

Annual Report 2011/12



AN INITIATIVE OF THE BLUEBERRY HILL CHARITABLE TRUST



EXECUTIVE SUMMARY

The first year of establishment of The Blueberry Hill Charitable Trust's initiative Samriddha Pahad Project has been exciting and unprecedented. Building on the research phase and the widely accepted ideas of "Mountain Finance", a small and efficient team brought together their expertise in private sector development and livelihoods strengthening to lay the foundation of the initiative. Samriddha Pahad's Mountain Finance is a unique approach designed to provide sustainable livelihoods to those living in the hills and mountains of Nepal and to attract finance from Nepali financial institutions.

Samriddha Pahad includes an independent Advisory Board comprising of relevant and complementary skills in finance, development, management and governance that will help the management team succeed in delivering quality services. On the management front, the initiative is lead by Deepak D. Khadka, a Nepali with over a decade of work experience in rural regions of Nepal on market development projects. He is supported by a multidisciplinary team with a blend of skills in finance, mountains, research, development, and policy, and is assisted by a professional investment committee that helps the team in creating appropriate working relationships with financial institutions.

On the operations side, Samriddha Pahad is currently working in 12 VDCs of Ilam and Taplejung districts through local NGO partners and with the support from a consortium of government line agencies. The Mountain Finance model takes a partnership approach to work with existing "on-the-ground" lessons and best practices in Nepal through various development agencies and local communities. It provides a solution that is cost effective, yet leverages local resources, external development and commercial investments.

Samriddha Pahad has developed a working partnership with three of Nepal's premier financial institutions and has created opportunities for these institutions to engage with local community institutions in a commercially viable manner. These linkages are expected to benefit over 1,000 new community members who will have access to finance and can create new livelihoods opportunities.

Currently, Samriddha Pahad is developing and updating its five-year business plan based on feasible and practical challenges of project implementation in the mountains and hills of Nepal. The goal is to reach out to over 130,000 people within the next five years and build a repository of skills and knowledge on how the constraints faced by the hill and mountain communities could be addressed through a market-oriented approach that is sustainable, and creates lasting positive impact in the livelihoods of these communities.



OUR PRESENCE

Samriddha Pahad's Presence in Nepal

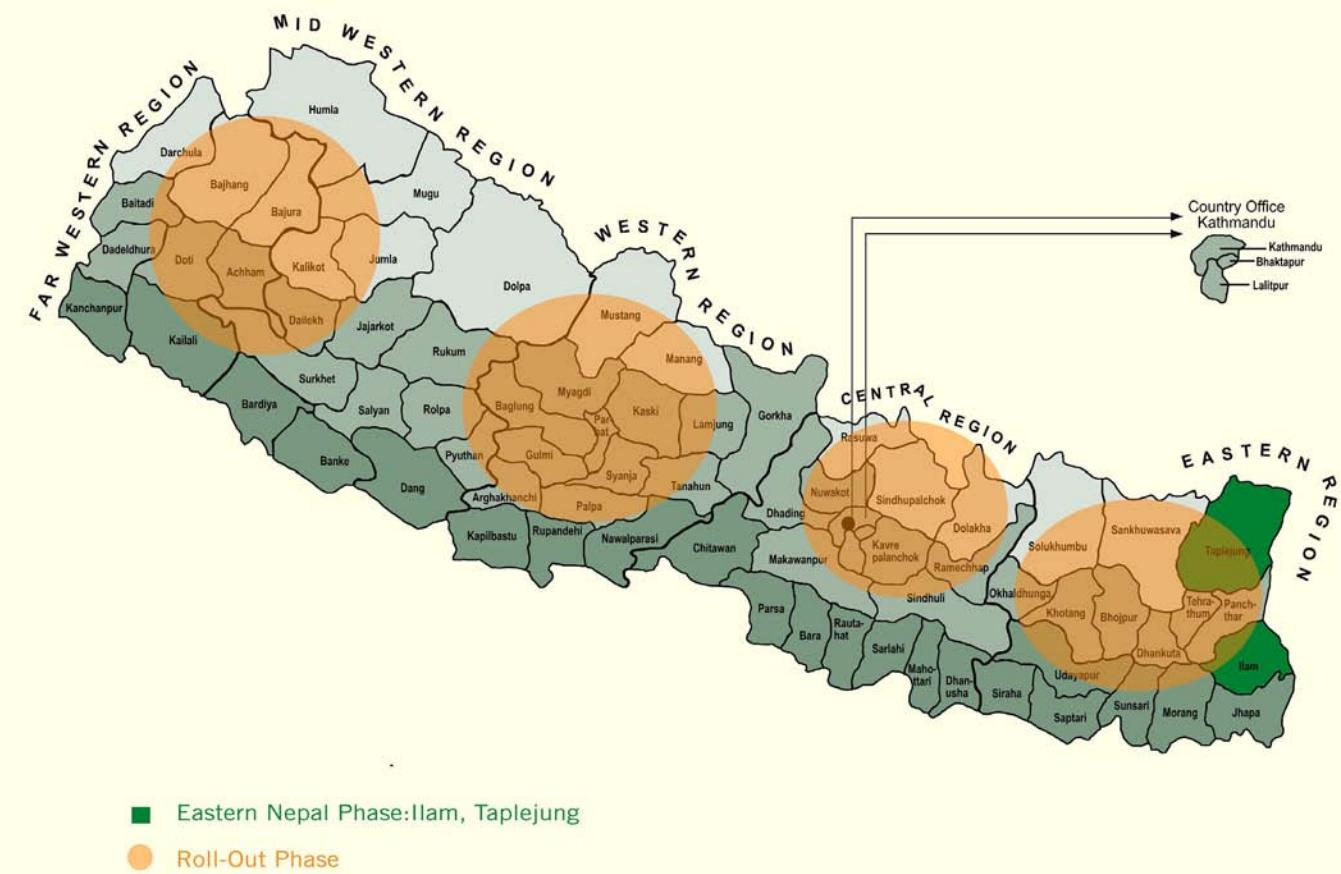




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INTRODUCTION

Samriddha Pahad's vision is to improve the livelihoods of mountain communities through sustainable access to finance linked with appropriate livelihood opportunities and local institutional strengthening.

Samriddha Pahad's strategic mission is to become a catalyst to promote systemic private sector development in the rural and remote hills and mountains of Nepal. It aims to bring together local communities and financial service providers to extend access to formal financial services to low-income households and micro enterprises.

Samriddha Pahad seeks to improve the livelihoods of more than 130,000 people (25,000 households) in Nepal's most remote and rural hills and mountains districts.

Samriddha Pahad is a project of **The Blueberry Hill Charitable Trust**, a registered UK Charity (registration number 1096665). In Nepal, The Blueberry Hill Charitable Trust has been affiliated with The Social Welfare Council as an International NGO since June 2011 with the objective of building sustainable access to finance in the remote and rural hills and mountains of Nepal.

INITIATING SAMRIDDHA PAHAD IN NEPAL

Compliance, Registration and Organizational Set-up

General Agreement with the Government of Nepal

In 2011, The Blueberry Hill Charitable Trust signed a five-year General Agreement (GA) with the Social Welfare Council and Government of Nepal (GoN) to implement projects related to private sector development, access to finance and livelihoods strengthening in Nepal.

Project Agreement to implement Samriddha Pahad Project

In 2012, The Blueberry Hill Charitable Trust signed a two-year Project Agreement (PA) with the Social Welfare Council and received approval from the Ministry of Women, Children and Social Welfare (MoWCSW) and the Government of Nepal to implement the Eastern phase of Samriddha Pahad's projects in Ilam and Taplejung districts.

The Nepal Country Office for The Blueberry Hill Charitable Trust is located in Chakupat of Lalitpur District (within the Kathmandu valley), and the two Project Management Unit (PMU) offices are located at the field sites of Ilam and Taplejung.

The Trust has received full compliance from all GoN required entities:

- The District Development Committees in both the districts have provided pre-consensus letters
- The Internal Revenue Department from the Ministry of Finance has provided a Permanent Account Number (PAN Number)
- Local government line agencies have agreed to project implementations during district inception meetings, and District Project Advisory Committees (DPACs) have been formed
- Membership with the Association of International NGOs (AIN) has been approved since August 2011





GOVERNANCE AND MANAGEMENT

Advisory board

Samriddha Pahad includes an independent Advisory Board comprising of relevant and complementary skills in finance, development, management and governance that will help the management team succeed in delivering quality services.

Mr. Graham Wrigley, Founder and Chairman of the board, has a wealth of international experience in both the finance and development sector. He is a founding partner at Permira, a USD 25 billion private equity firm and he has worked on the private sector development initiatives in low-income countries over the last seven years. He has longstanding ties with Nepal, and has been involved since 1985 as the Deputy Chair of The Himalayan Trust.

Samriddha Pahad is delighted to have on the advisory board, Mr. Rameshore P. Khanal, former secretary of the Ministry of Finance and current economic advisor to the Honourable Prime Minister of Nepal, and Mr. Shankar Man Shrestha, CEO of Rural Microfinance Development Center and a micro-finance practitioner with over 3 decades of experience in Nepal.

Management team

The guiding ethos for Samriddha Pahad's internal governance is to remain a Nepali organization with the aspiration of operating as world-class in all respects. In this regard, the project is led by Deepak D. Khadka, a Nepali with over a decade of experience working in rural regions of Nepal on market development projects funded by DFID, EC, USAID and other multilateral donors. He is supported by a multidisciplinary team with a blend of skills in finance, mountains, research, development, and policy, and is assisted by a professional investment committee that helps the team in creating appropriate working relationships with financial institutions.

PROGRAM IMPLEMENTATION

Site selection

Since 2011, Samriddha Pahad's management team conducted thorough regional assessments of Nepal's Eastern, Western and Far Western development regions with the objective of identifying areas with high poverty, but also high potential for economic development in order to "crowd-in" commercial service providers. These field researches were conducted in close coordination with development partners and national financial institutions.

By mid 2011, two districts, Ilam and Taplejung were chosen in the Eastern Region, and clusters of remote VDCs beyond district HQs were identified as project locations. These areas have high poverty, but a strong potential for economic development opportunities in dairy, small livestock, vegetables, spices and NTFPs sectors.

Partnerships

Nepal currently has more than 30 class 'A' commercial banks and over 200 financial institutions, most of which are well capitalized and have deprived sector lending (DSL) obligations based on Nepal Rastra Bank's requirements. Samriddha Pahad is not striving to create another bank, but to develop capabilities across all banks to invest in Mountain areas.



Samriddha Pahad's team conducted various road shows with financial institutions that highlighted Mountain Finance as a commercially viable solution to increase access to finance among the remote communities in the mountains and hills of Nepal. Samriddha Pahad has partnered with three financial institutions -Rural Micro Finance Development Center (RMDC), NMB Bank and Janata Bank Limited for the Eastern Region phase to provide "wholesale" loans and relevant financial products to eligible community institutions.

In addition to having commitments from Financial Institutions, Samriddha Pahad partnered with two local NGOs in Ilam and Taplejung to implement projects at the local level. Both NGOs, Mahila Jagaran Sangh in Ilam and Environment Conservation Development Forum in Taplejung are considered to be leading development agencies with valuable field experiences. The selection process was conducted in consultation with the District Development Committee and local line agencies.

At the district level, Samriddha Pahad has been able to form District Project Advisory Committees comprising of representatives from key government line agencies and chaired by the Local Development Office (LDO) from the DDC. These committees will help Samriddha Pahad to integrate its activities with other existing development initiatives on the field.



Identification and preparation of Community Institutions

One of Samriddha Pahad's key focus areas is to strengthen Community Institutions (CIs) to deliver "wholesale" finance through Samriddha Pahad's financial partners. This includes identifying appropriate CIs in rural and remote communities - areas with high poverty and exclusion, but also potential for economic growth. Samriddha Pahad provides institutional assessments, focused capacity building activities, management and financial literacy trainings to help initiate micro enterprises and link the enterprises to viable market opportunities. In order to maximize efficiency, Samriddha Pahad leverages existing development initiatives and actively seeks opportunities to work with reliable partners.

Within the past year, Samriddha Pahad mapped 434 co-operatives in Ilam and 58 cooperatives and 181 informal groups in Taplejung., out of which, a total of 39 co-operatives from Ilam, 15 cooperatives from Taplejung, and 45 informal groups from Taplejung were selected for detailed screening and assessments.

In early 2012, Samriddha Pahad's partner financial institutions conducted thorough assessments of 16 cooperatives in Ilam and Taplejung and 11 informal groups in Taplejung. Based on the initial assessments, a total of 8 cooperatives were invited to complete the application form and proceed ahead with the documentation.

This process expects to facilitate linkages between cooperatives and financial institutions to provide USD 180,000 in loan disbursements to over 1,000 new clients in remote areas of Ilam and Taplejung.

**Assisting Financial Institutions to develop appropriate products and services**

A key area of partnership is for Samriddha Pahad's team to thoroughly understand the banks' requirements, which includes understanding the risk and credit appraisal processes, assisting in design of financial services appropriate for communities in the mountains and hills, and most importantly creating community level demand for the bank's priority lending objectives.

Samriddha Pahad has assisted partner financial institutions in liaising with local communities and creating tailored financial products and services, which include streamlining loan application forms, facilitating documentation and application process, and creating strong monitoring and evaluation systems in the ground.





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SAMRIDDHA PAHAD PROJECT**

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