforts, we can change the face of the nation."

The two workshops have received positive feedbacks from all the participants and have strengthened mutual understanding, relations and respect among MFIs. RMDC will be organizing the last and final review workshop for the MFIs of the central region in the near future.

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RMDC Convened ...

Till the fiscal year 2012/13, the Centre disbursed Rs. 8.85 billion and recovered Rs.6.52 billion as repayment. The Centre does not have any overdue loan till the date. It has been operating in profit from its inception. The partner MFIs of the Centre alone has been providing microfinance services to about 1.5 million poor households of the country till the end of the fiscal year 2012/13. On the same period, the Centre provided training support to 18,847 staff and officials and 647,177 clients of MFIs.

On the occasion, chairman Mr. Ashoke Shumser Rana has urged the financially sustainable MFIs to spend certain portion of their profit on the social development of clients and expand their microfinance services in the remote areas of hills and mountains where financial services have not reached yet.



Newly Elected Public Directors of RMDC

Mr. Raj Kumar Timilsina

Mr. Timilsina represents the public shareholders in RMDC Board. He has an MBS degree from Tribhuvan University, Nepal. He holds the position of Acting Chairman of Nepal Investors Forum, Kathamandu, Nepal. He has more than ten years of experience in the investment sector.



Mr. Rajeeb Prasad Pyakurel

Mr. Pyakurel also represents the public shareholders in RMDC Board. He has an MBS degree from Tribhuvan University, Nepal. He holds the position of Managing Director of Captive Investment Co. Pvt. Ltd. Kathmandu, Nepal. He has more than ten years of experience in the investment sector. Earlier he also had served as Board member in Muktinath Bikas Bank Ltd., Pokhara.



Initiation of Vertical Interaction in MFIs



Capacity building of its Partner Organizations has been one of the major thrust areas of RMDC since its inception in 1997. RMDC has been providing numerous opportunities to MFIs in the form of conferences, seminars, workshops and trainings to strengthen their institutional capacity. It has been continuously involved in educating them on the best practices of microfinance and good governance through interactions with their officials and staff. Towards this end, RMDC recently initiated vertical interaction programs for the three partner MFIs of Bardiya, Kailali and Kanchanpur districts; namely UNYC – Nepal, Kisan Multipurpose Cooperative Ltd. and Udayadev



Multipurpose Cooperative Ltd. respectively. It was aimed to develop common understanding of the goal and the objectives of the organization, its problems, policies and approaches and strategies among members of the Board of Directors, management team, branch managers and field staff. CEO of RMDC, Mr. Shankar Man Shrestha was invited as the Chief Guest by all the three organizations. It was also attended by the managers of RMDC, Mr. Pritha Bahadur Thapa, Ms. Annapurna Shrestha and Mr. Roop Bahadur Khadka.

The first program was organized by UNYC – Nepal, Bardiya at Kohalpur, Banke on December 7, 2013, the second by Kisan Multipurpose Cooperative Ltd., Kailali on December 8, 2013 at Lamki, Kailali and the third by Udayadev Multipurpose Cooperative Ltd., on December 10, 2013 at Mahendranagar, Kanchanpur. All the three programs were attended by the Board Directors, CEOs, senior officials, branch managers and field staff of the respective MFIs. The officials, staff and RMDC officials shared their experiences and views with

each other on the different facets of microfinance practices and management. The branch managers and field officers were given the opportunity to present their experiences, views and problems and challenges faced while working in the field. It was an open discussion forum where all the staff and officials exchanged their views and experiences freely, without any hesitation.

Many topics were broached during the interactions; such as: problems of multiple finance, working in difficult terrains, poaching of clients, over indebtedness of clients, reckless financing by some MFIs, unhealthy competition. During the interaction CEO of RMDC, Mr. Shrestha stressed on the need to develop and encourage the agricultural sector to enhance the agricultural production which has been on a decline for years. The national problem of brain drain, the youth of Nepal leaving home to work abroad, has also created sluggishness on the agricultural sector. Mr. Shrestha said, "Let us focus on our youth. They are the future of Nepal. We must include them in our programs and interact with them and see what we can do to help retain them in the country." The Board of Directors of all three MFIs thanked RMDC for its contribution towards the development of microfinance in the region and hoped that they would receive RMDC's continuous support and encouragement in the future as well.

The program was a step towards bridging the gap of understanding between the field workers, branch managers and the board of directors of the organizations. The interactive sessions were very fruitful and they had re-energized all those involved in the program. They all vowed that they would work for the socio-economic



Training on Internal Audit for Accounts Committee Members of Cooperatives in Dhangadhi

RMDC organized the third training program on Internal Audit for Accounts Committee Members of the partner cooperatives from December 13-14, 2013 in Dhangadhi. The main objective of the training was to acquaint the participants with the concept of internal audit, its need and process, and the internal control system. The major contents of the course were cooperative guidelines, roles and responsibilities of accounts committee members, concept, scope and process of internal audit, internal control, 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. Roshan Kumar Adhikari, Microfinance Training specialist.

There were altogether 44 participants comprising Accounts Committee Members and Chairpersons of the cooperatives. They represented 18 cooperatives of 7 districts namely Kanchanpur, Kailali, Doti, Bajhang, Achham, Darchula and Baitadi under the Far-western Development Region of the country. This training program has been a platform for the participants to share their existing practices and experiences concerning to internal audit and learn concepts and approaches to audit and internal control for improving the practice and the system in their respective organizations. The participants expressed that it was a great opportunity for them because they were never exposed to such training before and they had been discharging their responsibility without any knowledge and experience of the task they have to perform. At the end of the training

they were found highly energetic and enthusiastic to put their learning into practice after they return to their respective organizations. The training program was found to be fruitful and helpful in imparting the message that good institutional culture and financial transparency should be concern of the rural financial sector for sustainable services.

During the closing ceremony the chief resource person and Manager of RMDC Mr. Roop Bahadur Khadka, expressed his satisfaction over the outcome of the training program and suggested all the participants to play their given role effectively in maintaining financial transparency and standard of operation in their respective organizations. During the closing, Mr. Khadka also awarded certificates to the participants for their successful participation.



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RMDC disbursed ...

RMDC has also made a considerable progress in the second quarter of current fiscal year. During the first half, RMDC disbursed Rs. 972.89 million to the partner organizations and recovered Rs. 803.04 million from them. There was also an increment of 24 new partner organizations during the first half.

The total number of partner organizations of RMDC as of 14th January 2014 was 160. The partner organizations consisted of 119 cooperative societies, 24 financial intermediary NGOs, 10 development banks ('B' class bank) and 7 microfinance banks ('D' class financial institution).

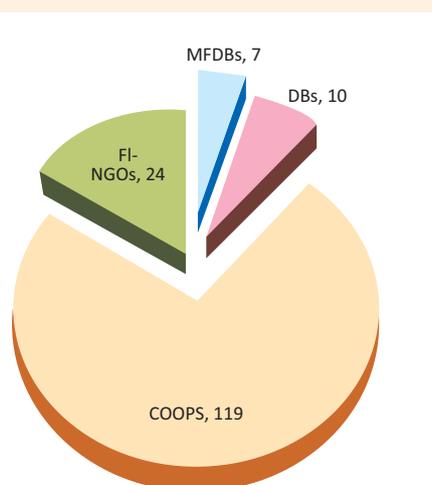


Figure 2: Composition of RMDC's Partner Organizations

The total loan outstanding amount with the partner cooperative societies also stood at 48%, which is the highest of all RMDC's partner organizations. As mentioned above, the cooperative societies came out as dominant category of partner organization for RMDC (see also Fig. 2 and 3). The partner FI-NGOs ranked second sharing 43% in the total loan outstanding amount (see Figure 3).

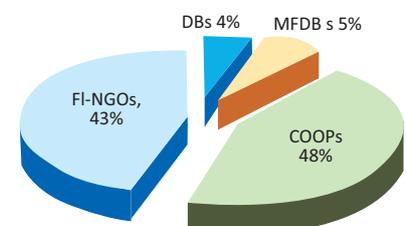


Figure 3: Composition of Loan Outstanding by Different Types of POs

Board Directors' Conference of RMDC Partner Cooperatives



A one day conference of Board of Directors of RMDC's Partner Cooperatives from Makwanpur, Chitwan and Nawalparasi districts was held on December 28, 2013, in Bharatpur, Chitwan. The main objective of the program was sharing of progress, achievements and experiences among the partners and educating the board members on good governance and the standards and norms set for cooperatives. A total of 118 participants from 15 cooperatives of the three districts attended the program.

The conference was chaired and inaugurated by Mr. Shankar Man Shrestha, CEO of RMDC. In his opening remarks, Mr. Shrestha highlighted on the important role of cooperatives to bring socio economic changes in the society through the mobilization of local resources. He also urged the boards of directors to develop good organizational culture which helps keep good governance and maintain effective operation in their organizations.

Mr. Ram Dayal Rajbanshi welcoming the participant, highlighted on the role of cooperatives in poverty reduction. He

stressed that cooperatives could play pivotal role in enterprise development and saving & credit mobilization among the members of the cooperatives. He also assured RMDC's support for capacity building and loan fund for their growth and outreach expansion. Mr.

Pritha Bahadur Thapa, Manager of RMDC, Basudev Lamichhane, Senior Officer and Bhol Nath Regmi, Senior officer were also there as facilitators.

After the opening session, each participating cooperative made its own institutional presentation by highlighting on its status, problems and challenges, and initiatives taken to solve the problems. The cooperatives also shared their innovations in operations. Mr. Pritha Bahadur Thapa, Manager of RMDC summarized the key issues and problems came out from the presentations. CEO, Mr. Shrestha discussed on the possible solutions to the identified issues/problems. The key issues and problems identified from the presentation were: low investment in agriculture sector, limited operational area of cooperatives, low capital fund in

cooperatives, less outreach of microfinance, unhealthy competition, low profitability, migration of youth to foreign countries, mission drift in lender, deterioration in the loan portfolio quality, lack of entrepreneurship among members etc. He said most of the problems cropped up from our own mistakes and weaknesses and therefore should solve by ourselves. The participants agreed and vowed that they would not let any stone unturned to overcome the problems.

Accepting the important role of cooperatives in the society, the participants in the conference passed a resolution (Sankalpa) with commitment to improve their system so as to address the problems and needs of the communities.

Wrapping up the program, Mr. Shankar Man Shrestha thanked the participants for their active participation and urged them to apply all learnings from the program for the betterment of their performance in the days to come.



Training on Credit Appraisal

RMDC organized a training on Credit Appraisal for its partner cooperatives operating in the Far Western Development Region. The program was held in Dhangadi from December 4-6, 2013. It was participated by 42 officials including board members, account committee members and managers of 14 partner cooperatives of RMDC. The objective of the training was to provide participants with theoretical as well as practical knowledge & skill on credit appraisal in order to minimize the credit risk. The resource persons of the training were Mr. Pritha Bahadur Thapa, Manager and Mr. Pradeep Kumar Poudel, Officer of RMDC.

During the practical session, the participants were divided into six groups and were taken to the field to appraise the clients and their

projects of three partner cooperatives namely Sana Kisan Agriculture Cooperative Ltd. of Malakheti, Shreepur and Geta Kailali. After the field visit, on the next day, the participants made presentations on their appraisal of clients and their projects based on their field experiences.

At the closing session of the training, Mr. Thapa said that with the development of the microfinance institutions and their operations in Nepal, various risks, problems and challenges have also been surfaced in the sector. He stressed that loans have to disburse after appraising the credit need



and capacity of a client to utilize loan and the cash flow of the project concerned to reduce risks. The participants expressed that the training was very fruitful and they had been educated on the process and techniques of credit appraisal in practical terms.

Training on Management - Manager as Coach



RMDC organized two training programs on Management, "Manager as Coach" for the branch managers of partner MFIs. The first program was held in Kathmandu from January 5-6, 2014, which was participated by 35 branch managers from 13 partner MFIs. The second program was also held in Kathmandu from January 8-9, 2014 and was attended by 35 branch managers from 14 partner MFIs. The resource persons of both the training programs were Mr. Bikal Prasad Sherchan and Ms. Usha Malla Singh from the National Institute for Leadership Development Pvt. Ltd. Both the programs were coordinated by Ms. Annapurna Shrestha, manager of RMDC.

The objective of the training was to acquaint participants with the importance, role and responsibility of manager as a coach for the effective and efficient operation of any organization. The major contents of the training were concept of coaching, characteristics & techniques of coaching, managing vs coaching, myths of coaching,

benefits of coaching to the individual, manager and the organization etc.

During the sessions, various management games, role plays, group presentations, examples were presented which made the training participatory, interactive and interesting. Using their experience and knowledge in the field, they were able to associate and understand the need and relevance of a good coach in the microfinance sector.

At the closing session of the first training program, Chief Executive Officer of RMDC, Mr. Shankar Man Shrestha thanked the resource persons for conducting the training in a brilliant manner. Mr. Shrestha said that microfinance has grown as an industry but it is facing with new challenges in the form of unhealthy competition, multiple financing & over indebtedness of clients. He stressed that to cope with all those challenges, the staff of MFIs should be capable and equipped with all required knowledge & skills. In this context branch managers have to play the

role of a coach of field staff and clients. They should be equipped and updated with new techniques and should guide and motivate the staff and clients to solve their problems and make them efficient to handle their operation properly.

The closing session of the second program was chaired by Mr. Ramjee Regmi, board member of RMDC, representing Nepal Rastra Bank. In his closing remarks he highlighted the importance of training programs and assured that RMDC will continue to provide various training to its partner organizations in the future as well. He also highlighted the importance of managers as coach and stressed that specially in the microfinance institutions the role of the manager as a coach is very important for the successful operation of the microfinance program.

At the end of the training, he distributed the certificates to the participants and the programs ended on a high note with all the participants feeling rejuvenated and invigorated.

