A case study on the successful experience of the

Small Farmer Agriculture Cooperative Limited,
Khaireni Parsha,
Chitwan District

Member organisation of

Nepal Agriculture Co-operative Central Federation Ltd
NACCFL
Learning Route on women’s empowerment, business development and sustainable natural resource management.
Scaling-up programmes for the rural poor in Nepal
Index

1. Executive Summary
2. Context
3. Learning objectives
4. Description of the case
5. Success stories
6. Key success factors and Conclusions

Acronyms

ADBL    Agricultural Development Bank Ltd
GoN     Government of Nepal
IGs     Intergroups
MC      Management Committee
NACCFL  Nepal Agriculture Cooperative Central Federation Limited
SFACL   Small Farmer Agro Cooperative Limited
SFDP    Small Farmers Development Program
SFGs    Small Farmers Groups
VDC     Village Development Committees
1. Executive Summary

This report presents the innovative experiences of a women-led Small Farmers Agro Cooperative Limited (SFACL) Khaireni Parsha, located in Khaireni Municipality (Chitwan District, Nepal). The SFACL was established in 2004 and has 1953 members.

The cooperative is affiliated to the Nepal Agricultural Cooperative Central Federation Limited (NACCFL) and Small Farmers Development Bank (SFDB). NACCFL provides support in terms of capacity building, market access, networking and linkages with relevant agencies, and promotes lobby and advocacy with the government at national level. The SFDB provides financial services.

The SFACL Khaireni Parsha is an example of the unique, three-tiered systematic approach and structure of all SFACL’s (refer to figure 1 and 2) formed under the umbrella of NACCFL. In 2008 the cooperative received a national award from the Small Farmers Development Bank as an excellent example of a cooperative characterized by proper management and an efficient governance system.

The Three-Tiered Organizational Structures of SFACLs

Fig 1.

Fig 2
This document presents a brief overview of the experience by providing information about the context, the trajectory of this woman–led cooperative, its relationship with the umbrella organization NACCFL, main activities undertaken and services provided to its members, along with good practices and lessons learned. Some success stories of its members are also highlight in order to present concrete examples of how the members have benefitted of the support received from the cooperative and its impacts in terms of livelihood improvement.

2. Context

The small Farmers Agro Cooperative Khaireni Parsha is located in Khairahani Municipality, Chitwan District in Southern Nepal. The District is one of the 75 Districts of Nepal, and takes its name from the Chitwan valley.

Approximately 40 Village Development Committees (VDC) comprise this District; each of these VDC's is structured within nine wards. Agricultural activities are the most relevant in this area, as it is inhabited predominantly by farmers. The main crops produced are: rice, maize, wheat, beans, lentils, mustards and vegetables.

The district has a particularly rich flora and fauna, perhaps why Nepal’s first national Park is located here. With a huge and impressive biodiversity, the park is home to 56 species of mammals, 49 species of amphibians and reptiles, and 525 species of birds. Wildlife found here include endangered species like the one-horned rhinoceros and the Royal Bengal tiger, gaur, wild elephant, four-horned antelope, leopard, sloth bear, wild boar, rhesus monkey, grey langur monkey, wild dog, small wild cats, and many other smaller animals.
The spectacular landscape, covered with lush vegetation and the Himalayas as the backdrop, makes the park an area of exceptional natural beauty. The forested hills and changing river landscapes serve to make Chitwan one of the most stunning and attractive parts of Nepal’s lowlands. Situated in a river valley basin, characterized by steep cliffs on the south-facing slopes and a mosaic of riverine forest and grasslands along the river banks makes the property amongst the most visited tourist destination of its kind in the region.

This is also the land of the indigenous Tharu community who have inhabited the area for centuries and are well known for their unique cultural practices. The Tharu people themselves say that they are a people of the forest. In Chitwan, they have lived in the forests for hundreds of years practicing a short fallow shifting cultivation. They plant rice, mustard, corn and lentils, as well as collect forest products such as wild fruits, vegetables, medicinal plants and materials to build their houses. They hunt deer, rabbit and wild boar and go fishing in the rivers and lakes.

In the past, this area was seriously affected by malaria; therefore the population at that time was not so numerous. As a consequence the government promoted a sanitation programme to improve the health conditions of the area and attract new inhabitants. Over the last 20 years, many peoples from the surroundings hills migrated to this area attracted by the potential agricultural activities and improved conditions. Currently,
60% of the population is indigenous, while the remaining 40% come from other regions, especially from the hills.

3. Learning Objectives: what can we learn from the experience of the Small Farmers Agro Cooperative Khaireni Parsha in the frame of NACCFL?

Women’s empowerment and gender mainstreaming:
- Understanding the key conditions to promote women’s empowerment and gender mainstreaming in social, economic, and financial activities;
- Understanding the key factors to support women in their leading role in the cooperative activities and the challenges that still persist;
- Understanding impacts and changes provoked at community and family level thanks to an improved role and the empowerment of women in the social, economic and cultural life.

Diversification of rural livelihoods and business development:
- Understanding successful strategies applied by the cooperative to promote small farmers inclusion and their livelihood improvement;
- Understanding successful approaches to promote a sustainable and efficient culture of savings and loans investments at familiar and community level;
- Understanding key factors for the development of successful member based micro-finance organizations;
- Identify key factors for the promotion of new small rural business amongst the small farmers and how the diversification of activities has an impact on their livelihood;
- Understanding the key factors to promote successful involvement if the youngest generation in the business development.

4. Description of the Case

a. The territory of Khaireni: mapping the past present and future

During the mapping exercises undertaken during the systematization process, the members of the cooperative recalled how in the past the forest occupied most of the local territory whereas the land for agriculture was only a minor portion. The wildlife was much more numerous than nowadays and the main crops produced at the time were rice, corn, mustard and some silk. The agriculture was very simple in the absence of any technical equipment, like tractors, and the population was also partially dedicated to livestock (cows, buffalos, sheep). The market was mostly based on exchanges of products and there were no services in the area such as schools, hospitals, or municipal offices.
In the present, the territory has changed: the land for agriculture has increased and the wildlife as well as the forest area, has decreased. The agricultural land property is becoming very fragmented, as it is often subdivided at the family level. Regardless, the land is also scarce and many farmers are leasing lands from others. The irrigation system has improved with respect to the past, and the agriculture is now done with the use of modern equipment. In 2014, Khareni has become a Municipality and nowadays it is provided with different kind of services for its inhabitants, like schools, district and municipal offices, hospitals, increased public transportation, and electricity etc. The main activity is still agriculture, however farmers have diversified their livelihood through the production of new cultivations and livestock production (banana, pigs, fish etc).
As a future vision, the cooperative members dream that their territory can have a better organized farming area and that the fragmentation of land can be reduced. They also dream to have secondary level schools and are able to benefit more from the touristic potential offered by the National Park.

b. Trajectory of the experience

The Small Farmers Agro Cooperative Khaireni Parsha was constituted in 2003, when it started its activities as part of a replication programme with the Sana Kisan Krishi Sahakari Santha cooperative, located in Bachauli. The replication Programme was successfully concluded in 2006.

In 2005 the cooperative was officially registered at the Division Cooperative Office and it already counted 400 members - all of which were women, as it was, and still is the main condition to become a member of this cooperative.

In 2008, only a few years after its constitution, the cooperative received a national award from the Small Farmers Development Bank; it was selected amongst more than 350 cooperatives in the country. Among the main reasons for this selection: i) the high number of members; ii) High level of women's participation; iii) the good management of

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The replication programme is a strategy of the NACCFL to replicate successful cooperatives through the provision of peer support from one cooperative to another and encouraging farmer to farmer peer support based on replication manual developed by SFDB and NACCFL.
financial resources; iv) 100% of loan repayment from its members; v) the high number of loan investment in business development activities.

From the beginning the main objective of the cooperative is to facilitate the inclusion of the small and poorest farmers, namely “Sana Kisan (Small Farmers)” in Nepalese, and support their poverty alleviation through the improvement of their livelihoods, the provisions of microloans for small business, the encouragement of savings and the provision of fertilizers, seeds and other kinds of services, such as training and capacity building programmes and a remittances programme. In 2011 they purchased the building where the cooperative is still located and finalized the affiliation to the district union.

c. Cooperative Structure and Functioning

Currently, the cooperative counts a total amount of 1953 members, all of which are women. The cooperative is structured as follows:

- 291 Small Farmers Groups (SFGs), which are the smallest unit at village level; Representatives of Small Farmer members (5-12 members) form an SFG at grass-root level. The SFGs are responsible for deciding matters such as savings collection, and decisions on loan and community development activities in the village. The staff of SFCL conduct household surveys/well-being rankings to identify the target groups and potential members. If the number of target households is sufficient to form an SFG, the staff facilitate the formation. Only one member an SFG is allowed per family. Once the SFG is formed, it must be endorsed by the Inter-Group and MC. Each incoming member must buy a minimum share of NRs. 100. To become eligible to get a loan, a new member has to deposit regular monthly savings for at least for 3 months (in some SFCLs up to 8 months) and comply with the by-laws and policies of the SFCL.
- 13 intergroups (IGs), which are the unit at ward level; Two or more SFG form an IG at the ward level. The main role of an IG is to supervise and coordinate SFG activities under it.
- 1 Main Committee (MC) at VDC level; All IG Chairpersons from each IG form the MC/ Board of Director (BOARD) of the cooperative at VDC level. The BOARD is the main governing body of all SFCLs. It formulates plans and policies and hires staff to implement these plans and activities. The BOARD is accountable to the GA and is composed of 11 members (President, Vice-President and 9 members (1 representative per each of the 9 wards).

The three–tiered and decentralized structure of the Khaireni cooperative provides equal and democratic opportunities of participation to it's members, ensures ownership and management by small farmers and promotes solidarity and cohesion within the group of members. Each SFG selects one representative to participate in the intergroup, and one representative from each Intergroup is represented in the Board of the cooperative.

If a member wants to submit a loan, the proposal is first discussed at the intergroup level, and once the intergroup has approved it, the proposal is then submitted to the Board. The request for a loan ultimately needs to be approved by the Board Members, however the
group consensus is very important, as without the group's support and agreement the cooperative cannot give the loan to the member. This system ensures a transparent and cohesive system of distribution of the financial resources. This is one of the reason why the repayment rate in this cooperative is 100%.

The criteria to become a member of the Khaireni cooperative are the following:
- Woman;
- Local resident of Khaireni;
- Able to pay 25 Nepalese rupees as entry fee;
- Able to pay 500 Nepalese Rupees as an initial investment which will be repaid when the member dies;
- Able to save monthly (amongst 50 and 500 Nepalese rupees as monthly saving);
- Able to buy a monthly initial share of 1000 Nepalese rupees.

Every year the cooperative has a General Assembly gathering all the members; the turnover of its Board Members is discussed on this occasion. Although there are not elections per se, rather a consensus of all members with respect to any new candidate. Groups and Intergroups conduct regular meetings to collects savings and discuss new loan applications, which are then submitted and approved by the Board.

The cooperative employs five salaried staff: two of them are male (the manager and one accountant) and three are female. All of the eleven Board Members are women; they do not receive a monthly salary, but do receive allowances for meeting purposes.

The Board conducts regular meetings on the 17th of each month. In those meetings all the members’ applications for loan are analysed and approved or not. In addition the Board members discuss other issues, like training and other services to provide to the cooperative members. In response to challenges in the management, it has been observed that Board should facilitate a more fluid turn over of its members.

d. Relation of the SFACL Khaireni Parsha with the NACCFL

More than 90% of the registered SFACL in Nepal are associated with the NACCFL, which is the umbrella organization that nowadays is comprised of more than 615 affiliated cooperatives, covering 68 districts (out of the total 75) existing in Nepal.

The relationship between the SFACL and the NACCFL is very strong and the NACCFL provides different kind of services to the cooperatives, mainly: market access, processing of products, linkages with private companies, fertilizers and seeds, capacity building and trainings, support for the elaboration of business plans, advocacy with the government on small farmers’ development issues. The trainings provided to the Primary Cooperatives focus on: Cooperative Management, Account Management, Business Plan Preparation, Leadership Development, and Finance and Portfolio Management. The central federation undertakes the monitoring of all the affiliated cooperatives providing tailored support adapted to the specific needs of each affiliated cooperative.
The linkages between the Primary cooperatives at VDC level and the central Federation normally pass through the District Federation (please refer to figure 3). This is the unit at District level, which provides the official registration of the cooperative in the Federation. However the primary cooperatives have direct relations with the Central Federation, benefiting from the services it provides.

In order to become a member of the Federation a primary cooperative should have the following criteria: i) established for least 2 years; ii) at least 375 members; iii) be able to pay 10,000 Nepalese rupees as initial fee; iii) be able to pay 5000 Nepalese rupees per year as service fee. The request for affiliation should come from the District Union and the Central board of the Federation will approve or not the request.
NACCFL:
The Nepal Agriculture Co-operative Central Federation Ltd. (NACCF) is the umbrella organization of Small Farmer Agro Cooperative Limited (SFACL) and similar other agriculture cooperatives. SFACL are agricultural micro-finance cooperatives, which are fully owned and managed by the local community. They have their origin in the Small Farmers Development Program (SFDP), which has been implemented by the Agricultural Development Bank Ltd. (ADBL) since 1975. It was the first target group approach program, specifically designed for small and marginal destitute in rural areas. SFDP was an integrated program that consisted of loan and saving services, social mobilization and leadership development. Its impact on the life quality of the targeted people was very rapid and effective: they became more educated, skilled and empowered through the SFDP. Consequently, they requested from ADBL to hand over the SFDP’s management to their own Small Farmers Agro-Cooperatives (SFACL), a unique micro-finance cum social mobilization model in Nepal. A systematic approach was used for the transformation of the SFDP with the help of GTZ, who assisted throughout the whole process (institutional development, capacity enhancement of cooperative workers/leaders and coordination with the line agencies). Since 1993, ADBL has been gradually handing over the SFDP to SFACLs.

Increasing numbers of SFACLs faced different sets of problems, such as gaining access to markets, acquiring new technical and management skills, obtaining loan and credit services, etc. Subsequently, they decided to fight poverty by federating their cooperatives into a strong network. According to the Cooperative Act of Nepal, cooperative networks should be organized in five tiers: primary cooperatives, subjective federation, district cooperative federation, central subjective cooperative federation and national cooperative federation. In 1997, SFACLs federated into a subjective federation at the district level according to the Act.

After more than a decade’s working in district level, need of central federation was realized to cater SFACLs working in different part of the country. Some of the cooperative leaders working in district level initiated for registration of SKBKS. Once SKBKS was registered in 2008, it never looked back. It continued to expand its representation throughout all the regions in Nepal in order to offer services to a maximum of households. As a result, as of 2014, there are 611 SFACLs in 68 districts across the country for a total of over 615000 members. SKBKS is steady looking forward to enlarge its network so that it can improve the range of financial and non-financial services offered to the member cooperatives.

With the mission to provide appropriate non-financial services to the member organization for their institutional development and for the socio-economic development of the small farmers and deprived class people, the NACCF has three fixed objectives; capacity building, policy advocacy and expansion of the cooperatives network. In collaboration with district level federations, the NACCFL facilitates the provision of non-
financial services such as training, technical support, enterprise development, replication of successful SFACL’s, market linkage, networking and lobbying for the SFACL’s.

The NACCF and SFACL’s have made significant achievements so far. These institutions have achieved substantial, and steadily increasing, growth in membership, savings and assets, as well as improving the accessibility of micro-finance services in rural and remote villages and contributing to the overall socio-economic development of society. All of these results demonstrate the SFACL systemic approach as an effective micro-finance model to provide financial and non-financial services on a sustainable basis, and which alleviate poverty.

**Establishment of Small Farmers Development Bank**

The transformation of SFDP into SFCLs reflects an increasing trend. The need of a micro-finance development bank was realized to continuously provide financial and non-financial services to these institutions, and also to supervise and build their institutional capacities. In catering to these requirements, SFDB was established in 2001. It is a ‘D’ class financial institution with equity investments of SFCLs, the Government of Nepal (GoN), two commercial banks and ADBL.

SFDB has set itself up as an exemplary model in the formation process, by allowing for representation of self-empowered institution of small farmers. This bank has been continuously fulfilling the credit needs of SFCLs and other partner cooperatives by mobilizing share capital, savings, and loans from commercial banks, funds from donor agencies, and the resources provided by the Government of Nepal (GoN). Along with this, it has also started replication programs to increase outreach, livestock insurance, social and community based programs and institutional capacity building program in coordination with the GoN and other international supporting agencies. As of July 2014, the number of partner institutions of this bank has reached 438; among them are 367 SFCLs and 73 other micro-finance institutions.

e. Services and activities

The core activity of the Khaireni cooperative is the provision of financial services, as well as non-financial services to its members. Since the very beginning, as per the financial services, the Khaireni cooperative has promoted a culture of saving and loans investment amongst its members.

Apart from the group savings, the cooperative also provides other kinds of savings to its members, including: Child Box Savings, Piggy Box Saving, Old Age Savings. The Khaireni cooperative also takes care of the welfare of its members in the face of emergencies such as death and natural calamities. Every month the Board Committee approves new loan proposals submitted by its members. Different kinds of loans can be provided for several reasons, the most common being: commercial farming and business development (cow farming, livestock rearing, chicken rearing, small enterprise raising,
pig rearing, banana cultivation, fish cultivation, duck rearing, etc); economic support for migration abroad; and home improvements.

Other kinds of services are also provided to its members, some of these are: Livestock Insurance Programme; Technical and social trainings in several fields (house wearing, hair cutting, health issues, therapy, banana farming, etc.); delivery service programme; remittance service; youth employment; women leadership development programme; and health programme.

5. Success Stories

Janak Shiwakoti and his family
Janak is 23 years old, and lives in Khaireni with his mother, two sisters, one brother and one cousin. The family migrated to this area 20 years ago from the Northern area of Kathmandu, attracted by the potential farming activities of the Chitwan District. The family have successfully carried out two entrepreneurial activities; one is related to cow farming and another is related to organic agriculture. The family’s uncle donated them a small cow (now fondly called “the motivating cow”), which gave the son, Janak the idea to start up a cow farming activity.
Janak’s mother, who was a proud member of the cooperative for the past 8 years, applied for a loan of one million rupees through the cooperative and the family started to develop Janak’s idea. Today, they have a total of 33 cows, which are used for milk production. The families neighbours have also been motivated, to also start cow farming businesses. All together they collect 350 litres per day, which are then sold at 40 rupees per litre (150 litres come from the families own cows and the rest from their neighbours). Janak has also purchased a small tractor to collect the milk from the neighbours, so they can sell it altogether. In addition, the family has started an organic farming project, where they have leased an area of land that they use to produce different kind of vegetables, including cauliflowers, beans, tomatoes, peas and other vegetables. Janak, with the support of his family is now preparing two business plans - one for each of his development business projects, aimed at expanding the two activities. Janak’s mother intends to ask for new loans to the cooperative as well as to the Federation, in order to support the future plans of the family business. Janak himself has participated in a previous Learning Route in Nepal organized by PROCASUR, and then thanks to the contacts he got from this learning experience, he could visit Thailand where he learned many interesting issues about cow farming. His mother says “we were so poor, there was no money for us. We had difficult times in the past, now I feel so lucky to have this son, and look at my family. We all feel good, the cooperative provides many trainings, and also about how to save and how to ask for loans”.

**Arigopal’s example of integrated business development**

Arigopal started his integrated business activity three years ago with a small fish pond. He then decided to integrate both pig and duck production. The three activities are interrelated and complementary.

Thanks to his wife who is a member, he received a loan from the cooperative. As a first instalment he received a loan of 8,000 Nepalese rupees, followed by a second instalment of 300,000 Nepalese Rupees – of which he has nearly fully re-paid. The interest rate for the loans is very low, corresponding to about 9%.

Arigopal originated from another District; he has migrated here with his wife, two daughters (both already married) and three sons. In the beginning it was very hard, but nowadays the business is going very well and he has increased his initial income.

The biggest impact on the livelihood of his family is the increased life conditions and his ability to provide better education for his children. He hopes to enlarge this business with the continued support provided by the Khairheni cooperative.
6. Key success factors and Conclusions

During the systematization of the experience undertaken by PROCASUR, the members of the Khaireni cooperative highlighted key success factors as well as the impacts and changes they have observed in the livelihood of its members thanks to the activities of the cooperative in their community.

One of the major changes, concerns the empowerment of women in the area: nowadays women have an increased role in the family since they have started to manage money; they are more autonomous and economically independent; some of them have even started entrepreneurial activities, thanks to the support of the cooperative. Moreover they have acquired an increased capacity to speak and share their knowledge with their family members; their literacy level has increased thanks to several trainings provided by the cooperative; they now own land in their own names and their self esteem has increased, vastly improving their personal development as human beings. The cooperative has also prompted changes in the role of women as leaders and managers of the cooperative. All the Board’s members are women and they have improved their decision-making skills, and their capacity for working together. Therefore the changes in the role of women are not only economical, but also social and cultural.

According to the women’s perspective, the key success factors for the women’s empowerment have been the following: i) voluntary and open membership system of the cooperative ii) democratic control by its members; iii) economic disbursement of the members; iv) autonomous and independent role of women; v) education training and information, vi) mutual cooperation amongst members.

As per the encouragement of new business development activities, the members highlighted the following positive impacts: i) the positive thinking with respect to start up new business ii) the cohesion in the group of members; iii) the improved skills to prepare business plans and the capacity to implement them; iv) the increase of the work efficiency; v) the improvement of their income.

As a conclusion, it can be observed that the Khaireni cooperative, under the umbrella of the NACCFL, represents a very good example of a well-managed cooperative, providing opportunities for development to the poor with tangible effects on the empowerment of women.

Through a systemic approach and an effective micro-finance model, “Sana Kisana” (please refer to figure 4) the poorest farmers - are the main target of this experience and
the main actors at the same time. Groups of farmers are responsible for individual loans, and as a group, they monitor the success of the loans provided to the members.

The loans are provided only to women, but it is in fact the whole family who benefit from the financial support provided by the cooperative, facilitating development within the family and the community.