

# FEDERATING FOR FORCE

Lessons from Nepal's Rural Groups



**Department of Women's Development**

Ministry of Women,  
Children and Social Welfare  
Shreemahal, Lalitpur

January 2008



# FEDERATING FOR FORCE

Lessons from Nepal's Rural Groups



**Department of Women's Development**

Ministry of Women,  
Children and Social Welfare  
Shreemahal, Lalitpur

**January 2008**

Copy right page

# Foreword

Federations are the flagship of the Women Development Program. They are becoming the most useful platform for participation, a successful vehicle for service delivery and hence generating force for social change.

The institutionalization of women federations is not a quick outcome of our endeavours. This process took place slowly and steadily over more than two decades. As a result, now there are more than 1,000 women's own institutions spread over the same number of VDCs. Over the time they learnt to grow and survive. Many of them defeated numerous challenges and overcome several hurdles. Finally, they ascertained to sustain.

These community-based organizations, or rather member-based cooperatives, have been operating in the true spirit of the principles of Cooperation. They have gone one layer down to demonstrate that principles need not be sacrificed for viability at any stage of institutional development. As institutions have empowered, empowerment has encouraged agency, and ultimately women members and their families have gained.

Complacency is not the way forward. So a need was felt for reflecting afresh on the entire process of organizing women into groups and then federating such groups into a cooperative. Accordingly, this documentation was done by a team from the Department.

As well as discovering what has worked why, the study team has identified emerging issues and located mistakes being done all along. In my opinion, the findings of this document are revealing and point up to the future course of action. I hope that this report will be a useful read for all of us who are involved in helping people achieve their aspirations by way of organization.

I put on record my thanks to the members of the study team for this commendable work. I would also like to extend my gratitude to **Unicef** for providing us with the editorial and financial support in connection with the publication of this report as well as in the course of the field work. My thanks are also due to all those who have helped the study team in this process.

Ratna Kaji Bajracharya  
Director-General  
Department of Women Development

# Acknowledgements

This study was done by a team from the Department of Women's Development. The cost of fieldwork was borne by UNICEF Nepal. The members of the study team were as follows.

Keshab Prasad Regmi	Team Leader
Arjun Kumar Sharma	Member
Devi Maya Ghimire	Member
Ganesh Bahadur Adhikari	Member
Kamal Mani Acharya	Member
Mina Aryal	Member
Meena Kattel	Member
Prithu Raj Tiwari	Member
Ratna Mani Bhattarai	Member

The study team was assisted in the field by the following colleagues at Women's Development Offices.

Kalabati Ojha	Tanahun
Savitra Timilsena	Sunsari
Sharada Bijukchhe	Parsa
Tara Sunuwar	Kavre
Dibyashora Prasai	Jhapa

The study team appreciates the support received in connection with this work from the Director-General of the Department of Women's Development, Mr Mahendra Prasad Shrestha; Director at the Department of Women's Development, Mr Mahendra Kumar Thapa; Acting Chief of the DACAW Section at UNICEF, Ms Anjali Pradhan; and UN Volunteer Ms Sulochana Shrestha. The study team extends its sincere thanks to Mr Pawan Prasad Regmi and Mr Suresh Bhattarai at the Department of Women's Development for all their assistance in producing this report. The study team also puts on record its deeply felt gratitude to all respondents, participants of focus groups, and key informants for their enthusiastic cooperation.

September 2006

# Table of Contents

<b>FOREWORD</b>	<b>iii</b>
<b>ACKNOWLEDGEMENTS</b>	<b>v</b>
<b>ABBREVIATIONS</b>	<b>viii</b>
<b>EXECUTIVE SUMMARY</b>	<b>ix</b>
<b>CHAPTER 1: INTRODUCTION</b>	<b>1</b>
1.1 Background	1
1.2 Research problem	2
1.3 Purpose	2
1.4 Methodology	2
1.5 Limitations	7
<b>CHAPTER 2: FINDINGS</b>	<b>9</b>
2.1 Measuring institutional performance	9
2.2 Factoring institutional performance	11
2.3 Assessing factor influence	14
2.3.1 Intrinsic factors	14
(a) Common bond	14
(b) Representative experience	20
(c) Member awareness	25
(d) Group dynamics	29
(e) Other intrinsic factors	31
2.3.2 Extrinsic factors	31
(a) Community affiliation	31
(b) Financial back-up	34
(c) Non-financial back-up	38
(d) Social intermediation	40
(e) Other extrinsic factors	43
2.3.3 Interactive effect	44
<b>CHAPTER 3: IMPLICATIONS</b>	<b>45</b>
3.1 General	45
3.2 Specific	46



Annex 1 : Scaling of Factor Effect	51
Annex 2 : Federation-wise Institutional Performance Indices	52
Annex 3 : IPI Ranking of Federations	54
Annex 4 : Programme-wise Institutional Performance Indices	56
Annex 5 : Federation-wise Factor Labelling	58
Annex 6 : Ward-level Meeting	60

# Abbreviations

ADB	Asian Development Bank
CLDP	Community Livestock Development Project
CO	community organization
DACAW	Decentralized Action for Children and Women
DDC	District Development Committee
DLGSP	Decentralized Local Governance Support Programme
DWD	Department of Women's Development
ICA	International Cooperative Alliance
IEC	Information, education and communication
IPi	Institutional Performance Index
IWCDP	Integrated Women and Child Development Project
MP	Member of Parliament
NGOCC	Non-Governmental Organization Coordination Committee
PCRW	Production Credit for Rural Women
SFCL	Small Farmer Cooperative Limited
SFDP	Small Farmers' Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
VDC	Village Development Committee
VF	Village Facilitator
WDO	Women's Development Office(r)
WDP	Women's Development Programme

# Executive Summary

In 2006, a team from the Department of Women's Development was funded by UNICEF to examine the factors that are characteristic of successful federations of community organizations in order to develop a replication strategy for federating other community organizations into viable and sustainable community-based enterprises.

The study analysed 15 federations in five districts (Jhapa, Sunsari, Parsa, Kavre and Tanahun). In each district, a properly functioning Women's Development Programme (WDP) federation, a properly functioning non-WDP (DLGSP, SFDP or NGOCC)<sup>1</sup> federation, and a poorly run WDP federation were selected. All federations had been in existence for at least three years. Each federation was given a score relating to participation, financial serviceability, non-financial serviceability, resource mobilization, social inclusion, equity, and sustainability. The scores for each of these factors were combined to give a value on the institutional performance index (IPI). The IPIs for all 15 federations were then linked to eight factors that explained differences in viability (common bond, representative experience, member awareness, group dynamics, community affiliation, financial back-up, non-financial back-up, and social intermediation).

The individual IPIs of federations ranged from 37.58 to 65.57 (out of 100). All were considered to be functioning adequately, with two being 'good', nine being 'double good', and four being 'triple good'. All eight factors had a positive effect on institutional performance. Social intermediation, financial back-up and member awareness were the three most important factors, with a high effect on institutional viability. The remaining factors had a low effect on institutional viability, and were ranked in descending order as follows: common bond and community affiliation, representative experience, non-financial back-up, and group dynamics.

The influence of these factors on institutional performance and viability suggested the following replication strategy.

- Federations should be structured through several layers, with groups at the settlement level consisting of 4–7 members. These smaller groups can form ward-level committees that come together to form the VDC-wide federation.

---

<sup>1</sup> DLGSP = Decentralized Local Governance Support Programme; SFDP = Small Farmers' Development Programme; NGOCC = Non-Governmental Organization Coordination Committee.

- Federations need a strong common bond for groups to stay together and be active. The strongest common bonds are based on location (i.e., one VDC), socio-economic characteristics and/or *bona fide* use. Community-level groups perform best when they are women-only or men-only rather than mixed, although mixed federations are acceptable. Caste and ethnicity did not seem to have an effect on the common bond.
- Federations need time to develop, and should not be forced into existence within a specific timeframe.
- Federations need to develop ‘followers’ as well as leaders. Structural de-concentration brings forums for participation closer to ordinary members and helps to develop effective followers as well as good leaders.
- Federations need back-up from promoters. However, any assistance should be unconditional and determined by the federation rather than the promoter, since ‘conditions complicate while freedom empowers’.
- Federations should receive financial resources from affiliated programmes in the form of free revolving funds.
- Federations should ensure that all community-level groups complete the integration process and all members own shares. This strengthens the federation and boosts cooperation.
- Federations should be encouraged to develop a partnership with their supporting organization that includes a role in planning rather than just in implementation.
- Federations should actively seek to network with locally elected bodies, government agencies, and other stakeholders within the community to obtain broad-based support and diversified sources of back-up, and become an organization for all stakeholders rather than just for members.
- Federations should encourage young people to become members through various schemes such as the DWD’s Adolescent Girls’ Development Programme.
- Phasing out of support needs to take place over a fairly long period of time—perhaps five or more years—and follow-up activities should be continued.
- Federations should receive follow-up from affiliated programmes that focuses on cooperative education, consolidation of accounts, management development, business promotion, and networking with various development partners.
- To ensure the viability of federations, the field staff of affiliated programmes should receive appropriate training that enables them to take federations forward into the independent stage.

## CHAPTER 1

# Introduction

## 1.1 Background

The process of building federations under the Women's Development Programme (WDP) is unique. It originated from the Production Credit for Rural Women (PCRW) Programme 1982–2001, assisted primarily by UNICEF and additionally by the International Fund for Agricultural Development (IFAD), the United Nations Population Fund (UNFPA) and other development partners. Initially, those who choose to participate in the programme are organized into small groups of 4–7 members, typically within a neighbourhood or settlement, and encouraged to function as a group. Subsequently, as the number of functioning groups within a ward increases, they are federated into a ward-level committee. In due course, these ward-level committees are federated into a VDC-wide cooperative and registered under the Cooperative

Act 1992. As the area of operation increases, so does the scope of work of the association. The activities of the group are primarily internal, such as savings mobilization. The ward-level committee performs additional managerial and social functions. Finally, the fully fledged federation starts networking, and linking its members with various service providers.

There is nothing dramatic about this process, and, in many cases, it has worked extremely successfully. However, efforts to replicate the PCRW process of federation-building have not all been so successful. The Women's *Jagriti* and Income Generation Programme 1999<sup>2</sup> is a case in point. So, what was 'right' about the PCRW process? Is it possible to devise a coherent approach for replicating the PCRW process? Questions such as these were the inspiration for this study.

---

<sup>2</sup> The Women's *Jagriti* and Income Generation Programme 1999 was a derivative of PCRW with a somewhat different implementation modality. The programme was designed to reach out to an additional 380,000 households in 3,913 VDCs across all 75 districts within five years. The initiative proved to be too ambitious. Consequently, having covered 943 VDCs, a brake was put on expansion, and attention was diverted to consolidation. In 2004/05, the programme was integrated into, and has since been carried out as part of, the WDP. For more information, see *Women's Jagriti and Income Generation Programme Guidelines* (2000) Ministry of Women, Children and Social Welfare, Kathmandu.

## 1.2 Research problem

The research problem for this study was: How are groups formed and federated into a viable community-based enterprise?

## 1.3 Purpose

This study aimed to propose a comprehensive strategy for replicating the institutional development process of the PCRW Programme, with necessary adjustments, for empowering women, ultra-poor families and disadvantaged minorities, based on an extensive analysis of some fundamentals of cooperation, including contributory and limiting factors across time, space and spheres of endeavour.

## 1.4 Methodology

### 1.4.1 Study case

This was a multiple case study involving 15 federations. Federations were selected from five districts—Jhapa, Sunsari, Parsa, Kavre and

Tanahun. Of the five districts, four were supported by UNICEF's Decentralized Action for Children and Women (DACAW) programme. Districts were selected purposefully, and efforts were made to ensure that development and ecological regions were represented as well as possible.

A community-based organization (CBO)—mainly a VDC-level federation<sup>3</sup>—was the subject of each study case. In each district, a properly functioning WDP<sup>4</sup> federation was the primary subject. Its selection was based on the judgement of the Women's Development Office (WDO) for that district. In addition, a properly functioning non-WDP (DLGSP, SFDP or NGOCC)<sup>5</sup> federation was studied. Each was selected from those considered to be properly run by the concerned programme manager. Finally, a poorly run WDP federation was selected from those identified by the WDO. In all cases, the federation had been in existence for at least three years.

<sup>3</sup> Although the different modalities researched in this study use a variety of terms (federation, cooperative, cooperative society, community organization) to describe themselves, the term 'federation' has been used in this report to describe them all. The WDP, SFDP and NGOCC federations are all cooperatives registered under the Cooperative Act 1992. The DLGSP federations are unregistered cooperatives.

<sup>4</sup> Although all WDP federations selected were started under the PCRW, the term 'WDP' is used throughout this report.

<sup>5</sup> DLGSP = Decentralized Local Governance Support Programme; SFDP = Small Farmers' Development Programme; NGOCC = Non-Governmental Organization Coordination Committee.

### 1.4.2 Variables

'The viability of the community-based enterprise' was the dependent variable. The independent variable was initially identified as 'the process of forming and federating groups', so as to bring any specific variable found to be at work in that process within the purview of the study.

### 1.4.3 Analytical paradigm

As a measure of the dependent variable, i.e., the viability of the community-based enterprise, an institutional performance index (IPI) was obtained as follows. Firstly, the following factors were rated.

- **Participation** in terms of decision-making, as indicated by the rate of attendance at the last general meeting [with a value in the range of 0–100]
- **Financial serviceability** in terms of access to financial resources, as indicated by the proportion of members currently receiving loans (i.e., during fiscal years 2003/04, 2004/05 and 2005/06) [with a value in the range of 0–100]
- **Non-financial serviceability** in terms of access to knowledge resources, as indicated by the proportion of members participating in currently-run training activities (i.e., during fiscal years 2003/04, 2004/05 and 2005/06) [with a value in the range of 0–100]

- **Resource mobilization** in terms of the ability to turn over loans, as indicated by the percentage of current loans as of the last financial closing (i.e., during fiscal year 2004/05) [with a value in the range of 0–100]
- **Social inclusion** in terms of the ability to reach out to those on the margins of society, as indicated by the proportion of Dalit membership [with a value in the range of 0–100]
- **Equity** in terms of affirmative action intended to reduce the existing gap between socially advantaged and disadvantaged groups, as indicated by the percentage of interest rebate applicable to Dalit members [with a value in the range of 0–100]
- **Sustainability** in terms of the willingness to stay a member, as indicated by the proportion of regularly saving membership as of the last month [with a value in the range of 0–100]

Then, the IPI was calculated by summing the scores of these factors and dividing by seven to give a total score. As a rule of thumb, the IPI can be interpreted as follows.

< 30	Unsatisfactory
30–44	Good
45–59	Double good
60–79	Triple good
≥ 80	Exceptional

The IPI was intended to capture how a federation was faring in terms of the following.

- Service to members, which is the rationale for a cooperative endeavour
- Involvement of members, which is the power of the cooperative process
- Caring for others, which is one of the basic values of the cooperative movement
- Sustainability, which is the hallmark of cooperative momentum<sup>6</sup>

### Explaining institutional performance

To explain differences in the viability of federations, the processes of formation and federation were examined, covering eight factors—four extrinsic and four intrinsic (Table 1). This paradigm was intended to lead to specific implications for replication as well as analytical generalizations.

Finally, the eight factors were linked to the 15 IPIs as follows.

- The 15 federations were ranked according to their IPI.
- The top five federations were labelled 'high performers', the

middle five were labelled 'medium performers', and the bottom five were labelled 'low performers'.

- Each of the eight factors was labelled EH, H, M, L or EL meaning 'extremely high', 'high', 'moderate', 'low' and 'extremely low', respectively, depending upon the extent to which each was found to be present in a federation.
- EH, H, M, L or EL were assigned the value 5, 4, 3, 2 and 1, respectively, enabling arithmetical operation.
- The effect of each of the eight factors was ascertained by adding the total scores of the high and medium performers, and deducting the total score of the low performers from these.

Three aspects of this analytical paradigm need further explanation.

### (a) Where did the eight factors come from?

These factors come from a variety of sources. The idea of the common bond comes from general cooperative literature. Member awareness comes from research literature: Uprety and

<sup>6</sup> Various combinations of socio-economic and institutional measures have been used for assessing cooperative performance. Hind finds three types of indicator-conventional corporate performance, member benefit performance and social performance-to be relevant. See Hind, A.M., 1998, Assessment of cooperative performance, in Hurrp, W., ed., *The World of Cooperative Enterprise*, Plunkett Foundation, London, pp. 9-18.



Table 1 | Factors used to explain institutional performance

Intrinsic factors	Extrinsic factors	Implications for replication
<b>1. Common bond</b> <ul style="list-style-type: none"> <li>Size</li> <li>Locality</li> <li>Homogeneity</li> </ul> <p>Question: What difference do the criteria for selecting member groups make?</p>	<b>1. Community affiliation</b> <ul style="list-style-type: none"> <li>Access to common property resources</li> <li>Responsiveness to neighbourly problems</li> <li>Involvement of local influentials</li> </ul> <p>Question: How important is bringing men on board?</p>	<p>Example: Reasonable resolution of the women-only or men-also issue</p>
<b>2. Representative experience</b> <ul style="list-style-type: none"> <li>Graduation time</li> <li>Structural de-concentration</li> <li>Enforcement of accountability</li> </ul> <p>Question: Are ward-level committees helpful?</p>	<b>2. Financial back-up</b> <ul style="list-style-type: none"> <li>Scale</li> <li>Form</li> <li>Conditionality</li> </ul> <p>Question: Is linking IWCDP<sup>7</sup> funds to child protection a desirable condition?</p>	<p>Example: Practical measures to complete the incomplete federation process, if any</p>
<b>3. Member awareness</b> <ul style="list-style-type: none"> <li>Need-responsiveness</li> <li>Cost-effectiveness</li> <li>Communication</li> </ul> <p>Question: Does early education (i.e., at time of forming group or immediately after) matter?</p>	<b>3. Non-financial back-up</b> <ul style="list-style-type: none"> <li>Scale</li> <li>Form</li> <li>Conditionality</li> </ul> <p>Question: What difference does internal ownership of external programmes make?</p>	<p>Example: Proper Terms of Reference for profitable partnership</p>
<b>4. Group dynamics</b> <ul style="list-style-type: none"> <li>Cooperation</li> <li>Competition</li> <li>Conflict</li> </ul> <p>Question: Does internal competition fuel the vehicle?</p>	<b>4. Social intermediation</b> <ul style="list-style-type: none"> <li>Reach</li> <li>Capability</li> <li>Continuity</li> </ul> <p>Question: What could be a good exit strategy?</p>	<p>Example: Additional steps to better mobilize the social mobilizer</p>

Regmi<sup>8</sup> found that communication and needs-responsiveness are important in cooperative performance; these two aspects were combined with cost-effectiveness, and called member

awareness. Conventional development wisdom—for example, self-help groups are better helped in financial terms indirectly rather than directly—led to the distinguishing of financial

<sup>7</sup> IWCDP = Integrated Women and Child Development Project.

<sup>8</sup> Upreti, S.R. and Regmi K.P., 1996, *Why Do Cooperatives Fail? A Study of Factors that are Basic to Cooperative Pursuits*, Cooperative Training Centre, Kathmandu.

back-up from non-financial back-up. Experience was also drawn on. During the early stages of the study, many explanations of institutional viability were brainstormed. These eight were finally agreed on.

However, this list is not meant to be exclusive. While these eight factors were specifically considered during fieldwork, enabling a general rating, others were not deliberately restricted. If anything, other plausible explanations were actively searched for. However, if a new factor was discovered in the field, it was not rated, as such rating was not considered worthwhile for definitional reasons.

### **(b) How does the scoring scheme work?**

If, for instance, external financial back-up was really important in enabling a federation to gain viability, it would be found present to an extremely high or high degree in all or many of the five high-performing and five medium-performing federations. It would be labelled EH or H, and score up to a maximum of 50. At the same time, external financial back-up would be found to be present

to an extremely low or low degree in all or many of the five low-performing federations. It would be labelled EL or L, and score a minimum of five. Deducting this minimum score from the maximum score yields 45, which is the maximum a factor can score.

Alternatively, if external financial back-up was not a catalyst, it would be expected to be present to an extremely high or high degree in all or many of the five low-performing federations. It would be labelled EH or H, and score up to a maximum of 25. At the same time, external financial back-up could be expected to be present to an extremely low or low degree in all or many of the five high-performing and five medium-performing federations. It would be labelled EL or L, and score a minimum of 10. Deducting from this minimum score the maximum score yields -15, which is the minimum a factor can score.

In absolute terms, given the -15 to +45 scale, a factor with some positive effect on institutional performance is expected to have a positive score. The following is the tentative rule for interpreting the factor scores.

< 0	Negative effect
0–9	No effect
10–19	Low effect
20–29	High effect
≥ 30	Very high effect <sup>9</sup>

**(c) Why add the factor score of medium-performing federations to the total factor score, and not subtract it?**

The factor score of medium-performing federations is added to the total factor score rather than subtracted from it because two in three of the federations were considered to be properly run in the initial selection of federations, and only one in three was considered to be poorly run. If the initial judgement was correct, then 10 of the 15 federations would be properly run irrespective of their subsequent classification as a high- or medium-performer, and the remaining five would be poorly run.

But what if a federation initially judged to be a high-performer turned out to be a low-performer after calculating the IPI? The federation would be ranked by the IPI, not the initial estimate.

#### 1.4.4 Sources of data

Case-specific data were captured from the following sources.

- Documents (bye-laws, financials, minutes of meetings, activity records, monitoring reports, audit reports, inspection books, and so on)
- Focus groups
- Observation of households, as well as member- and group-based activities, together with stop-over interactions with beneficiaries
- Unstructured interviews with programme managers
- ‘Walk-along conversations’ with social mobilizers, federation leaders and others

#### 1.4.5 Piloting

The protocol was piloted at Grameen Women’s Development Multipurpose Cooperative of Panchkhal, Kavre, a WDP federation, and necessary revisions were made.

### 1.5 Limitations

The findings of this study must be tempered by the following limitations.

<sup>9</sup> See Annex 1 for scaling of factor effect. This method can be applied to any multiple of three. For instance, if there were nine federations, the scale would be -9, 0, +9, +18 and +27, and the tentative rule for interpreting the scores could be worked out as follows: < 0 negative; 0-5 no effect; 6-11 low effect; 12-17 high ; ≥ 18 very high effect.

**(a) Variation in focus**

The parallel cases were included in the design for the purposes of triangulation but were not observed to the same depth as the primary cases.

**(b) Variation in form**

The four types of federation differed in three important ways.

- The WDP and SFDP federations consisted of several small groups, while there were no such groups in DLGSP or NGOCC federations.
- The federations' catchments varied from a settlement or two within a ward (DLGSP) to a VDC (WDP and SFDP) to four VDCs (NGOCC).
- The DLGSP federations were small with 30–50 members, while others federations were large with hundreds of members.

**(c) Uniformity in representation**

None of the cases represented the upper mountain or the Mid- and Far Western Development Regions.

**(d) Inconsistency in data**

In one or two instances, inconsistency in the data was suspected. Whenever such a situation occurred and facts

could not be double-checked, the lower figure was considered to be the 'truer' figure.

**(e) Insensitivity of the measure**

The IPI was mainly intended to be an easy-to-apply measure of institutional viability and did not account for the following differences.

- Loan amounts in financial serviceability (e.g., if one federation extended an average of NRs 10,000 to a certain proportion of its members, and another an average of NRs 1,000 to the same proportion of its members, the two were treated alike).
- Duration of training in non-financial serviceability (e.g., although any training activity of less than two days was not counted as training, two federations were considered to be equal even if the average duration of training was two days in one and seven days in the other).
- Proportion of population in social inclusion (e.g., even if a federation was all-inclusive and encountered a natural limit of 25 per cent Dalit population in its area of operation, it was considered to be 75 per cent non-inclusive).

## CHAPTER 2

## Findings

## 2.1 Measuring institutional performance

### 2.1.1 WDP federations

IPIs for the WDP federations are shown in Figure 1. The average IPI for all 10 WDP federations was 53.96; the average IPI for the WDP primary cases (classified as properly run during initial selection) was 57.94; the average IPI for the WDP parallel cases (classified as poorly run during initial selection) was 49.99; and the average IPI of the top five cases after assessment (irrespective of initial classification) was 61.44. Therefore, all WDP cases

together can be considered 'double good', as can primary and parallel cases separately. While the top five federations in terms of IPI can be considered 'triple good'.

The difference between the average IPI of the primary cases and that of the parallel cases was 7.95. In all five districts, higher IPIs were associated with federations initially classified as properly run. However, the IPI differentials ranged widely from a minimum of 1.13 in Parsa to a maximum of 20.15 in Jhapa.

The individual IPIs of WDP federations ranged from 37.58 to 65.57 (see Table 3). The lowest scorer was the Jhiljhile Cooperative of Jhapa, while the Khairenitar Cooperative of Tanahun scored the highest. This difference in IPIs reflects the conspicuous gap in the level of activity between the two federations. However, the Jhiljhile federation IPI can still be considered 'good', indicating that the federation is functioning adequately.

Figure 1 | IPIs for WDP federations

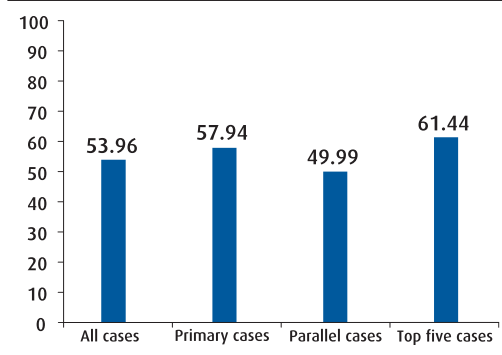
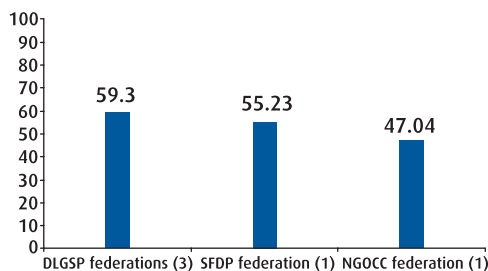


Figure 2 | IPI for DLGSP, SFDP and NGOCC federations



### 2.1.2 DLGSP, SFDP and NGOCC federations

Figure 2 shows the IPIs of the DLGSP, SFDP and NGOCC federations. The average IPI of the three DLGSP federations was 59.3; this is at the top of 'double good' range. The IPI for the only SFDP federation was 55.23; this can be considered 'double good'. The IPI for the only NGOCC federation was 47.04; this can be considered 'double good', although towards the low end of the range.

### 2.1.3 Comparison of programmes by socio-economic factors

Table 2 shows the IPI breakdown of economic and social factors by programme, and compares the socio-economic differentials. The top five WDP federations had the smallest socio-economic differential at 41.10,

closely followed by the SFDP federation (42.20) and the NGOCC federation (48.07). The DLGSP federations had the greatest socio-economic differential at 68.76.

WDP federations tended to score highly for both social and economic dimensions of performance. By contrast, the DLGSP federations scored most highly on the economic dimension but one of the lowest on the social dimension. The SFDP federation was in the middle for both social and economic dimensions, and the NGOCC federation was lowest for both social and economic dimensions. However, all the four types of federation were 'excellent' ( $\geq 80$ ) for at least one factor. The WDP federations were 'excellent' on all three economic factors. The DLGSP federations were 'excellent' on all three economic factors and for 'participation' in the social factors. The SFDP federation was 'excellent' for two economic factors. The NGOCC federation was 'excellent' for one economic factor.

The newer the criterion, the lower the score tended to be. For instance, the equity score was lowest across the board. In fact, only two of the WDP federations scored at all on this criterion.

Table 2 | Socio-economic differentials in IPI scores

Affiliated programme	Economic				Social				Overall	Socio-economic differential
	Financial serviceability	Resource mobilization	Sustainability	Total	Participation	Non-financial serviceability	Social inclusion	Equity	Total	
1	2	3	4	5= (2+3+4)/3	6	7	8	9	10= (6+7+8+9)/4	11  12= (5-10)
WDP top 5	81.01	92.95	80.82	84.93	59.88	78.86	24.34	12.22	43.83	61.44
DLGSP	96.45	100.00	99.33	98.59	96.00	17.95	5.38	0.00	29.83	59.30
SFDP	89.69	63.41	84.92	79.34	57.18	60.15	31.23	0.00	37.14	55.23
NGOCC	78.14	82.13	63.26	74.51	69.55	0.90	35.31	0.00	26.44	47.04
Total	86.32	84.62	82.08	84.34	70.65	39.47	24.07	3.06	34.31	55.75

## 2.2 Factoring institutional performance

Ranking the 15 federations according to their IPI enables high-, medium- and low-performance categorization (Table 3). The IPI of each individual federation has been calculated in Annex 2, a ranking of all federations in Annex 3, and programme-wise IPIs in Annex 4.

Factor effect has been calculated in Table 4. Factor labels for each federation are available in Annex 5.

Table 4 shows that all eight factors have a positive effect on institutional performance. Social intermediation, financial back-up and member awareness are the three most important factors, with a high effect on institutional viability. The remaining factors have a low effect on institutional viability, and are ranked in de-

Table 3 | IPI ranking of federations

Rank	District	Federation	Affiliated Programme	IPI	Performer
1	Tanahun	WDP	Women's Development Multipurpose Cooperative, Khairenitar	65.57	High
2	Kavre	WDP	Grameen Women Development Multipurpose Cooperative, Panchkhal	65.38	High
3	Tanahun	DLGSP	Annapurna Community Organization, Bhimad	64.57	High
4	Kavre	WDP	Shreejanshil Women Development Multipurpose Cooperative, Hokse	61.74	High
5	Jhapa	WDP	Shreejana Women's Multipurpose Cooperative, Surunga	57.73	High
6	Kavre	DLGSP	Ugreshor Community Organization, Dhaneshor	57.14	Medium
7	Sunsari	WDP	Swabalambi Women Development Multipurpose Cooperative, Bhasi	56.79	Medium
8	Jhapa	DLGSP	Singhdevi Women's Community Organization, Golchhap	56.19	Medium
9	Tanahun	WDP	Women's Development Multipurpose Cooperative, Bandipur	55.46	Medium
10	Sunsari	SFDP	Small Farmer Cooperative, Pakali	55.23	Medium
11	Sunsari	WDP	Triveni Women Development Multipurpose Cooperative, Singhiya	52.07	Low
12	Parsa	NGOCC	Dibya Savings and Credit Cooperative Biranchi Barba	47.04	Low
13	Parsa	WDP	Unnatishil Women's Multipurpose Cooperative, Sugauli Birta	44.21	Low
14	Parsa	WDP	Chetanshil Women's Multipurpose Cooperative, Lipini Birta	43.08	Low
15	Jhapa	WDP	Sagarmatha Women's Multipurpose Cooperative, Jhiljhile	37.58	Low



Table 4 | Factor labels and effect

S.N.	Factors	Federation type			Total score	Factor effect
		High performer	Medium performer	Low performer		
1	2	3	4	5	6 = (3+4+5)	7
	Intrinsic					
1	Common bond	H H L H EH 4 4 2 4 5	M H H H M 3 4 4 4 3	H L H H H 4 2 4 4 4	19	Low
2	Representative experience	H H L M EH 4 4 2 3 5	L M L H M 2 3 2 4 3	L L H H M 2 2 4 4 3	17	Low
3	Member awareness	EH EH M L H 5 5 3 2 4	M H H M L 3 4 4 3 2	L M M H EL 2 3 3 4 1	22	High
4	Group dynamics	H H EL L M 4 4 1 2 3	L EL M M EL 2 1 3 3 1	EL L L EH L 1 2 2 5 2	12	Low
	Extrinsic					
5	Community affiliation	EH H H M H 5 4 4 3 4	M EH EL M M 3 5 1 3 3	M M H H L 3 3 4 4 2	19	Low
6	Financial back-up	M EH H M H 3 5 4 3 4	M H M H H 3 4 3 4 4	M EL M M M 3 1 3 3 3	24	High
7	Non-financial back-up	L EH EL M M 2 5 1 3 3	EL EH EL EH M 1 5 1 5 3	L L M H L 2 2 3 4 2	16	Low
8	Social intermediation	H EH H H M 4 5 4 4 3	M EH H EH EH 3 5 4 5 5	H L H H M 4 2 4 4 3	25	High

Notes: EL Extremely low; L Low; M Medium; H High; EH Very high. Scale of -15 to +45 (< 0 negative effect; 0-9 no effect; 10-19 low effect; 20-29 high effect; ≥ 30 very high effect).

scending order: common bond and community affiliation, representative experience, non-financial back-up, and group dynamics. Two of the three high-effect factors are external. Of the intrinsic factors, member awareness is the most important, followed by a common bond, representative experience, and group dynamics. Of the intrinsic factors, social intermediation is the most important, followed by financial back-up, community affiliation, and non-financial back-up.

## 2.3 Assessing factor influence

### 2.3.1 Intrinsic factors

#### (a) Common bond

##### (i) Definition

A bond in common<sup>10</sup> pulls people together. The Credit Unions Act of the United Kingdom 1979 recognizes certain qualifications for admission to membership of a credit union, so that in consequence a common bond exists between its members. Those qualifications are:

- following a particular occupation;
- residing in a particular locality;
- being employed in a particular locality;
- being employed by a particular employer;
- being a member of a *bona fide* organization or being otherwise associated for a purpose other than that of forming a society to be registered as a credit union; and such other qualifications as are for the time being approved by the appropriate registrar.<sup>11</sup>

Thus a common bond can be occupational, location-specific in terms of residence or employment, and associational in terms of employer or affiliation to some organization. The common bond can exist in other forms as well. The Cooperative Act of Nepal 1992 recognizes the residential common bond by specifying that only a person residing within the area of operation of the cooperative can acquire its membership.<sup>12</sup> However, the decision as to the exact area of operation is left open to members. However the law defines a common bond, it identifies a particular group, distinguishing it from a mere assemblage of people.

The common bond is considered here in three terms: size, locality and homogeneity.

<sup>10</sup> Donnelly, R.D., 1998, The future of British credit unions, *ICA Review of International Cooperation*, 91(4), 26.

<sup>11</sup> Section 1(4), Credit Unions Act 1979, Her Majesty's Stationary Office, London.

<sup>12</sup> Section 9(1), Cooperative Act 1992, Nepal Act Compendium, Part 7 (Ka), Law Books Management Committee, Kathmandu.

## (ii) Observations

Common bond was found to have a low effect on institutional performance. Of the eight factors, it ranked equal fourth, with a score of 19 on the scale of -15 to +45.

The smallest sub-group within the WDP federations consisted of 4-7 members. The SFDP sub-groups were also small, consisting of 5-10 members. The DLGSP federations did not have sub-groups; each federation had about 30-50 members—a relatively large group. There were no sub-groups in the NGOCC federation, which had over 500 members.

As they were small, the WDP sub-groups had a small catchment area. Often there were several groups within a settlement. The same was true of the SFDP groups. The DLGSP federations drew members usually from a settlement but sometimes from an area as large as a ward. The NGOCC federation operated over four VDCs—a very large area.

The WDP groups were all female. For the most part, DLGSP, SFDP and

NGOCC groups were mixed. However, there were some women-only groups as well.<sup>13</sup> Men-only groups were rare but were found in one or two instances.

The four agencies differed in their approach to forming groups. WDP commonly used participatory wealth ranking as well as household surveys to identify below-the-national-poverty-line women who were eligible for membership. SFDP used its own threshold of small landholdings of less than 1.32 ha as well as net income of NRs 2,500 per person per annum, also comparable to the national poverty line.<sup>14</sup> The membership of the NGOCC federation was opened to all who resided in its area of operation and who were bona fide users of its services. The DLGSP federation was unique in that there were no specific conditions for membership other than residence; all members of the community qualified. In fact, the DLGSP aimed for 80 per cent coverage, meaning that its federations represent up to 80 per cent of the households in a given community.

<sup>13</sup> The Ugreshor Community Organization of Dhaneshor, and the Singhdevi Women's Community Organization of Golchhap were women-only DLGSP federations.

<sup>14</sup> The current national poverty line is an income of NRs 7,695.70 per person per year. See *Poverty Trends in Nepal (1995-96 and 2003-04)*, 2005, Central Bureau of Statistics, Kathmandu, p 56. The Department of Women's Development now uses this poverty line for identifying its target group. See *Women's Development Programme (2063/64) Implementation Guidelines*, 2006, Department of Women's Development, Kathmandu, pp. 4-5.

Table 5 | Similarities and differences: common bond

Aspects	WDP	DLGSP	SFDP	NGOCC
Size of groups	4-7	-	5-10	-
Size of federation	182-1139	30-50	650	558
Area of the federation	1 VDC	1 ward	1 VDC	4 VDCs
Homogeneity of group	Women-only	-	Women-only, mixed	-
Homogeneity of federation	Women-only	Women-only, mixed	Mixed	Mixed

Table 5 summarizes similarities and differences in aspects of the common bond between the different federations.

### (iii) Assessment

In terms of size, small groups are generally more functional than large groups. Members in small groups are personally familiar with each other. Small groups also serve the vital purpose of linking members with their neighbourhood or community. Small group affiliation is often valued by individuals, especially when members have few other opportunities for development. This goes some way to explaining why small groups in rural Nepal (and elsewhere) are generally effective.

In WDP groups, smallness also served another purpose. At the interface between the family and the community, it encouraged conservative men to allow women out of the household environment: the 'she

won't be alone; she'll be with friends' type of psychology helped to overcome certain cultural fears.

When there are many members in a group and the group approaches the size of the community, it ceases to serve the purpose of linking members to the community. Large groups are often effective at carrying out particular community-wide activities such as community forestry, as they help to strengthen the existing community bonds. Yet large groups are less cohesive sociological units and do not fulfil the more fundamental associational needs of individual members. Consequently, unless bound externally in terms of a particular activity or otherwise, they are often subject to disintegrating forces. This could be a weakness of the DLGSP and NGOCC federations, although it was not currently evident.

Locality is often closely related to size. Restricting the area from which

members can be drawn, often restricts the size of the group and increases the strength of the common bond. However, a large group in a small area would not necessarily have a strong common bond, nor would a small group spread over a large area. The issues faced by people living in the same locality can act as a common bond to hold a group together.

Homogeneity can be viewed in terms of sex, caste, ethnicity or income level. It can help to ensure free expression, as people tend to find it easier to communicate with others who are in the same position as themselves. However, its effects are not always the same for different groups.

This is particularly true of groups formed with homogeneity in sex. Acharya in Govindapur of Siraha District found that mixed groups could be useful for women. 'According to the women's group members, mixed groups were better than exclusively women's groups since in the former women got chance to voice their opinion in front of men directly,' notes the author.<sup>15</sup> However, the

Gender and Social Exclusion Assessment (GSEA) team led by Bennett observed otherwise. As they explained, 'Women-only groups like the fish farmers in Nawalparasi have created a... sequestered space in which women from patriarchal backgrounds need not feel intimidated by the presence of men. In these relatively egalitarian spaces, women have learned to express themselves, debate issues, and make plans. These skills are transferable, and this is the process through which disempowered groups like women and Dalits gain the skills and confidence necessary to become effective in interacting with the 'opportunity structures' in the market, in politics, and in the state.'<sup>16</sup>

Acharya did note that homogeneity in sex does have advantages for some women: '... women [who] practice *purda* ... may not speak out in the presence of elder male villagers. If there were women-only meetings, they could voice their needs and express opinions more freely.'<sup>17</sup>

In a mixed group, women are more likely to rely on men (for whatever reason) when it comes to decision-

<sup>15</sup> Acharya, M., 2003, *Gender Budget Audit in Nepal*, United Nations Development Fund for Women, New Delhi, p. 94.

<sup>16</sup> Bennett, L. et al., 2005, *Citizens with (out) Rights: Nepal Gender and Social Exclusion Assessment Summary Report*, DFID and The World Bank, Kathmandu, p. 105, unpublished final draft.

<sup>17</sup> Acharya, M., op cit, pp. 86-89.

making. However, in a women-only group, they are forced make their own decisions and are able to learn from their 'mistakes'-so important for gaining self-confidence.

WDP groups do not welcome male members. When asked if they ever would, the answer was a resounding 'no'-not only because of possible infringements of their 'sequestered space' but also because, as the Vice-Chairperson of the Bhasi WDP federation Uma Koirala put it, 'If we included men in the group, they would come to meetings alone, leaving their womenfolk at home to do all domestic chores.'

The preference for women-only groups was not limited to the WDP: the DLGSP had similar experiences. Having tried the three types of CO, DLGSP Kavre had learnt that women-only groups surpassed others in terms of continuity, even though men-only COs appeared to them to have better leadership. However, they felt that leadership could well be a matter of learning and experience, which women were often denied.

The SFDP also found that women-only groups suited their remit better. Avadh Narayan Chaudhari, Chairperson of the Pakali SFDP federation, said, 'When

we made loans to husbands, wives often did not know. But when wives were given loans, husbands were always aware of it.' According to Chaudhari, this improved loan utilization and repayment. This experience led them to change their policy: they no longer form mixed groups; all new groups are women-only.

Homogeneity has the same effect at the federation level as at the group level. Women-only federations tend to do much better than mixed federations in both business and non-business terms.

Although homogeneity in sex does seem to have an effect on the common bond of groups, as far as could be seen, there was no conclusive evidence that homogeneity in terms of caste or ethnicity did so. Women's groups were homogenous in regard to sex but were often 'mixed' in terms of caste or ethnicity. 'Nobody cares at all about caste over here,' says Sumati Dhungana, Vice-Chairperson of the Panchkhal WDP federation. 'We are Brahmin and Sarki together.'

It is not clear whether this is a matter of awareness or something else; however, neither caste nor ethnic discrimination was apparent in any of the federations studied. If anything, an

increasing number of Dalit women were being encouraged to participate in group action. Indeed, the Bhasi and Singhiya WDP federations had run awareness campaigns, carried out targeted social mobilization, and provided Dalit members with a rebate on applicable interest rates.

Within groups, non-Dalit members often helped out Dalit members with monthly savings when needed. Ethnically mixed groups were sometimes headed by Dalit leaders: Kamala Mochi of Bhasi WDP federation, Tul Maya BK of Khairenitar WDP federation, and Chandra Maya Sunar of Bandipur WDP federation were all chairpersons of their ward committees, with memberships of 80-85 people. Sometimes it was not even possible to recognize the caste or ethnicity of a leader or group member without asking. In Khairenitar, for instance, it was only after a long conversation with one particular woman that the researchers came to know that she was from the Muslim community. The problem of discrimination by caste or ethnicity was not used as a common bond to draw groups together—in fact, these women's groups did not seem to be aware of any differences by caste or ethnic group. Other stronger bonds pulled groups together.

Other common bonds recognized by groups related to income level or category. For instance, the WDP found that by carrying out participatory wealth ranking during formation, neighbourhood groups were formed that were homogenous in terms of income level: women were typically asked who among the potential members of a group shared similar views and problems. Women were then assigned to a group of their choice, thus strengthening the common bond within each group.

A specific qualification for membership of a group can strengthen the common bond. For example, although 'small farmers' were not recognized as a formal categorization before the SFDP identified them, over the years, many people have come to identify themselves as small farmers and feel a common bond with like-minded farmers. The same is true of WDP. Being a 'poor woman' has now become a common bond in itself. 'Well-to-do women who consider themselves more knowledgeable than us go to the bank,' says Sita Baniya, coordinator of the accounts committee of the Panchkhal WDP federation. 'They haven't come to us seeking membership.'



**(b) Representative experience****(i) Definition**

Representative experience means the exercise of cooperative democracy. The cooperative society operates according to the principle of democratic governance. However, the conditions for democratic governance are not always fulfilled. Many years ago, Kurien asked:

How many administrators have sought to clearly understand the important link of accountability that is essential to cooperation: management accountable to a board which, in turn, is accountable to the members? How many have then tried to ensure that all the conditions were met to ensure that this link was maintained and strengthened?<sup>18</sup>

These conditions enable participation, encourage learning, and ensure social checks. However, rather than being legislated for or prescribed, these conditions are fulfilled by the members themselves. This means that they-ordinary members as well as leaders-need to do it themselves. It also means that individuals have to gradually develop their leadership ability, and trust in the democratic procedure has to be built over a fairly

long period of time. In other words, groups need representative experience.

Three aspects of representative experience were focused on: graduation time, structural de-concentration, and enforcement of accountability.

**(ii) Observations**

Representative experience was found to have a low effect on institutional performance. Of the eight factors, it ranked equal sixth, with a score of 17 on the scale of -15 to +45.

WDP groups tended to have a long graduation period than those in other federations. For example, the PCRW programme was implemented in Bhasi in 1985, and the process of federating community groups into ward-level committees was only initiated in 1992. Finally, in 2001, ward-level committees were merged together into the VDC-wide federation. SFDP groups had a similar graduation time. By contrast, the DLGSP groups started as part of their federation, as did those in the NGOCC federation.

The DLGSP groups did not have internal management structures: one chairperson and one manager were

<sup>18</sup> Kurien, V.V., 1991, Cooperative leadership and cooperative values, *Cooperative Perspective*, 26(2), 185.



elected by members of each group to represent them at the monthly VDC-level chairpersons and managers committee meeting, where all decisions were made.

The NGOCC federation operated as a credit cooperative. The general assembly of all members was the supreme body. An annual general meeting was convened once a year, and extraordinary general meetings could be convened as and when necessary. The management committee consisted of members who were elected from the general assembly. The general assembly also elected an accounts committee to keep watch on the management committee. To assist in discharging its responsibilities, the management committee formed a credit subcommittee and an education subcommittee.

The management committee and the accounts committee were statutory bodies in the WDP and SFDP federations as well. The WDP federations also retained a credit subcommittee as well as function-specific subcommittees. The Panchkhal WDP federation, for example, created a monitoring and evaluation subcommittee. In addition, WDP federations also formed an advisory committee, which

consisted of former chairpersons, WDO field staff and community leaders, among others. The SFDP federation created a credit recovery subcommittee in lieu of the credit subcommittee. There was also a subcommittee to oversee livestock insurance.

By far the most noticeable structural aspect common to both WDP and SFDP federations was the intermediate committee. These existed in every ward and were called ward committees in the WDP federation<sup>19</sup> and inter-group committees in the SFDP federation. Despite the differences in terminology, these committees were alike. In addition, it should be noted that all ordinary members were also members of these ward-level committee as well as of their group by virtue of their membership of the federation.

For the WDP federations, each ward committee has a ward-level executive committee with one representative, usually the chairperson, from each group affiliated to it. Likewise, although the management committee is elected directly from the general meeting, there is also a convention of having one representative, usually the chairperson, of each of the ward committees on it. The

---

<sup>19</sup> Where there were many groups, there were two or even more committees in a ward.

Table 6 | Similarities and difference: representative experience

Aspects	WDP	DLGSP	SFDP	NGOCC
Graduation time	7-16 yrs	-	11 yrs	-
Structural de-concentration	High	-	High	Low
Enforcement of accountability	In many ways	In one way	In many ways	In the usual way

SFDP federation is organized similarly with a similar representative pattern.

With groups, ward committees and subcommittees, the federal structure may look rather complicated. However, Figure 3 illustrates how it works in a WDP federation.

Concerning accountability, monthly meetings were the only forum for interaction and ensuring transparency in operation in the DLGSP federations. The NGOCC federation relied on common mechanisms, such as the accounts committee. The WDP and SFDP federations also used ward committees.

Table 6 summarizes similarities and differences in aspects of representative experience between the different federations.

### (iii) Assessment

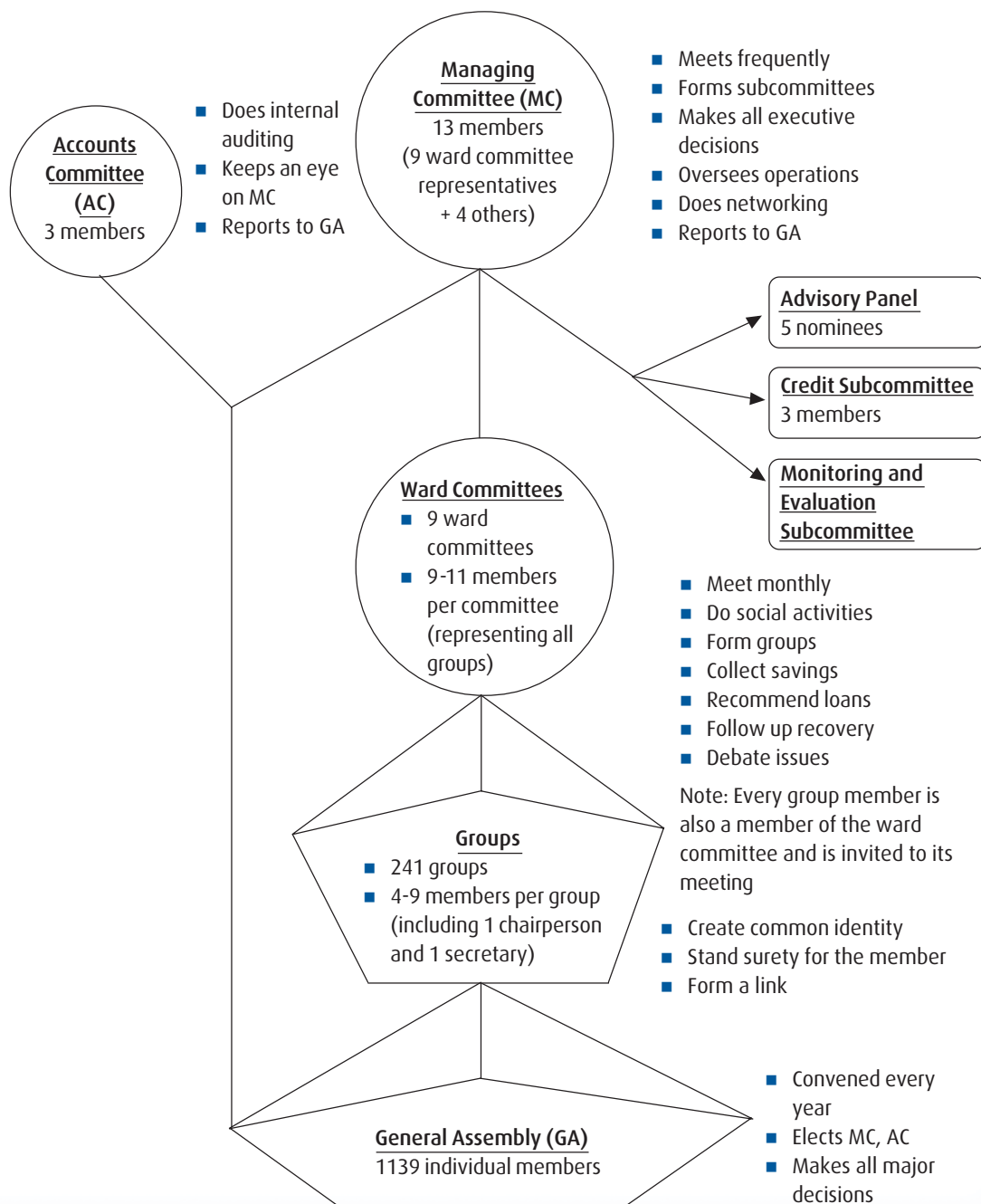
The functionality of a federation depends on how and for how long its members have exercised the power of

participation as leaders, committee members or ordinary members in a smaller lower-level forum.

The WDP process works well here. As members participate in subgroup activities, they come to know what it means to be a member. They learn basic techniques that give them a certain level of confidence. They also acquire skills that facilitate communication. They even try out new ideas, as they become aware of their own capabilities. When groups graduate to ward-level committees, members carry on exercising democracy on a higher plane of activity. By the time a full-fledged federation is established, members are ready to run it together.

To be sure, the process is not straightforward. Many unwanted developments are likely to intervene. Some active members leave, some groups disintegrate and some disenchantment lingers. Yet, as time goes by, members learn to live with all this. Often these experiences actually enrich life in the village and partici-

Figure 3 | Representative structure of the Panchkhal WDP Federation



pation becomes even more rewarding. 'This society is as dear to us as our inheritance,' says Sumati Dhungana, Vice-Chairperson of the Panchkhal WDP federation.

Graduation time certainly needs to be sufficient. However, even sufficient graduation time does not mean much, if members lack accessible forums for participation within the federal set-up. Both WDP and SFDP federations have long known this. The WDP and SFDP federations are different from ordinary cooperatives in two important ways: (a) members are invariably organized into groups before gaining membership of a federation, and (b) the ward-level committees exist at the interface between the group and the management committee of the federation.

The multi-functionality of groups needs to be recognized. They serve many purposes, not least that of a social check-point for new entrants.

To some, this prerequisite of group membership is somewhat contrary to the open and voluntary membership principle of cooperation. However, this may be considered as a special application of the cooperative principle of open and voluntary affiliation so long as membership of the federation remains open to all *bona fide*

users of its services and so long as none of the members-to-be is disadvantaged in any way by being required to find a group or form one first. Indeed, group members of the federations studied all seemed to be happy to be in a group as well as the federation. Perhaps this is an important innovation in the way cooperatives operate commonly.

It also appeared that ward committees are an equally important innovation. The ward-level executive committee represents all groups in its area. All ordinary group members are expected to attend the monthly ward committee meeting. Together they collect savings, make recommendations for loans, communicate federal policies, plan ward-level activities, find ways to recover overdue loans, check accounts, suggest federal policy changes, discuss problems, and debate issues. (See Annex 6 for a description of a ward-level meeting.)

Such inter-group forums are not commonplace in mainstream cooperatives and, indeed, the WDP and SFDP federations did not originally foresee the need for this type of organizational link. At first, many people questioned the usefulness of such bodies. 'Initially we thought the inter-group was rather redundant,' says Avadh Narayan Chaudhari, Chairper-

son of the Pakali SFDP federation. 'But today we have come to realize that it has actually made our job easier.' Thus ward committees evolved out of necessity. Under the WDP, prior to the establishment of federations, all activities, including the operation of the revolving funds, were undertaken at the ward level. Now that federations have come into being, the ward committees have changed their role from steering to intermediation. They are great intermediaries-social as well as financial.

However, they also have other important purposes. These committees mean that forums for participation are brought closer to the ordinary members. Ordinary members do not need to wait until the annual general assembly to voice concerns; they can do so every month in their own ward. Ward committees also help introduce dynamism into the cooperative society. Ward-level interactions generate ideas, uncover problems and identify issues, which often go into the agenda of the federation's management committee meeting. At the general assembly, wards are likely to debate issues based on their earlier stance. Ward committees also increase the number of leadership positions available. 'You will hardly find one member without a position,' says Radha Adhikari, member of the Bhasi WDP

federation, who is also member of the community communication team.

Structural de-concentration has enabled broad-based governance of the WDP and SFDP federations. Structural de-concentration also reinforces 'the important link of accountability', as Kurien calls it. Given a membership base of 1,139, maintaining internal transparency as well as involving members might not be easy otherwise. Monthly general meetings would not be practical; the accounts committee on its own would mean little. Many mainstream cooperatives are facing such problems with accountability.

Representative experience is an elemental factor in institutional performance. Both the WDP and SFDP federations have demonstrated how it can strengthen a federation. It has also made a great contribution to the practice of cooperation.

### **(c) Member awareness**

#### **(i) Definition**

Awareness here means expectations. When members have high expectations of what they can do together to change their lives, they can be said to be highly aware. Hope alone is not expectation. Nor is awareness equal to positive thinking. Awareness has the force of belief-knowledge of why

things are as they are and an air of determination to make a difference.

As early as 1969, Livingston documented the power of superiors' expectations on subordinates' performance. The author said, 'It is as though there were a law that caused subordinates' performance to rise or fall to meet managers' expectations.'<sup>20</sup>

The power of members' expectations is also at work in a cooperative society. Cooperators tend to generate new ideas, try them out and learn from mistakes only when they have a high opinion of themselves, their leaders and others.

Thus awareness is not so much 'knowing' as learning. Need-responsiveness, cost-effectiveness and communication are identified as the three main aspects of member awareness.

## (ii) Observations

Member awareness was found to have a high effect on institutional performance. Of the eight factors, it ranked third, with a score of 22 on the scale of -15 to +45.

Mobilizing savings, making loans, selling fertilizers, offering literacy

classes, organizing training, establishing a rehabilitation centre, constructing toilets, installing biogas plants, setting up nutrition support centres, creating a nutrition care fund for children as well as an emergency care fund for expectant mothers, producing enriched baby food, promoting pig- and goat-raising, and operating a mother and child healthcare clinic-the Panchkhal WDP federation has over a dozen activities.

In fiscal year 2004/05, its financial services were worth NRs 13.39 million. This, of course, is a great achievement, but it is by no means exceptional. There are many cooperatives in the country that post transactions of NRs 10 or 20 million every year. What is exceptional about this federation is that its transactions are due to member trading as opposed to non-member trading.

Many mainstream cooperatives are tempted into trading with non-members. Uprety and Regmi say:

One of the problems with our cooperators is that they are unnecessarily sympathetic to non-members. Except in the case of granting loans, that also for statutory reasons, they are treating

<sup>20</sup> Livingston, J.S., 1969, Pygmalion in management, *Harvard Business Review*, July-August.

**Table 7 | Similarities and differences: member awareness**

Aspects	WDP	DLGSP	SFDP	NGOCC
Needs-responsiveness	High	Medium	Medium	Medium
Cost-effectiveness (mainly in terms of interest rates)	Medium	Medium	Medium	Medium
Communication	High	Medium	Medium	Low

members and non-members alike. Consequently, for ordinary members, there is really no point in joining a cooperative or staying its member.<sup>21</sup>

Non-member trading was not a problem in any of the 15 federations, partly because credit was their main 'commodity'. To that extent, they were all needs-responsive. The Panchkhal WDP federation was all the more needs-responsive in that it did not turn away from members, even with so many non-credit transactions.

The WDP federations were also distinct in terms of communication. The small size of the DLGSP federations facilitated communication but did not help lower the costs of the service.

Table 7 summarizes similarities and differences in aspects of member

awareness between the different federations.

### (iii) Assessment

Non-member trading can increase the profit of the federation but has little impact on strengthening membership. Therefore, a federation needs to create and exploit business opportunities within its own membership. When cooperative members invest in equity, they are building a business that they hope will benefit them to the extent that they patronize it.<sup>22</sup> A needs-responsive cooperative centres all its activities on its members. This is awareness.

Member awareness in terms of needs-responsiveness and member awareness in terms of communication go together. Members can identify their needs, explore alternative ways of meeting such needs and mobilize resources for that purpose only when they communicate freely.

<sup>21</sup> Uprety and Regmi, op. cit., p. 23.

<sup>22</sup> Kurien, op. cit., p. 186.



Cooperative members in the WDP federation in Khairenitar showed how well they could communicate with each other. They wrote letters, passed on messages personally, and also used the telephone. All lines of communication were open. Furthermore, during fieldwork with the WDP federation in Bandipur, the office of the federation was open on a holiday, and women had been informed and were willing to participate in data collection. All lines of communication were open there, too.

Women's cooperatives are remarkably fast in communication. This brings them together all the time. Why isn't it reflected in the attendance rate at the last general meeting, then? 'Never mind the register, it only means that we had a quorum,' clarifies Surya Devi Sigdel, Chairperson of the Khairenitar WDP federation. 'As for attendance, we were all together sitting on the ground over there.'

Ward committees and groups served as crucial communication links. Their relatively small catchment may have helped. However, more than this, there was a culture of open communication. From the moment they were organized into the group, women were encouraged to communicate—to say their full name, speak out clearly,

and not hold concerns back during meetings. Everywhere members introduced themselves in a strikingly similar fashion, even mentioning the name of their federation in full.

Moreover, women in WDP groups were trained in communication early on. As soon as groups are formed, each member has to attend a compulsory seven-day basic training covering everything that a typical group member—literate or illiterate—needs to know to participate in group action. Early training is a great equalizer in the WDP groups and facilitates communication among members, leading to a culture of open communication. Once open, communication channels are not easily closed. If anything, they tend to become even more open, making members even more willing to share information and opinion. This urge for sharing led the Bhasi WDP federation to operate a community audio-tower. Sharing information also makes training more effective—both during the course and afterwards. The open communication culture has also helped in other ways by ensuring transparency in operations, orienting federal activities towards members and, albeit slowly, reducing the costs of services.



In Panchkhal WDP federation, for instance, members suspected that their 18 per cent annual rate of interest on loans was rather high, especially at a time when commercial lending rates were declining. So, having discussed the issue widely, they reduced it to 14 per cent. They did so without reducing the eight per cent annual rate of interest on savings. In Khairenitar WDP federation, members decided to continue charging interest on loans at the rate of 18 per cent per annum, but also pay an annual rate of 12 per cent interest on savings. In either case, the six per cent interest spread is cost-effective by micro-financial standards: '... [a] good cooperative is not an inefficient organization,' say Uprety and Regmi. 'It is a well-run business, able to fetch members fair rewards for their efforts.'<sup>23</sup>

The WDP cooperatives are actually fetching members fair rewards for their effort because of the awareness of their own members.

#### **(d) Group dynamics**

##### **(i) Definition**

Group dynamics is viewed from the perspective of the internal nature of groups, how they form, their structure

and processes, and how they function and affect individual members, other groups, and the organization.<sup>24</sup>

The focus in this study was on the last aspect of this definition, i.e., how groups functioned, influenced their members and other groups, and the federation.

More specifically, the focus was on how groups cooperated, whether they competed with each other, and whether they experienced any conflict. In addition, the functional as well as dysfunctional consequences of such aspects of group dynamics, especially at inter-group level, were examined.

##### **(ii) Observations**

Group dynamics was found to have a low effect on institutional performance. Of the eight factors, it ranked eighth, with a score of 12 on the scale of -15 to +45. Only three of the 15 federations were rated high or extremely high in this regard. Strikingly lacking across the board were competition and conflict. For the most part, groups were dynamic in terms of cooperation.

In the cooperation dimension, the WDP groups appeared to be ahead of the

<sup>23</sup> Uprety and Regmi, op. cit., p. 18.

<sup>24</sup> Luthans, F., 1998, *Organizational Behavior*, Eighth Edition, Irwing/McGraw-Hill, Singapore, p. 276.

others. They were interacting with a lively give-and-take of ideas. They exchanged resources between themselves, volunteered their services for common purposes, and tried, albeit sometimes in vain, to set up group-based businesses, such as sericulture in Surunga, aquaculture in Sugauli Birta, and planting herbs in Lipini Birta.

Groups in other federations also cooperated in many ways, especially on community work.

A level of competition was found among some WDP groups, mainly in Panchkhal and Khairanitar.

The WDP groups in Lipini Birta experienced a conflict-like situation. Elsewhere, conflict was either covert or did not take place at all.

Table 8 summarizes similarities and differences in aspects of group dynamics between the different federations.

### (iii) Assessment

As well as cooperating, dynamic groups compete with each other. In

#### Box 1 | Group dynamics at work

Internal competition builds up to federal competitiveness. For example, the micro-finance market in Tanahun was becoming increasingly competitive, with many micro-financial institutions. With adequate funds and aggressive marketing, these institutions were able to attract quite a few of WDP group members. However, the internally dynamic WDP federations in Khairanitar, Bandipur and elsewhere rose to the challenge. They lowered their lending rate to match the effective lending rate of their competition, raised the ceiling of individual loan amount to NRs 10,000 or so, and further simplified lending procedures. Members, too, were quick to respond. They stayed within the federation and many of those who were lured away returned to their groups.

the Panchkhal WDP federation, when one group passed the NRs 100,000 mark for savings, other groups were also encouraged to save more. This led to a steady rise in the amount of savings for all. Today, members' savings in this federation have reached NRs 4.5 million-perhaps the highest amount of all WDP federations in the country.

Ward committees also appear to be a 'competitive unit' in the WDP federa-

Table 8 | Similarities and differences: group dynamics

Aspects	WDP	DLGSP	SFDP	NGOCC
Cooperation	High	Medium	Medium	Medium
Competition	Medium	Low	Low	Low
Conflict	Low	Low	Low	Low

tions. An 'our ward should stay ahead of other wards' psychology has helped greatly in terms of loan recovery, extension of vegetable growing, and planning of ward-wide activities in the federations in Panchkhal and Khairanitar. Internally competitive federations tend to be externally competitive as well (see Box 1).

Sometimes, groups fight each other. More often than not, instances of conflict have functional consequences. Groups in Panchkhal WDP federation had a row for quite some time over the selection of fertilizer delivery points. While it created some problems for the federal leadership, it helped ward committees to unite. Every member attended meetings in those days. As a result, members became more aware of their limitations as well as becoming more questioning.

Although lowly rated in general, group dynamics can have a decisive effect on the strength of a federation in times of crisis. Over two years ago, the chairperson of the Lipini Birta WDP federation was suspected of misappropriating federation funds. However, the system was quick to respond. The management committee met, the advisory committee became

active, and members were summoned to a general meeting. The result was that within three months there was a new chairperson and the federation was on track again.

### **(e) Other intrinsic factors**

Uprety and Regmi found internal resource mobilization to be important in preventing a cooperative from failing.<sup>25</sup> In the study, internal resource mobilization was initially considered to represent either cooperation, an aspect of group dynamics, or to be dependent on member awareness. However, during fieldwork, it was found that high-performing federations mobilized a lot of internal resources. This was at odds with the original logic—could it be the other way round? By building up internal resources, federations may have increased members' stake in them which, in turn, may have led to increased member awareness and increased group dynamics. In any case, internal resource mobilization is perhaps a factor on its own in institutional viability.

## **2.3.2 Extrinsic factors**

### **(a) Community affiliation**

#### **(i) Definition**

Community affiliation indicates how a federation cooperates with the

<sup>25</sup> Uprety and Regmi, op. cit., pp. 27-28.

community in which it operates. The two ends on the community affiliation scale are complete isolation and full association. However, seldom would one find an organization which is either completely isolated from, or fully associated with, the community on which it is based. Most federations affiliated with their community to a greater or lesser degree.

In this study, community affiliation was defined in terms of access to common property resources, responsiveness to neighbourly problems, and involvement of local influentials.

### (ii) Observations

Community affiliation was found to have a low effect on institutional performance. Of the eight factors, it ranked equal fourth, with a score of 19 on the scale of -15 to +45. However, it was usually high among WDP federations. For the most part, these federations responded appreciably to neighbourly problems—from malnutrition to trafficking in girls to domestic violence. They operated child-weighting centres, fully cooperated in the Welcome-to-School campaign, and actively participated in paralegal committees. In addressing these and other problems of the community, they often networked with locally

elected bodies, government service providers, NGOs, and so on.

For their part, communities supported these federations in many ways. The VDC often provided them with office space. Community leaders and other influentials sat on their advisory committees. In some cases, federations had access to common property resources.

The DLGSP federations did initiate some small community projects such as a drinking water supply scheme, construction of a school building, maintenance of a trail and protection of a community forest. The DLGSP federation in Bhimad was involved in child protection activities.

The SFDP federation also did similar activities, e.g., planting trees, distributing materials for constructing toilets, and distributing goat kids to the very poor.

Sanitation, child care and awareness about women's rights were the areas in which the NGOCC federation was involved.

Table 9 summarizes similarities and differences in aspects of community affiliation between the different federations.

**Table 9 | Similarities and differences: community affiliation**

Aspects	WDP	DLGSP	SFDP	NGOCC
Access to common property resources	Low	Low	Low	Low
Responsiveness to neighbourly problems	High	Medium	Low	Low
Involvement of local influentials	Medium	Medium	Medium	High

### (iii) Assessment

Ghoshal and Bartlett say, 'The clear lesson from history is that institutions decline when they lose their social legitimacy.'<sup>26</sup> The authors were speaking about businesses but it is also true of social enterprises. Social enterprises soon fail if they lose their social relevance.

Cooperatives are based on the long-cherished social value of cooperation. As the International Cooperative Alliance (ICA) elaborates:

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

When a federation is responsive to community problems, it upholds the ethical values of cooperation.

Today's communities are not passive; they want to be part of the process of development. They want ownership, involvement, even a stake in terms of resource commitment. That is why using community resources is also part of community affiliation. Years ago, Osborne and Gaebler saw the need for community-owned government, a government that empowered rather than served the community.<sup>27</sup> Then it applied to the government; today, it applies to all types of organization, no matter what one calls them—community-based organizations, community groups, or NGOs. In fact, local leaders have long known this. The DLGSP federation in Bhimad borrowed money from the revolving funds not for onlending to members but to discharge the liabilities that remained outstanding while constructing the school building. The Biranchi Barba NGOCC federation has added its contribution to a childcare centre. The Pakali SFDP federation plans to distribute goat kids to some ultra-poor

<sup>26</sup> Ghoshal, S. and Bartlett, C.A., 1977, *The Individualized Corporation*, Harer Business, New York, p. 280.

<sup>27</sup> Osborne, D. and Gaebler, T., 1992, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Prentice-Hall of India, New Delhi, pp. 49-75.



An example of community affiliation: the Surunga WDP federation acquired 0.67 ha of community forest land to plant mulberry saplings and initiate silk-worm rearing

families. The Bhasi WDP federation moved out of its area of operation to Narsing, organizing many women there into groups like theirs.

Community affiliation is not just a noble thing. It helps project the image of the federation and mobilize all stakeholders for its cause. At times, it also helps support its own viability. As mentioned earlier, the advisory committee consisting of sympathizers within the community played an essential role in rescuing the Lipini Birta WDP federation when its own leadership failed.

The WDP groups recognized this early on. Community development activities enlisted male family members' support in women's participation. Women felt that '... [community development activities] helped to

change the attitude and behaviour of family members towards them. Husbands were found to share household responsibilities in order to allow women to take part in WDP activities.'<sup>28</sup> Given their own experience, they use advisory committees of community leaders, teachers, advocates and others, especially men, to advise them on various issues.

## (b) Financial back-up

### (i) Definition

Financial back-up means the net flow of external funds into a federation over a given period of time. In terms of scale, financial back-up can be positive, nil or negative; high, low or medium.

Financial back-up can be in different forms—a loan or a revolving grant. Seed-money is another common form of financial back-up. Seed-money can be returnable (like a loan) or non-returnable (like a revolving grant). It can be interest-bearing or interest-free. Likewise, financial back-up can be conditional or unconditional and, if conditional, specifically conditional or generally conditional.

### (ii) Observations

Financial back-up was found to have a high effect on institutional perfor-

<sup>28</sup> UNICEF Nepal, 1997, *Towards Future Strategies: An Assessment of the Production Credit for Rural Women Programme*, UNICEF Nepal, Kathmandu, p. vi.



mance. Of the eight factors, it ranked second, with a score of 24 on the scale of -15 to +45. With the exception of the NGOCC federation, all other federations were backed-up financially. For the most part, the scale of assistance was medium or high. In other words, there was not much inter-programme variation in terms of scale.

Returnable seed-money was one common form of external financial assistance. The WDP granted its federations with NRs 100,000 in seed-money to be returned in three years with interest of two per cent per annum. The SFDP provided the Pakali federation with NRs 500,000 interest-free for two years at the time of hand-over.

Another form of external financial assistance was the loan for onlending to members. This was the main type in the case of the DLGSP. The Golchhap DLGSP federation, for instance, received a loan of NRs 61,000 to be repaid in nine months from the Local Development Fund for

onlending to members. The DLGSP federations charged interest on the loans from nine per cent per annum in Golchhap to 12 per cent in Dhaneshor and Bhimad. The SFDP federation received NRs 5-6 million every year from the Small Farmers' Development Board for onlending purposes. The interest spread was around 3.5 per cent per annum.

By and large, external financial resources flowing into these federations could be put under the heading 'generally conditional'. They did not come without strings, of course, but they were of the usual type.

Perhaps the only case of specific conditionality is the IWCDP<sup>29</sup> fund given to some WDP federations. With the support of UNICEF, each participating cooperative was provided with NRs 200,000 of interest-free seed-money to be returned after five years. Until then, the fund revolved within the federation, earning sufficient interest to pay the salary of a Village Facilitator (VF). She would be appointed by the federation and would

<sup>29</sup> Piloted in Tanahun and Nawalparasi districts, the Integrated Women and Child Development Project (IWCDP) was a forerunner of DACAW. The initiative aimed to promote 'convergence of UNICEF-assisted programmes such health, nutrition, basic education, drinking water and sanitation, child protection, women development at inter-group level and VDC level'. Its key strategy was 'building the capacities of cooperatives, VDCs and VDC-based line agencies using the community-based planning process.' For details, see UNICEF, 1998, *Proposal on Integrated Women and Child Development Project in the Production Credit for Rural Women Project*, Department of Women's Development and UNICEF, Kathmandu, unpublished.

**Table 10 | Similarities and differences: financial back-up**

Aspects	WDP	DLGSP	SFDP	NGOCC
Scale	High	High	High	-
Form	Mainly seed-money plus in one case loan	Mainly loan	Mainly loan plus seed-money	-
Conditionality	Specifically as well as generally conditional	Generally conditional	Generally conditional	-

be extensively involved in implementing child-focused interventions in its area of operation. As the interest earned would initially fall short of the VF's salary, a scheme was worked out whereby the federation would bear the cost, starting with 25 per cent from Year 2 onwards. The percentage share of the federation would then increase to 50, 75 and 100 in Years 3, 4 and 5. In the meantime, the IWCDP would make up for the shortfall.

Table 10 summarizes similarities and differences in aspects of financial back-up between the different federations.

### (iii) Assessment

Financial back-up is a strong factor in federation viability. To say that financial assistance motivates poor members to participate is to fail to appreciate its full value. Regardless of members' economic backgrounds, financial back-up provides resources for the development of activities, increasing the level in participation

and endowing participants with the power to initiate activities. Therefore, external financial resources are especially important at a time when a cooperative lacks internal financial resources. Manager of the Khairenitar WDP federation Laxmi Shrestha knows what it means to be without resources as an organization. 'If [the] Women's Development [Office] hadn't given us NRs 150,000 at that time,' she says, 'we wouldn't have been able to run this society.'

That was just four years ago. Today, with NRs 2.8 million in members' savings, Laxmi's federation has topped the IPI ranking. This indicates the leverage of external funding. Outside resources help generate resources inside, but they also help expand activities. Perhaps the Panchkhal WDP federation surpassed others in terms of diversity of activities. Backing-up this federation from outside were many supporters-WDO, UNICEF, Manushi, the Rotary Club and the Swabalamban Development Fund



of the Nepal Rastra Bank. The DDC, the VDC and the MP Development Fund were just as supportive.

The scale of financial assistance is positively correlated with the scale of activity of a federation. However, there has to be a limit. 'In giving financial help, governments should never provide more than members' shareholdings,' warns Howarth.<sup>30</sup> This is good guideline in the case of federations that mobilize internal resources mainly in members' shareholdings. However, in the case of federations that mobilize internal resources mainly in members' savings, this could be too low a limit. Even so, this guideline is worthy of following. A federation is well advised to increase members' shareholdings, so that external cooperators can ultimately base their support on shareholdings. Until then, external cooperators may take into account members' savings as well as members' shareholdings, so that their assistance is neither too low nor out of proportion. Some federations have taken the initiative in doing this already. Members of the Pakali SFDP federation have agreed in principle to buy a minimum of five shares each. The Bandipur WDP federation has done likewise.



In aid of members: a group could start raising pigs in Jhiljhile with WDO seed-money

Generally speaking, members are best helped when they are also vested with the power to allocate funds. Seed-money is usually at members' disposal, so that they can make use of it according to their priorities. By contrast, under a conventional financial institution scheme, the members' role is often reduced to making recommendation to the bank. Recommending and making decisions are completely different.

The appropriating authority is also important at the national level-hence the idea of budgetary support.

Given the power to allocate funds, other conditions seem to be less important. To be sure, most conditions have to do with the power to allocate funds. Yet there are notable

<sup>30</sup> Fred Howarth in one of his lectures delivered at the Cooperative College, Loughborough, UK in 1990.

exceptions. The IWCDP seed-money is a case in point. The federation could mobilize it depending upon members' needs and priorities but the income was to be used to pay for the VF's salary. In effect, the conditionality did not apply to the power to allocate funds but to the achievement of a purpose.

The federal ability to mobilize external resources also depends on the allocating power. When the federation is a mere intermediary, it is the bank's money. When money is placed at members' disposal, it is theirs. This explains why loans extended from seed-money are not usually past due. Often members did not bother to differentiate seed-money from savings money. From the standpoint of the external development partner, this is clearly a win-win situation.

There is nothing new about this, however. Cooperators have always valued independence more than anything else. They reject any offer of help, if it is contrary to their freedom.

The International Labour Organization (ILO) also laid emphasis on the need for safeguarding members' freedom while giving financial aid to coopera-

tives. 'Such aid should not entail any obligations contrary to the independence or interests of cooperatives, and should be designed to encourage rather than replace the initiative and effort of the members of cooperatives,' states the organization.<sup>31</sup>

### **(c) Non-financial back-up**

#### **(i) Definition**

Non-financial back-up means collaboration between an external agency and a federation on a common purpose. Such collaboration may involve cost-sharing or resource contributions by either side. Non-financial back-up is primarily intended to transfer expertise, build institutional capabilities, or facilitate some activity. Although the transfer of financial resources may take place in some instances of non-financial back-up, as long as the main purpose is to help the federation in a non-financial manner, such instances are considered non-financial back-up.

Non-financial back-up is considered in terms of scale, form and conditionality.

#### **(ii) Observations**

Non-financial back-up was found to have a low effect on institutional performance. Of the eight factors, it

<sup>31</sup> Paragraph 20, subparagraph (2), Recommendation No. 127, *Recommendations Concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries*, International Labour Organization.

**Table 11 | Similarities and differences: non-financial back-up**

Aspects	WDP	DLGSP	SFDP	NGOCC
Scale	Medium	Low	Low	Low
Form	Physical facilities Human development Partnership programmes	Human development Partnership programmes	Physical facilities Human development	Human development Partnership programmes
Conditionality	Unconditional	Unconditional	Unconditional	Unconditional

ranked seventh, with a score of 16 on the scale of -15 to +45. Orientation, education and training were the most common forms of non-financial back-up. Federations were also supported in terms of stationery, furniture and equipment, resource materials, on-the-spot guidance, and establishing linkages with line agencies within the district and beyond. These types of support mainly came from or through their affiliated programmes. In addition, various agencies offered to help in a range of awareness-raising and community development activities with IEC materials, seedlings, and free or subsidized construction materials. Frequently such assistance had a small financial component as well. Non-financial support was free of conditions as well. 'There are two conditions you have to fulfil, though,' says Umesh Chauhan, Chairperson of the Biranchi Barba NGOCC federation. 'You have to do the activity and you have to make use of the resource.'

The WDP federations appeared to receive more non-financial assistance, mainly in terms of orientation, education and training, than the other federations.

Table 11 summarizes similarities and differences in aspects of non-financial back-up between the different federations.

### (iii) Assessment

Non-financial back-up is often the only access to knowledge, technology and professional expertise for members. This helps a nascent federation develop into a learning organization. Moreover, cooperation on a non-financial plane transforms the relationship between a federation and an external agency. Financial aid often puts them apart much like debtors and creditors. However, non-financial aid always brings them together as partners. The participant of a free-of-cost training course is grateful to the

organizer, of course. Yet she never feels indebted. Nor will the chairperson of a federation receiving a computer from an agency.

Over a period of time, assistance takes the form of cooperation on its own. Thus the Khairenitar WDP federation cooperates with the District Livestock Services Office on extending community-based livestock development activities in Dhor Phirdi.

Gaining the status of a partner is immensely empowering. Indeed, some WDP federations have already attained that status. DACAW, the Community Livestock Development Project (CLDP) and some NGO development initiatives were aware of this externality when they took the lead in forging partnerships with some of these federations.<sup>32</sup> By doing so, they have also indicated the direction for future cooperation.

Typically, though, cooperation falls short of ownership even under such initiatives. Alternatively, such partnership has more to do with implementation than with formulation. In cooperative terms, idea decisions are taken elsewhere; action decisions are left for the partner federation. Shar-

ing of ownership has more empowering effect than mere sharing of responsibility. One way to share ownership with the federation is to ask for proposals-original proposals that present an idea and not merely outline an action. There are other ways, too.

Perhaps non-financial back-up will have even more effect on institutional viability if internal ownership, i.e., ownership of the federation, is ensured as well.

#### **(d) Social intermediation**

##### **(i) Definition**

Social intermediation is the process of facilitating pre-group or group action by an external resource person. 'External' here means external to the group, and not necessarily external to the federation. Thus a VF appointed by a WDP federation is doing as much social intermediation as the social mobilizer appointed by the WDO. Nor one does need to have the title of mobilizer or facilitator to be involved in social intermediation. Field workers, officers, committee members and others can be social intermediaries as well. Also, 'group' does not imply a single group. There can be many groups or a federation

<sup>32</sup> The ADB-assisted Promoting Pro-poor and Gender-responsive Service Delivery Project of the Department of Women's Development has also followed the CLDP example by partnering with five of such federations in Lamjung and Nawalparasi districts.

of many groups. Promoting a federation alone is not social intermediation, however. Social intermediation means an enduring relationship between the intermediary and the group.

In social intermediation, three attributes of the intermediary are considered: reach, capability and continuity.

## (ii) Observations

Social intermediation was found to have a high effect on institutional performance. Of the eight factors, it ranked first, with a score of 25 on the scale of -15 to +45. Social intermediation was characteristic of three of the programmes-WDP, DLGSP and SFDP. The WDP and SFDP federations came into being as a result of years of social intermediation, even though the designers of these projects might not have foreseen such federations in the first place. The NGOCC federation was formed through the agency of a club. Perhaps the process fell short of social intermediation.

External mobilizers were extensively involved in both SFDP and WDP until the federation process was completed. Once the federation was established, it was deemed self-

reliant under both projects. However, the two programmes differed in their post-federation involvement. SFDP took a rather hands-off approach. It actually used the term 'hand-over' to indicate its exit. WDP retained its involvement, depending upon the needs of the federation. DLGSP federations were not registered as yet; the DLGSP maintained its initial level of involvement.

Internal social intermediation was a distinct feature of some of the WDP federations; the VF has already been mentioned. In the Bhasi WDP federation, committee members were also assuming the role of social intermediary. The SFDP federation has also envisaged developing ward-level promoters for social intermediation.<sup>33</sup> There were no internal social intermediaries in the DLGSP federations.

The capability of social mobilizers was comparable across the three programmes. In terms of continuity, SFDP appeared to have rather disassociated itself during the post-federation phase.

Table 12 summarizes similarities and differences in aspects of social intermediation between the different federations.

<sup>33</sup> However, it was not possible to check the effectiveness of such promoters given the role of ward-level inter-groups.

Table 12 | Similarities and differences: social intermediation

Aspects	WDP	DLGSP	SFDP	NGOCC
External reach	Extensive	Extensive	Extensive	-
Internal reach	Extensive	-	?	-
Capability	High	High	High	-
Pre-federation continuity	Continuous	Continuous	Continuous	-
Post-federation continuity	Continuous	-	Discontinued	-

**(iii) Assessment**

The efforts and hard work of frontline workers pay extremely good dividends: effective and continuous social intermediation has a significant impact on the institutional viability of federations.

When an external facilitator approaches members of a group with

new ideas or an offer of help, they find her sympathetic to them. At that time, many of them may not be aware of their origin. Yet someone at the door with something new to say quickly becomes familiar to them. She then follows them into an uncharted territory of self-empowerment. As they go along, she wins

**Box 2 | Tika's hard work**

Although her home is in Jhapa and her husband works in Kavre, she lives and works here in Sunsari. The women of the Pashupati Women's Development Cooperative of Bharaul recognize her commitment to them, and at the annual general meeting in January 2006 honoured her with a shawl. She is none other than Tika Bhattarai, a Women's Worker in the Bhasi Unit of the WDO of Sunsari.

Tika joined the WDO in 1995, and since 2002 has been in Bhasi, close to where her parents live. She covers three VDCs: Bakrauli, Bharaul and Akamba. However, the women's groups in Bakrauli now do much of their work themselves, so she concentrates her efforts on groups in the other two VDCs.

Organizing women into groups is not always easy. 'It took me 10 days to form one group in Bharaul,' says Tika. Now there are 80 groups in Bharaul with 406 women. Tika attends all the ward committee meetings in the two VDCs on the scheduled four days each month. The committees from each ward come in turn throughout the day, and Tika helps them with collection of savings, disbursement of loans, repayments, calculation of interest, posting entries into the ledger, and so on. She does not handle cash; the chairperson does that. Then, of course, there are various issues to be discussed. So it all takes a long time.

Although Tika is busy every day-forming new groups, holding unit-level meetings, mobilizing revolving funds in favour of her groups, organizing training activities, liaising with the WDO and other line agencies, and so on-it is those four days with the ward committees that are so special to her. She does not want to miss any of the meetings. 'When it's raining, I put an extra sari into a plastic bag and ride off on my bicycle,' says Tika. 'When I get there, I change out of my wet clothes and start working as quickly as I can.' She laughs, 'I cannot imagine not seeing these women and helping with their lives.'

friendship, respect and trust (see Box 2). In due course of time, she finds herself in a position to mediate between subgroups which also helps lay down the ground rules for participation. Thus the process of institutionalization gains momentum.

The social mobilizer also serves the important purpose of being appreciative of group work. When members do something exemplary, she projects their achievements in many ways.

Do groups become dependent on the social mobilizer? This study did not find this to be so. Under the WDP, for instance, a good social mobilizer knows her job and is aware of the possible side-effects of her intervention (see Box 3). Chairperson of the Damauli-based Madi Ganga WDP federation Sita Poudel also attests to this when she says, 'I think we can do any work on our own now, which we initiated with the support of [the] Women Development [Office] then.'

The problem lies in finding new activities or ways of doing things. That is why Sita and others have to look for support. '[The] Women Development [Office] is the only place for us to go while exploring new possibilities,' adds Sita. Unfortunately, the WDO field staff also lacks the state-of-the-art approach to institutional

development to match up to the post-federation needs of members. This also implies that dissociation of the affiliated programme immediately or soon after the federation process has been completed can do more harm than good. The cooperation needs to be maintained for quite a few years by tailoring the support of the affiliated programme to the changing needs of the federation.

The Department of Cooperatives will also have a role to play in the process. In fact, there is often a greater need for such tripartite cooperation during the post-federation phase. Once the federation has become self-supporting in all ways, the three sides are likely to find themselves in a network relationship, learning from each other and working together on new fronts.

### **(e) Other extrinsic factors**

Cooperative democracy was at work in many of these federations to an extent that would have been unthinkable before 1992 when the new Cooperative Act, which gave full autonomy to cooperatives, was promulgated. Quite conceivably, representative experience would mean much less, if these federations lacked autonomy. Initially, autonomy was considered to be a factor in institutional viability, but it was rejected as a given. In the field however, it was



**Box 3 | Member turned mobilizer**

Binda Adhikari is a member of the management committee of the Swabalambi Women's Development Multipurpose Cooperative, Bhasi, Sunsari. Binda came to know about the WDO in 1985 when she saw a sign outside the newly opened office in Bhasi, and thought that it might be relevant to her as a woman. In the ensuing years, Binda heard that the Women's Development Section was organizing poor women into groups. In 1989, Binda mustered all her courage and approached the Women's Development Officer. The Officer asked her to find other friends, so that they could have a group.

When Binda talked to some friends, they were sceptical, and worried about their household chores. In the meantime, Binda kept in touch with the Women's Development Officer. The Officer invited her to a 15-day course on making bamboo stools. 'That made me even more determined to be in a group,' recalls Binda. Finally, in 1994, Binda convinced three friends to form a group. 'We are still the four of us,' says Binda. 'We do monthly savings, and are an active group of our [ward] committee.'

As soon as her group was formed, it was affiliated to her ward committee. In 1994, UNICEF provided the ward committee with NRs 52,000. As a result, it needed a chairperson who could do some recording of income and expenses. Binda was elected chairperson. Then, the ward committee consisted of 15 groups; today, there are 32 groups. Binda continues to be elected its chairperson. Being a chairperson of the ward committee meant that she became a member of the management committee of the Bhasi federation when it was registered in 2001.

Binda is an active ward committee chairperson, and her activism is not limited to her own ward. In 2002, the management committee of the federation entrusted her with the responsibility of facilitating group formation in Shiv Nagar, another ward of the VDC. Working with mainly Dalit women, Binda organized six groups and has since followed up, helping them with monthly meetings, savings collection, loan recovery, school enrolment, sanitation and so on. She is doing all the work of a typical social mobilizer.

What led Binda to do such volunteer work? Binda does not seem to know herself. 'The magic of the *dijju* of those days ...,' she wonders referring to the then Women Development Officer and her staff. 'They took so much of trouble for us ...' Perhaps Binda has now found herself in the role of those *dijju*, which gives her a sense of achievement as well as the joy of helping others.

notice that affiliated programmes differed in flexibility, so that groups had different degrees of autonomy during the pre-federation phase. It now appears that pre-federation autonomy could have a bearing on institutional viability.

**2.3.3 Interactive effect**

A factor could have more or less than its own effect on federal viability depending upon its interaction with other factors. For instance, financial

back-up could be more effective when member awareness was high. The extremely high level of member awareness could have helped utilize an extremely high level of external funding in the Panchkhal WDP federation. This means that financial back-up could be based on member awareness. If member awareness was low, perhaps the federation could be backed up more in non-financial than in financial terms. Other interactions were also suspected but were not as conspicuous.



## CHAPTER 3

## Implications

## 3.1 General

**(a) Minimum specification**

Many factors go into building a viable federation. Federations evolve rather than develop. Because the process is not straightforward, strict prescriptions do not help. The approach to facilitating the development of institutions should be based on the principle of minimum specification.<sup>34</sup> In operational terms, this means that a target for coverage or a timetable for completion can lead to field staff becoming frustrated. It is not surprising that the *Jagriti* initiative turned out to be impractical.<sup>35</sup> In addition, the SFDP's claim 'that a SFCL could be developed in three to four years' should be viewed with caution.<sup>36</sup>

**(b) Followership<sup>37</sup>**

Federations are best built from the bottom up. Registering a cooperative and then organizing members into

groups is a cooperative parallel to top-down development. Devoid of representative experience, members lack followership and tend to be dominated by their leadership, often of a single person. 'As a long-time student and teacher of management, I, too, have tended to look to the men and women at the top for clues on how organizations achieve and maintain institutional health,' says Bennis. 'But the longer I study effective leaders, the more I am convinced of the under-appreciated importance of effective followers.'<sup>38</sup>

In our sample of high-performing federations, structural de-concentration also brought forums for participation closer to ordinary members that, in turn, helped develop effective followers as well as effective leaders. Perhaps excessive reliance on leadership development is something to be aware of.

<sup>34</sup> This is one of the principles of the holographic organization, an organization designed to learn. See Morgan, G., 1997, *Images of Organization*, Sage Publications, London, pp. 100–115.

<sup>35</sup> See footnote 1.

<sup>36</sup> ADB, 1999, *A Brief Introduction to Institutional Development of Small Farmers*, Agriculture Development Bank, Kathmandu, p. 6.

<sup>37</sup> We borrowed the term 'followership' from Bennis who wrote about this topic in 1989. See Bennis, W., 1994, *An Invented Life: Reflections on Leadership and Change*, Century, London, pp. 157–160.

<sup>38</sup> Ibid, p. 157.

**(c) Unconditional back-up**

As well as followers, there are promoters (or supporters). Promoters have an important impact on the process of institutional development. They can make a large difference by backing up members financially and otherwise. However, the form of assistance is best determined by the federation rather than the promoter, since 'conditions complicate while freedom empowers'.

**(d) Phased pull-out**

Simply registering a federation is not the end of the process, since a federation is not self-reliant by virtue of its legal status. By pulling out as soon as a federation is registered, the affiliated programme runs the risk of undoing years of hard work. A quick exit strategy does not seem to bear fruit. Any exit should be phased over a fairly long period of time—perhaps five or more years. Until then, follow-up activities should continue, with the Department of Cooperatives, DDC, VDC and other partners playing their parts.

**(e) The nodal federation**

For its part, a federation should actively seek to network with locally elected bodies, government agencies and other stakeholders, as well as strengthening its bonds with its

community. With broad-based support and diversified sources of back-up, it can reposition itself as an organization for all its stakeholders, and not just for its members.

**3.2 Specific****(a) Reorganization for size**

The WDP demonstrates that sub-groups of 4–7 members are cohesive and dynamic. Even within the WDP, the *Jagriti* groups of up to 27 members were apparently too large to meet the associational needs of members. Therefore, breaking up bigger groups into several smaller ones with 4–7 members will enhance their viability. These smaller groups can form ward committees and a VDC-wide federation.

The existing DLGSP federation should be subdivided into small groups that can form a ward-level committee. Then several committees should be federated into a VDC-wide federation. This reorganization would not change much about the existing way of working, including the book-keeping.

The NGOCC federation can also work backward, reorganizing members into committees at the ward level and into small groups at the neighbourhood level.

**(b) Redefinition of the common bond**

The common bond is not strong in the case of the DLGSP and NGOCC federations. The NGOCC federation should reconsider its area of operation and reduce it to one VDC.<sup>39</sup>

The DLGSP federation should take into account the economic character of its members and accept only primary producers, actual workers and *bona fide* consumers rather than any member of the community. This would be in line with the principles of cooperation and also strengthen the common bond at the same time. In addition, smaller groups of like-minded people might encourage the unreached ultra-poor to join.

In terms of homogeneity, groups should be either women-only or men-only but not mixed. Ward committees are good when they are mixed and better when they are either exclusively women or exclusively men. However, federations can be mixed or women-only. Caste and ethnicity did not seem to have an effect on the common bond.

**(c) Participation of the youth**

The young generation was conspicuously lacking in many federations. An ageing membership may make a

**Box 4 | Preparing future members**

The DWD Adolescent Girls' Development Programme helps develop adolescent girls, but also helps to prepare future members of women's federations. Under the programme, mainly out-of-school girls aged 10–19 years are trained in adolescent sexual and reproductive health and life skills for 10 days (one day a week). During the course and afterwards, participants are encouraged to go to, or go back to, school. Those who do not because of age or other factors are organized into informal groups and provided with support for income-generating activities. With the assistance of the UNFPA, the programme was piloted in 20 districts involving 20 federations in 2003/04. The initiative is now part of the regular programme of the DWD. In 2006/07, 1,425 adolescent girls will benefit. These girls will be encouraged to become members of federation subgroups and develop their own future as well as that of the federation.

federation less dynamic and less able to respond to the rapidly changing marketplace. One way to involve younger people is to encourage federations to accept more people from each family. In doing so, fathers and sons or mothers-in-law and daughters-in-law could be organized into separate small groups. Another way is to involve member's families in various federation activities. The Department of Women's Development (DWD) Adolescent Girls' Development Programme is a case in point (see Box 4).

<sup>39</sup> This will entail division of the federation. For the procedure, see *Sahakari Digdarshan*, 2000, National Cooperative Development Board, Kathmandu, pp. 67–73.

### (d) Integration

Reorganization in the case of some of the WDP federations would mean completion of integration. Members of the some groups have not acquired membership of the registered federation because of indifference or a lack of money to buy a share. This is obviously not desirable. The leadership of such federations will have to ensure that all members join the federation as soon as possible. The best solution lies in encouragement and member education, rather than in lowering the NRs 100 value of a share.

Where association is incomplete, pooling of group savings has also remained incomplete and, in one or two cases, ward committees have been reluctant to transfer their surplus to the federation. In principle, such surplus should be transferred to the 'federal reserve'. In practice, though, it would entail relinquishing the power to appropriate resources to the main committee. Many ward committees also consider such surplus to be divisible among their members, which is not correct. Again, cooperative education can help to resolve this issue amicably.<sup>40</sup>

### (e) Revolving funds

Given the empowering effect of allocating resources, free revolving



Not for profit: Children at a Child Development Centre run by the Surunga WDP federation

funds should be the preferred form of financial assistance. The IWCDP could be a good example to follow. However, the original assumptions may need to be re-examined. Firstly, in view of the drastically falling market rate of interest, these federations have come under intense pressure to lower their lending rate. Except the Sugauli Birta WDP federation, all WDP federations have already reduced it to 18 per cent per annum. The Panchkhal WDP federation has further lowered it to 14 per cent per annum. The others are expected to follow suit. The original calculations were based on a lending rate of 24 per cent per annum, which was prevailing then. This means that the actual interest income on IWCDP seed-money has been much lower than expected initially.

Secondly, a salary of NRs 2,000 per month is a very low level of compensation for a VF, especially when considered in terms of workload and

<sup>40</sup> This issue is treated at greater length in a recent DWD publication. See *Mahila Santhama Lekhapalan*, 2006, Department of Women's Development, Kathmandu, pp. 209–216.

enthusiasm for work. True to the name, VFs do a lot of facilitation in protecting children and promoting maternal health. They act as a group mobilizer, a reporter and an advocate. They are always an active member of the cooperative staff. Perhaps the VF has assumed a greater role than was foreseen five years ago.

Thirdly, these federations have found themselves increasingly involved in social welfare activities—from raising awareness to training people to fighting domestic violence. In fact, they are not so much an economic enterprise as a social enterprise nowadays. Unfortunately, social activities are not so financially fruitful. Clearly there is a case for supporting these federations on a continuous basis.

In terms of the IWCDP, it would mean increasing the amount of seed-money to NRs 500,000<sup>41</sup> and converting it into a revolving grant, enabling federations to retain their VF and build on their present achievements for many more years to come.

Other affiliated programmes may also be advised to support their federations in the form of a revolving grant, even if it is not linked to a specific

purpose. That will be seed-money in the real sense of the term.

With such base-level support, an affiliated programme can also help safeguard members' savings from market fluctuations as well as maintaining a lasting relationship with a federation that has been built up with so much of time and effort.

#### **(f) Partnership programmes**

On the non-financial plane, cooperation between a federation and an external agency should increasingly take the form of a partnership, i.e., the federation should play a role in planning rather than just in implementation. Working with, and not through, the federation should be the guideline. Accordingly, an external agency should stand ready for a joint venture irrespective of whether an idea came from its side or from the federation. The existing planning process may need to be changed. Today, the process starts from the district office; in the future, it will have to start from the federation, reflecting the community-based demand more clearly.

There is a great scope for cooperation in terms of partnership programmes between a development agency and a federation.

<sup>41</sup> NRs 500,000 would yield around the same amount of interest income today as was calculated on NRs 200,000 five years ago. For one thing, the interest rate has declined by over 40 per cent; for another, funds lie idle during the time between loan repayment and re-disbursement, which was not taken into account then.

**(g) Follow-up activities**

Post-federation follow-up activities should be planned, depending upon the need of the federation. The duration of follow-up may vary. Broadly speaking, cooperative education, consolidation of accounts, management development, business promotion, and networking with various development partners seem to be the priority areas of cooperation in the follow-up phase. However, partnership programmes should continue beyond any defined period of follow-up. Needless to say, partnership programmes are the best follow-up programmes in the long term.

**(h) Professional development of the field staff**

As groups graduate to a federation, they enter into a more formal sphere of activity. Since the federation is registered as a cooperative, it is expected to do business in a principle-centred fashion. Stakeholders also expect the federation to assume a role in areas of common concern. In addition, the affiliated programme would like to see the federation stand alone. Clearly the post-federation scenario is different from the pre-federation scenario. The field staff of the affiliated programme are often not trained for this follow-up phase. Therefore, professional development of field staff would enhance the viability and sustainability of federations. Profes-

sional development in the following areas is required.

- Cooperative values, principles and operating norms
- Federal accounting, consolidation of savings, surplus and other inter-group accounts, and analysis of financial statements
- Rural credit market, financial intermediation and indebtedness
- Rural business development
- Gender and inclusion audit of federal activities
- Revolving funds management (with proper credit rating, credit needs assessment and credit structuring)
- Operation of databases
- Training (design, conduct and evaluation of needs-based training activities)
- Management consulting (in connection with instituting member information systems, mobilization of capital, savings and other internal resources, encouraging member participation in group, inter-group and federal activities, establishing common business support facilities, and reviewing organizational processes so as to ensure business-like decision-making, transparency, debate and accountability)
- Action research
- Comparative reporting, facilitation of benchmarking exercises, and promotion of community competitiveness
- Advocacy

# Annexes

## Annex 1 | Scaling of Factor Effect

Factor type	Federation type				Remarks
	High performer (+)	Medium performer (+)	Low performer (-)	Total score	
Constant with clear presence	3 3 ③ 3 3	3 3 ③ 3 3	3 3 ③ 3 3	⊗	To be labelled 'constant' and rejected
Variable with negative effect	1 3 ② 3 1	1 3 ② 3 1	3 5 ④ 5 3	0	< 0 Negative
Variable with no effect	1 2 ③ 2 1	1 2 ③ 2 1	1 2 ③ 2 1	9	0-9 No effect
Variable with very high effect	3 5 ④ 5 3	3 5 ④ 5 3	1 3 ② 3 1	30	≥ 30 Very high effect

Note: The 20-point difference between no effect level of up to 9 and very high effect level of ≥ 30 graded into two as follows: 10-19 low effect; 20-29 high effect.



## Annex 2 | Federation-wise Institutional Performance Indices

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
1	2	3	4	5	6	7	8	9	10	11	12
1	Tanahun	WDP	Women Development Multipurpose Cooperative, Khairenitar	41.62	100.00	100.00	98.17	28.95	0.00	90.18	65.57
2	Tanahun	WDP	Women Development Multipurpose Cooperative, Bandipur	51.34	100.00	33.65	95.45	14.56	0.00	93.19	55.46
3	Tanahun	DLGSP	Annapurna Community Organization, Bhimad	98.00	100.00	42.00	100.00	14.00	0.00	98.00	64.57
4	Sunsari	WDP	Swabalambi Women Development Multipurpose Cooperative, Bhasi	86.50	19.39	83.89	92.31	33.39	61.10	20.95	56.79
5	Sunsari	WDP	Triveni Women Development Multipurpose Cooperative, Singhiya	57.39	22.60	100.00	68.57	24.64	66.67	24.64	52.07
6	Sunsari	SFDP	Small Farmer Cooperative, Pakali	57.18	89.69	60.15	63.41	31.23	0.00	84.92	55.23
7	Kavre	WDP	Grameen Women Development Multipurpose Cooperative, Panchkhal	56.65	100.00	92.18	98.16	12.64	0.00	98.00	65.38
8	Kavre	WDP	Shreejanshil Women Development Multipurpose Cooperative, Hokse	52.53	85.66	81.41	76.40	41.21	0.00	94.96	61.74



## Annex 2 | Federation-wise Institutional Performance Indices contd...

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
9	Kavre	DLGSP	Ugreshor Community Organization, Dhaneshor	100.00	89.36	8.51	100.00	2.13	0.00	100.00	57.14
10	Jhapa	WDP	Shreejana Women's Multipurpose Cooperative, Surunga	62.09	100.00	36.81	99.69	5.50	0.00	100.00	57.73
11	Jhapa	WDP	Sagarmatha Women's Multipurpose Cooperative, Jhijhile	0.00	56.28	13.85	89.49	5.20	0.00	98.27	37.58
12	Jhapa	DLGSP	Singhdevi Women's Community , Organization Gohdhap	90.00	100.00	3.33	100.00	0.00	0.00	100.00	56.19
13	Parsa	WDP	Unnatishil Women's Multipurpose Cooperative, Sugauli Birta	66.28	46.38	41.40	55.16	49.13	0.00	51.12	44.21
14	Parsa	WDP	Chetanshil Women's Multipurpose Cooperative, Lipini Birta	62.89	28.18	37.02	90.25	30.39	0.00	52.86	43.08
15	Parsa	NGOCC	Dibya Savings and Credit Cooperative, Biranchi Barba	69.55	78.14	0.90	82.13	35.31	0.00	63.26	47.04

Notes: Participation = percentage attendance at last general meeting; financial serviceability = percentage of members receiving loan in last three years; non-financial serviceability = percentage of members trained in last three years; resource mobilization = percentage of current loan as of last financial closing; social inclusion = percentage of Dalit members; equity = percentage of interest rebate applicable to Dalit members; and sustainability = percentage of regularly saving members, as of previous month.

### Annex 3 | IPI Ranking of Federations

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
1	2	3	4	5	6	7	8	9	10	11	12
1	Tanahun	WDP	Women Development Multipurpose Cooperative, Khairenitar	41.62	100.00	100.00	98.17	28.95	0.00	90.18	65.57
2	Kavre	WDP	Grameen Women Development Multipurpose Cooperative, Panchkhal	56.65	100.00	92.18	98.16	12.64	0.00	98.00	65.38
3	Tanahun	DLGSP	Annapurna Community Organization, Bhimad	98.00	100.00	42.00	100.00	14.00	0.00	98.00	64.57
4	Kavre	WDP	Shreejanshil Women Development Multipurpose Cooperative, Hokse	52.53	85.66	81.41	76.40	41.21	0.00	94.96	61.74
5	Jhapa	WDP	Shreejana Women's Multipurpose Cooperative, Surunga	62.09	100.00	36.81	99.69	5.50	0.00	100.00	57.73
6	Kavre	DLGSP	Ugreshor Community Organization, Dhaneshor	100.00	89.36	8.51	100.00	2.13	0.00	100.00	57.14
7	Sunsari	WDP	Swabalambi Women Development Multipurpose Cooperative, Bhasi	86.50	19.39	83.89	92.31	33.39	61.10	20.95	56.79
8	Jhapa	DLGSP	Singhdevi Women's Community Organization, Gohdhap	90.00	100.00	3.33	100.00	0.00	0.00	100.00	56.19
9	Tanahun	WDP	Women Development Multipurpose Cooperative, Bandipur	51.34	100.00	33.65	95.45	14.56	0.00	93.19	55.46

### Annex 3 | IPI Ranking of Federations contd...

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
10	Sunsari	SFDP	Small Farmer Cooperative, Pakali	57.18	89.69	60.15	63.41	31.23	0.00	84.92	55.23
11	Sunsari	WDP	Triveni Women Development Multipurpose Cooperative, Singhiya	57.39	22.60	100.00	68.57	24.64	66.67	24.64	52.07
12	Parsa	NGOCC	Dibya Savings and Credit Cooperative Biranchi Barba	69.55	78.14	0.90	82.13	35.31	0.00	63.26	47.04
13	Parsa	WDP	Unnatishil Women's Multipurpose Cooperative, Sugauli Birta	66.28	46.38	41.40	55.16	49.13	0.00	51.12	44.21
14	Parsa	WDP	Chetanshil Women's Multipurpose Cooperative, Lipini Birta	62.89	28.18	37.02	90.25	30.39	0.00	52.86	43.08
15	Jhapa	WDP	Sagarmatha Women's Multipurpose Cooperative, Jhiljhile	0.00	56.28	13.85	89.49	5.20	0.00	98.27	37.58

Notes: Participation = percentage attendance at last general meeting; financial serviceability = percentage of members receiving loan in last three years; non-financial serviceability = percentage of members trained in last three years; resource mobilization = percentage of current loan as of last financial closing; social inclusion = percentage of Dalit members; equity = percentage of interest rebate applicable to Dalit members; and sustainability = percentage of regularly saving members, as of previous month.

Annex 4: | Programme-wise Institutional Performance Indices

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
1	2	3	4	5	6	7	8	9	10	11	12
1	Tanahun	DLGSP	Annapurna Community Organization, Bhimad	98.00	100.00	42.00	100.00	14.00	0.00	98.00	64.57
2	Kavre	DLGSP	Ugreshor Community Organization, Dhaneshor	100.00	89.36	8.51	100.00	2.13	0.00	100.00	57.14
3	Jhapa	DLGSP	Singhdevi Women's Community Organization, Golchhaph	90.00	100.00	3.33	100.00	0.00	0.00	100.00	56.19
	<b>DLGSP average</b>			<b>96.00</b>	<b>96.45</b>	<b>17.95</b>	<b>100.00</b>	<b>5.38</b>	<b>0.00</b>	<b>99.33</b>	<b>59.30</b>
4	Parsa	NGOCC	Dibya Savings and Credit Cooperative, Biranchi Barba	69.55	78.14	0.90	82.13	35.31	0.00	63.26	47.04
	<b>NGOCC</b>			<b>69.55</b>	<b>78.14</b>	<b>0.90</b>	<b>82.13</b>	<b>35.31</b>	<b>0.00</b>	<b>63.26</b>	<b>47.04</b>
5	Sunsari	SFDP	Small Farmer Cooperative, Pakali	57.18	89.69	60.15	63.41	31.23	0.00	84.92	55.23
	<b>SFDP</b>			<b>57.18</b>	<b>89.69</b>	<b>60.15</b>	<b>63.41</b>	<b>31.23</b>	<b>0.00</b>	<b>84.92</b>	<b>55.23</b>
6	Tanahun	WDP	Women Development Multipurpose Cooperative, Khairenitar	41.62	100.00	100.00	98.17	28.95	0.00		65.57
7	Sunsari	WDP	Swabalambi Women Development Multipurpose Cooperative, Bhasi	86.50	19.39	83.89	92.31	33.39	61.10	20.95	56.79
8	Kavre	WDP	Grameen Women Development Multipurpose Cooperative, Panchkhal	56.65	100.00	92.18	98.16	12.64	0.00	98.00	65.38

Annex 4: | Programme-wise Institutional Performance Indices contd...

S.N.	District	Affiliated programme	Federation	Participation	Financial serviceability	Non- financial serviceability	Resource mobilization	Social inclusion	Equity	Sustainability	Index
9	Jhapa	WDP	Shreejana Women's Multipurpose Cooperative, Surunga	62.09	100.00	36.81	99.69	5.50	0.00	100.00	57.73
10	Parsa	WDP	Unnatishil Women's Multipurpose Cooperative, Sugauli Birta	66.28	46.38	41.40	55.16	49.13	0.00	51.12	44.21
	<b>Properly functioning WDP average</b>			<b>62.63</b>	<b>73.15</b>	<b>70.86</b>	<b>88.70</b>	<b>25.92</b>	<b>12.22</b>	<b>72.05</b>	<b>57.94</b>
11	Tanahun	WDP	Women Development Multipurpose Cooperative, Bandipur	51.34	100.00	33.65	95.45	14.56	0.00	93.19	55.46
12	Sunsari	WDP	Triveni Women Development Multipurpose Cooperative, Singhiya	57.39	22.60	100.00	68.57	24.64	66.67	24.64	52.07
13	Kavre	WDP	Shreejanshil Women Development Multipurpose Cooperative, Hokse	52.53	85.66	81.41	76.40	41.21	0.00	94.96	61.74
14	Jhapa	WDP	Sagarmatha Women's Multipurpose Cooperative, Jhiljhile	0.00	56.28	13.85	89.49	5.20	0.00	98.27	37.58
15	Parsa	WDP	Chetanshil Women's Multipurpose Cooperative, Lipini Birta	62.89	28.18	37.02	90.25	30.39	0.00	52.86	43.08
	<b>Poorly functioning WDP average</b>			<b>44.83</b>	<b>58.54</b>	<b>53.19</b>	<b>84.03</b>	<b>23.20</b>	<b>13.33</b>	<b>72.78</b>	<b>49.99</b>
	<b>Overall WDP average</b>			<b>53.73</b>	<b>65.85</b>	<b>62.02</b>	<b>86.37</b>	<b>24.56</b>	<b>12.78</b>	<b>72.42</b>	<b>53.96</b>
	<b>All programme average</b>			<b>63.47</b>	<b>74.38</b>	<b>49.01</b>	<b>87.28</b>	<b>21.89</b>	<b>8.52</b>	<b>78.02</b>	<b>54.65</b>

Notes: Participation = percentage attendance at last general meeting; financial serviceability = percentage of members receiving loan in last three years; non-financial serviceability = percentage of members trained in last three years; resource mobilization = percentage of current loan as of last financial closing; social inclusion = percentage of Dalit members; equity = percentage of interest rebate applicable to Dalit members; and sustainability = percentage of regularly saving members, as of previous month.

Annex 5: |Federation-wise Factor Labelling

S.N.	District	Affiliated programme	Federation	Intrinsic factors				Extrinsic factors			
				Common bond	Represent-ative experience	Member awareness	Group dynamics	Community affiliation	Financial back-up	Non-financial back-up	Social intermediation
1	2	3	4	5	6	7	8	9	10	11	12
1	Tanahun	WDP	Women Development Multipurpose Cooperative, Khairenitar	H	H	EH	H	EH	M	L	H
2	Tanahun	WDP	Women Development Multipurpose Cooperative, Bandipur	H	H	M	M	M	H	EH	EH
3	Tanahun	DLGSP	Annapurna Community Organization, Bhimad	L	L	M	EL	H	H	EL	H
4	Sunsari	WDP	Swabalambi Women Development Multipurpose Cooperative, Bhasi	H	M	H	EL	EH	H	EH	EH
5	Sunsari	WDP	Triveni Women Development Multipurpose Cooperative, Singhiya	H	L	L	EL	M	M	L	H
6	Sunsari	SFDP	Small Farmer Cooperative, Pakali	M	M	L	EL	M	H	M	EH
7	Kavre	WDP	Grameen Women Development Multipurpose Cooperative, Panchkhal	H	H	EH	H	H	EH	EH	EH
8	Kavre	WDP	Shreejanshil Women Development Multipurpose Cooperative, Hokse	H	M	L	L	M	M	M	H
9	Kavre	DLGSP	Ugreshor Community Organization, Dhaneshor	M	L	M	L	M	M	EL	M

Annex 5: | Federation-wise Factor Labelling contd...

S.N.	District	Affiliated programme	Federation	Intrinsic factors				Extrinsic factors			
				Common bond	Represent-ative experience	Member awareness	Group dynamics	Community affiliation	Financial back-up	Non-financial back-up	Social intermediation
10	Jhapa	WDP	Shreejana Women's Multipurpose Cooperative, Surunga	EH	EH	H	M	H	H	M	M
11	Jhapa	WDP	Sagarmatha Women's Multipurpose Cooperative, Jhiljhile	H	M	EL	L	L	M	L	M
12	Jhapa	DLGSP	Singhdevi Women's Community Organization, Gohdhap	H	L	H	M	EL	M	EL	H
13	Parsa	WDP	Unnatishil Women's Multipurpose Cooperative, Sugauli Birta	H	H	M	L	H	M	M	H
14	Parsa	WDP	Chetanshil Women's Multipurpose Cooperative, Lipini Birta	H	H	H	EH	H	M	H	H
15	Parsa	NGOCC	Dibya Savings and Credit Cooperative, Biranchi Barba	L	L	M	L	M	EL	L	L

Notes: EH = extremely high, H = high, M = medium, L = low, EL = extremely low.

## Annex 6: | Ward-level Meeting

Namaskar, namaskar, namaskar ... Group after group they arrive, exchange greetings and sit in a circle. The monthly meeting of the Janachetana Women's Development [Ward-level] Committee of Bandipur is about to start.

'I hope you won't mind our guests sitting here,' says VF Padma Rasaili. 'They are from the Women's Development [Office], from the department in Kathmandu, and would like to join us at this meeting.'

'No problem,' say some of them. 'They are welcome.'

Then the women start collecting savings and repayments. Over an hour passes. However, the cash in hand is less than that recorded on the sheet. 'Oh, sorry!' smiles Buma Pun Magar, manager of the cooperative. 'That is because of me.' One of the members had hurriedly left her repayment because of some urgent work at home. Buma had entered the amount into the repayment column but had forgotten to give the money to the Chairperson.

'Namaskar,' says a newcomer. With this latecomer, 38 of the 39 members of the committee are together. The

absentee had been excused for urgent work.

'All right!' Padma draws the attention of the women to her. She says, 'May I now ask the Chairperson of this committee Chandra Maya Sunar to preside over this meeting.' Padma then invites Lila Karki, Secretary of the committee, to start the meeting. Lila asks Padma to report on the collection.

Padma informed the meeting that NRs 104,458 were collected from members: repayments NRs 96,000, savings NRs 4,000, additional shares NRs 600, interest NRs 3,818, and pass books NRs 40.

'Now, perhaps we will discuss other issues,' suggests Lila, but nobody responds. 'Maybe we can start from this side,' insists Padma, pointing to a woman on her right. But the woman does not want to speak. 'I don't have anything to say. Let Laxmi and Chandra speak,' she says.

'Maybe I can say something about the *pote* training I did,' Batuli Shrestha says, breaking the ice. She tells everyone about the course that had been conducted by the District Cottage Industry Office at the request of the federation for 10 of its members. She shows some of the products



she can now make, having completed the course. Other members appreciate her work. 'I alone was at the training from our committee,' says Batuli. 'But I think I can do something to show you all.'

'Why are you charging us NRs 1 every month?' asks Manju Pun Magar. 'Oh, that NRs 1!' says Padma. 'I think we decided that the money goes to the members' emergency fund. May I ask if buying five shares each is a problem?' smiles Padma. 'Yes, that matter...,' says one of them. Some of them mutter as well but they do not discuss the problem further. Perhaps the issue is the uniform dividend policy of the federation.

'How come you gave the same amount of profit to those who bought the share early and to those who just bought it?' asks Keshu BK. 'Well, each of us was paid 12 rupees 91 paisa,' says Padma. 'It happened like that last year too.' Padma then clarifies that dividends will be calculated on the basis of the number of shares from this year onwards. Tulsa Gautam is not happy, though. 'It's not just dividends,' says Tulsa. 'Our complaint is also about interest ... you have to show us your calculations clearly.' Padma explains to her that the rate is uniform but the amount

may be more or less depending upon the month or day of the deposit.

Padma then informs the meeting about the decision of the managing committee of the federation to bring in more groups. She proposes making additional efforts to bring in more of their community over the coming months. 'That applies to new groups as well,' interrupts Chandra, turning to apparently new group members. 'Let's remind those that are left out of the advantages of joining.'

Then Laxmi Lamichhane raises a point. 'I can't understand this new idea of asking for the signature of our husbands on the loan application form,' asserts Laxmi. 'The money is ours and the institution is ours, formed by [the] Women Development [Office] for women.'

'But if a woman goes away without repaying her loan, then we will be able to get it from her husband, won't we?' asks Sangeeta BK.

'No, no. For me, it's my money and I want to use it for anything I like,' says Laxmi in a flash. 'Why ask our husbands?'

'I think the idea is to make men also responsible for repayment,' says

Padma. 'Men often make use of the loan, but do not seem to care about repayment.'

'However, if you ask for their signature, they then consider it their right to have a share of the loan for their own use,' retorts Laxmi.

'Is this such a serious matter? Could somebody read the proposal aloud please?' asks Batuli. Padma reads the proposed amendment to the application form. Members do not find it unreasonable.

'Are you happy with it, Laxmi?' asked the Chairperson. 'Well, if you all say so,' says Laxmi.

'The idea is to safeguard the institution rather than to safeguard the interest of the member,' explains the Chairperson in a sympathetic tone.

The discussion is over. It is 2:45 pm-around three hours since they arrived. They are tired and anxious to go home. Lila looks at their faces and turns towards the Chairperson. But Chandra only closes the meeting when one of us has spoken a few words. After that she says, 'Thank you all, and good-bye.'



