

ASIAN DEVELOPMENT BANK

PCR:NEP 25088

PROJECT COMPLETION REPORT

ON THE

MICROCREDIT PROJECT FOR WOMEN
(Loan 1237-NEP[SF])

IN

NEPAL

September 2003

CURRENCY EQUIVALENTS

(as of February 2003)

Currency Unit – Nepalese rupee/s (NRs/NRs)

| | | At Appraisal | At Project Completion |
|---------|---|---------------------|------------------------------|
| | | April 1992 | February 2003 |
| NRs1.00 | = | \$0.023 | \$0.013 |
| \$1.00 | = | NRs42.7 | NRs78.0 |

ABBREVIATIONS

| | | |
|------|---|---|
| ADB | – | Asian Development Bank |
| DWD | – | Department of Women Development |
| EA | – | executing agency |
| EIRR | – | economic internal rate of return |
| FI | – | financial intermediary |
| FIRR | – | financial internal rate of return |
| FY | – | fiscal year |
| NGO | – | nongovernment organization |
| NRB | – | Nepal Rastra Bank |
| PCR | – | project completion review/report |
| RMDC | – | Rural Microfinance Development Center |
| RSRF | – | Rural Self Reliance Fund |
| SCC | – | saving and credit cooperative |
| TA | – | technical assistance |
| WDS | – | Women Development Section (district level of DWD) |
| WDO | – | Women Development Officer |

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends. For example, FY2000 ended on 15 July 2000.
- (ii) In this report, "\$" refers to US dollars.

CONTENTS

| | Page |
|--|-------------|
| BASIC DATA | ii |
| MAP | vi |
| I. PROJECT DESCRIPTION | 1 |
| II. EVALUATION OF DESIGN AND IMPLEMENTATION | 2 |
| A. Relevance of Design and Formulation | 2 |
| B. Project Outputs | 3 |
| C. Project Costs | 8 |
| D. Disbursements | 8 |
| E. Project Schedule | 9 |
| F. Implementation Arrangements | 9 |
| G. Conditions and Covenants | 11 |
| H. Technical Assistance | 11 |
| I. Consultant Recruitment and Procurement | 12 |
| J. Performance of Consultants, Contractors, and Suppliers | 12 |
| K. Performance of the Borrower and the Executing Agency | 12 |
| L. Performance of ADB | 12 |
| III. EVALUATION OF PERFORMANCE | 13 |
| A. Relevance | 13 |
| B. Efficacy in Achievement of Purpose | 13 |
| C. Efficiency in Achievement of Outputs and Purpose | 14 |
| D. Preliminary Assessment of Sustainability | 14 |
| E. Environmental, Sociocultural, and Other Impacts | 15 |
| IV. OVERALL ASSESSMENT AND RECOMMENDATIONS | 15 |
| A. Overall Assessment | 15 |
| B. Lessons Learned | 16 |
| C. Recommendations | 16 |
| APPENDIXES | 18 |
| 1. Project Outputs | 18 |
| 2. Actual Project Costs | 22 |
| 3. Cumulative, Yearly, and Quarterly Loan Disbursements | 23 |
| 4. Project Schedule | 26 |
| 5. Credit Delivery and Recovery Mechanisms | 27 |
| 6. Compliance of Loan Covenants | 29 |
| 7. Major Equipment and Vehicles Procured under the Project | 36 |
| 8. Employment Generation | 37 |
| 9. Financial and Economic Analysis | 38 |
| 10. Overall Assessment | 45 |
| SUPPLEMENTARY APPENDIXES | |
| A. Financial Analysis of 15 Subprojects | |
| B. Economic Analysis of 15 Subprojects | |
| C. Details of Project Rating | |

BASIC DATA

A. Loan Identification

| | | |
|----|----------------------------------|--|
| 1. | Country | Nepal |
| 2. | Loan Number | 1237-NEP(SF) |
| 3. | Project Title | Microcredit Project for Women |
| 4. | Borrower | Kingdom of Nepal |
| 5. | Executing Agencies | Department of Women Development Nepal Rastra Bank |
| 6. | Amount of Loan | SDR3,544,000 (equivalent to \$5.0million at the time of appraisal) |
| 7. | Project Completion Report Number | PCR:NEP 740 |

B. Loan Data

| | | | | |
|----|----------------------------------|-----------------------------|------------------------------|----------------------|
| 1. | Appraisal | | | |
| | – Date Started | 22 March 1992 | | |
| | – Date Completed | 7 April 1992 | | |
| 2. | Loan Negotiations | | | |
| | – Date Started | 19 May 1993 | | |
| | – Date Completed | 20 May 1993 | | |
| 3. | Date of Board Approval | 24 June 1993 | | |
| 4. | Date of Loan Agreement | 16 September 1993 | | |
| 5. | Date of Loan Effectiveness | | | |
| | – In Loan Agreement | 15 December 1993 | | |
| | – Actual | 15 December 1993 | | |
| | – Number of Extensions | None | | |
| 6. | Closing Date | | | |
| | – In Loan Agreement | 30 June 2000 | | |
| | – Actual | 30 June 2002 | | |
| | – Number of Extensions | 1 | | |
| 7. | Terms of Loan | | | |
| | – Interest Rate | 1% | | |
| | – Maturity (number of years) | 40 | | |
| | – Grace Period (number of years) | 10 | | |
| 8. | Terms of Relending | | | |
| | – Interest Rate | 3% | | |
| | – Maturity (number of years) | 16 | | |
| | – Grace Period (number of years) | 3 | | |
| | – Second-Step Borrower | Nepal Rastra Bank | | |
| 9. | Disbursements | | | |
| | a. Dates | | | |
| | | Initial Disbursement | Final Disbursement | Time Interval |
| | | 14 November 1994 | 17 October 2002 | 7 years, 11 months |
| | | Effective Date | Original Closing Date | Time Interval |
| | | 15 December 1993 | 30 June 2000 | 6 years, 6 months |

b. Amount (SDR '000)

| Category | Original Allocation | Last Revised Allocation | Amount Canceled | Net Amount Available | Amount Disbursed | Undisbursed Balance |
|--|---------------------|-------------------------|-----------------|----------------------|------------------|---------------------|
| Credit Facilities | 2,549 | 2,549 | (321) | 2,228 | 2,281 | (53) |
| Civil Works | 381 | 381 | (381) | 0 | 0 | 0 |
| Equipment and Furniture | 163 | 163 | (120) | 43 | 39 | 4 |
| Incremental Administration and Operating Costs | 298 | 298 | 0 | 298 | 319 | (21) |
| Service Charge During Implementation | 36 | 36 | 0 | 36 | 36 | 0 |
| Unallocated | 117 | 117 | (1) | 116 | 0 | 116 |
| Total | 3,544 | 3,544 | (823) | 2,721 | 2,675 | 46 |

| | |
|--------------------------------|-------|
| 10. Local Costs (Financed) | |
| - Amount ¹ (\$'000) | 3,871 |
| - Percent of Local Costs | 53 |
| - Percent of Total Cost | 35 |

C. Project Data

1. Project Cost (\$'000)

| Cost | Appraisal Estimate | Actual |
|-----------------------|--------------------|---------------|
| Foreign Exchange Cost | 3,860 | 3,811 |
| Local Currency Cost | 5,770 | 7,352 |
| Total | 9,630 | 11,163 |

2. Financing Plan (\$'000)

| Cost | Appraisal Estimate | Actual |
|--|--------------------|---------------|
| Implementation Costs | | |
| HMGN-Financed | 830 | 417 |
| ADB-Financed | 4,950 | 3,646 |
| ADB Grant | 900 | 1,021 |
| Norway Grant | 2,000 | 2,965 |
| Participating Banks ² /NGOs | 450 | 2,500 |
| Beneficiaries | 450 | 564 |
| Total | 9,580 | 11,113 |
| IDC Costs | | |
| Borrower-Financed | 0 | 0 |
| ADB-Financed | 50 | 50 |
| Total | 9,630 | 11,163 |

ADB = Asian Development Bank, HMGN = His Majesty's Government of Nepal, IDC = interest during construction, NGO = nongovernment organization.

¹ Including grant financed local currency cost under TA 1903-NEP: *Group Formation and Training of Women Beneficiaries* and TA 1904-NEP: *Institutional Support to NGOs*.

² Participating banks were two commercial banks: Nepal Bank Limited and Rastriya Banijaya Bank.

3. Cost Breakdown by Project Component (\$'000)

| Component | Appraisal Estimate | Actual |
|--|--------------------|---------------|
| A. Group Formation and Training | | |
| 1. Group Formation | 82 | 70 |
| 2. Training of Beneficiaries | 512 | 395 |
| 3. Training of Trainers/Officers | 18 | 26 |
| 4. Consulting Services | 288 | 530 |
| Subtotal (A) | 900 | 1,021 |
| B. Rehabilitation of WTCs and TMPC | | |
| 1. Civil Works | 842 | 0 |
| 2. Furniture and Equipment | 267 | 0 |
| Subtotal (B) | 1,109 | 0 |
| C. Institutional Support to NGOs | | |
| 1. NGO and Training Needs Surveys | 92 | 117 |
| 2. Direct Support to NGOs | 430 | 1,348 |
| 3. Consultant Services | 1078 | 970 |
| 4. NGO Support Unit | 322 | 445 |
| 5. Administration/Operation Cost | 78 | 85 |
| Subtotal (C) | 2,000 | 2,965 |
| D. Provision of Credit | | |
| 1. Agricultural Production Credit | 2,550 | 3,970 |
| 2. Cottage Industry Credit | 1,435 | 160 |
| 3. Small Business Credit | 508 | 2,082 |
| Subtotal (D) | 4,493 | 6,212 |
| E. Incremental Administrative and Operating Costs | 1,078 | 915 |
| F. Service Charge during Implementation | 50 | 50 |
| Total | 9,630 | 11,163 |

DWD = Department of Women Development, NGO = nongovernment organization, TMPC = Training Materials Production Center, WTC = Women Training Center.

4. Project Schedule

| Item | Appraisal Estimate | Actual |
|--|--------------------|----------|
| Consulting Services | | |
| Start of Services | Jun 1994 | Mar 1994 |
| Completion of Services | Jun 2000 | Aug 2002 |
| Equipment and Supplies | | |
| First Procurement | Jun 1996 | Jan 1995 |
| Last Procurement | Dec 1997 | Jun 2002 |
| Project Implementation Units | | |
| Beginning of Start-Up | Mar 1994 | Mar 1994 |
| Completion | Jun 2000 | Aug 2002 |
| Other Milestones | | |
| First Partial Cancellation | | Aug 1996 |
| Loan Reallocation | | Sep 1996 |
| Extension of Loan Closing Date | | Mar 2000 |
| Final Cancellation of Undisbursed Loan Balance | | Oct 2002 |

5. Project Performance Report Ratings

| Implementation Period | Ratings | |
|---------------------------|---------------------------|-------------------------|
| | Development Objectives | Implementation Progress |
| From Jan 1999 to Dec 1999 | Highly Satisfactory | Satisfactory |
| From Jan 2000 to Dec 2000 | Highly Satisfactory | Satisfactory |
| From Jan 2001 to Feb 2001 | Satisfactory ³ | Satisfactory |
| From Mar 2001 to Dec 2001 | Highly Satisfactory | Satisfactory |
| From Jan 2002 to Jun 2002 | Highly Satisfactory | Satisfactory |

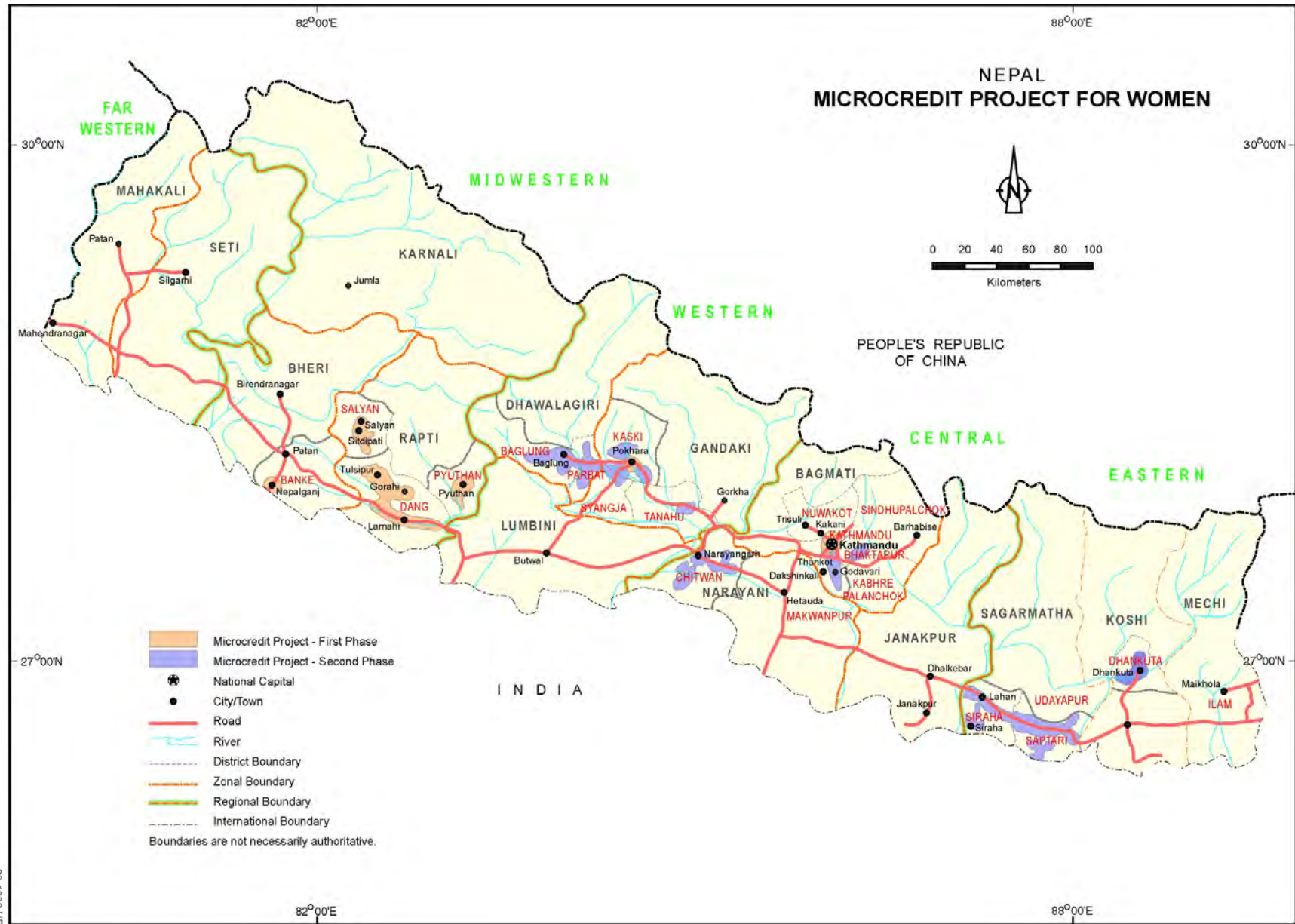
D. Data on Asian Development Bank Missions

| Name of Mission | Date | No. of Persons | No. of Person-Days | Specialization of Members ^a |
|--|-------------------------|----------------|--------------------|--|
| Appraisal | 22 Mar–7 Apr 1992 | 6 | 96 | a, b, c, e, i, j |
| Follow-up Appraisal–1 | 25 Nov–9 Dec 1992 | | | |
| Follow-up Appraisal–2 | 1–14 Feb 1993 | | | |
| Project Inception | 1–8 Dec 1993 | | | |
| Review–1 | 25 Aug–5 Sep 1994 | 1 | 11 | a |
| Review–2 | 7–15 Aug 1995 | 2 | 16 | c, f |
| Review–3 | 9–12 Mar 1996 | 3 | 9 | c, f, g |
| Review–4 | 15–23 Sep 1996 | 2 | 16 | c, g |
| Midterm Review–5 | 14–25 July 1997 | 2 | 22 | h, i |
| Review–6 | 9–19 Mar 1998 | 1 | 10 | h |
| Review–7 | 5–15 Oct 1998 | 1 | 10 | h |
| Review–8 | 12–16 Apr 1999 | 1 | 4 | f |
| Review–9 | 6–28 Dec 1999 | 3 | 66 | h, f, k |
| Review–10 | 23 Oct –3 Nov 2000 | 2 | 22 | h, f |
| Review–11 | 26 Dec 2001–18 Jan 2002 | 2 | 46 | h, l |
| Review–12 | 31 May–11 Jun 2002 | 2 | 22 | h, l |
| Project Completion Review ^b | 26 Dec 2002–12 Feb 2003 | 3 | 125 | l, m, n |

^a a - senior agronomist, b - project specialist, c - project economist, d - program officer, e - counsel, f - project implementation officer, g - project administration specialist, h - project administration/implementation officer, i - microcredit specialist (staff consultant), j - institutional development specialist (staff consultant), k - loan administration consultant, l - project officer, m - external relation and civil society liaison officer, n - microcredit specialist/economist (staff consultant).

^b The project completion report was prepared by Laxmi Sharma, project officer, Nepal Resident Mission.

³ The project progress slowed down during the initial period of about 10 months of the project extension period due to delay in hiring of a new Team Leader/Microfinance Specialist and two individual consultants.



I. PROJECT DESCRIPTION

1. Poverty reduction was the main goal of the Seventh Five-Year Development Plan (FY1985–FY1990) of His Majesty's Government of Nepal (the Government). The Plan acknowledged the importance of women in the development process in relation to poverty reduction, and the Government therefore requested the Asian Development Bank (ADB) for assistance to prepare the Microcredit Project for Women (the Project) specifically targeting women. During the formulation of the Project, implementation of the Eighth Five-Year Plan (FY1992–FY1997) commenced. It too gave high priority to women in relation to poverty reduction, and recognized that economic development would not be possible without their active involvement. Accordingly, the Project was prepared to complement and supplement the Government's programs. The appraisal found that the major constraints affecting programs supporting women were the physical and financial limitations of the related government institutions and lack of effective modalities for delivery of the credit to the poor. To overcome these constraints, the Project was designed to serve initially as a pilot program to develop alternative mechanisms for delivery and recovery of microcredit involving nongovernment organizations (NGOs). After the extended preparatory phase, ADB approved the Project on 24 June 1993. There were two project executing agencies (EAs)—the Department of Women Development¹ (DWD) and the Nepal Rastra Bank (NRB), the central bank of Nepal.

2. The overall goal of the Project was to help improve the socioeconomic status of women in Nepal, promote their participation and integration in national development, and contribute toward poverty reduction. In order to contribute to the sector goal, the objective of the Project was to improve income and employment of poor women in selected rural and urban areas. The Project comprised three components:

- (i) **Group Formation and Training of Women Beneficiaries.** This included (a) social preparation and skills training of women beneficiaries to equip them for income-generating activities, running small enterprises, and/or to gain remunerative employment, and (b) rehabilitation and improvement of the three existing women training centers and a training materials production center to support staff and beneficiary training efforts.
- (ii) **Institutional Support to NGOs.** This included surveys of NGOs; support for training; strengthening of management, accounting, and reporting functions; and development of expertise to enable NGOs to act as effective financial intermediaries (FIs).
- (iii) **Provision of Credit to Women.** This was provided to women who had received appropriate skills training for agricultural production, micro-enterprises, and small business creation.

3. The anticipated outputs included: (i) training of about 20,000 women; (ii) rehabilitation of four training centers; (iii) agriculture production credit to about 10,500 women, micro-enterprise credit to about 300 women, and small business promotion credit to about 300 women; (iv) increased self-reliance among women; (v) disbursement of \$3.6 million credit to women beneficiaries; and (vi) strengthening of the financial, managerial, technical, and operational

¹ The EA at the beginning of the Project was the Women Development Division. In 2000, it was renamed the Department of Women Development.

capacities of selected NGOs leading to graduation of about 20 NGOs as FIs.² To assist with achieving the outputs, the Project was supported by two technical assistance (TA) activities to prepare and support women beneficiaries to utilize the project benefits.³

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. The Project's design and formulation were consistent with the Government's strategy enunciated in the Eighth Plan, which for the first time outlined its women in development policies. These included (i) equal and meaningful participation of women in the development process; (ii) raising employment opportunities for women in the economic and social sectors; (iii) expansion of women's access to credit, technical expertise, entrepreneurship training, and market services; (iv) encouraging the appointment of women in the government, semi-government, and nongovernment sectors; and (v) reform of laws and bylaws that hinder the development of women. The Plan also emphasized an increased role for the private sector and the NGOs. The Project served as an instrument to implement these policies and increase the role for NGOs.

5. The Project was exclusively designed to improve women's social and economic status in Nepal. It was ADB's first project in Nepal that specifically targeted women, which was consistent with the principal strategic objective of ADB operations in the country.⁴

6. The Project was formulated with full involvement of the Government, which resulted in a high level of ownership. Policy dialogue focused on the specific roles of DWD in women's program and the need to develop alternative mechanisms involving NGOs for delivery and recovery of microcredit. The Project was prepared over an extended period of about 2 years because of a need to (i) assess the performance of related government initiatives, and implementation capacities of the agencies responsible for development of women, and (ii) to consult with various development partners, civil society, and NGOs. Various development partners and a number of NGOs were consulted when formulating the Project's objective, scope, financing plan and implementation arrangement.

7. Project formulation took into consideration lessons learned from the Production Credit for Rural Women⁵ and Second Small Farmers Development Project.⁶ The key lessons learned were: (i) the number of project components should be small and manageable; (ii) adequate field staff should be appointed and trained to supervise project activities; (iii) the women development officers (WDOs)⁷ and other field staff should not be overburdened with implementation responsibilities because deficiencies in backup services for beneficiaries impede project implementation; (iv) field staff should be closely supervised by staff from the headquarters; and (v) mobilization of savings should be made an integral part of the credit

² NGOs that received a license from NRB to provide microfinance services and that were governed by the Financial Intermediary Act 1998.

³ ADB. 1993. *Technical Assistance to Nepal for Group Formation and Training of Women Beneficiaries*. Manila (closed on 30 June 2002), and ADB. 1993. *Technical Assistance to Nepal for Institutional Support to NGOs*. Manila (closed on 15 August 2002).

⁴ Poverty reduction through broad-based, labor-absorbing economic growth was the principal objective of the ADB's Operational Strategy in Nepal (January 1993).

⁵ Production Credit for Rural Women Program was launched by DWD in 1982 to improve the quality of life of rural women. An impact evaluation study of the Program was carried out in 1999.

⁶ ADB. 1992. *Project Completion Report on Second Small Farmers Development Project in Nepal*. Manila.

⁷ WDOs are the heads of the district-level women development sections.

component to ensure that the beneficiaries will be able to repay their loans and achieve healthy, self-reliant enterprises.

8. Lessons learned were incorporated in the project design as follows: (i) limiting the number of project components to three; (ii) selecting project districts that had adequate trained field staff (both WDOs and women workers); (iii) involving NGOs in project implementation to reduce the workload of field staff; (iv) appointing additional experienced Kathmandu-based field officers as program officers to supervise and provide technical support to the field staff; and (v) linking credit provision to a savings mobilization program among the women beneficiaries. Although the Project was designed as a pilot-learning project, DWD viewed it more as an opportunity for extending coverage of its former program to production credit for rural women. As a result, innovations were minimal during implementation of the Project.

9. The Project covered 12 districts⁸ and five towns⁹ in Nepal. The districts and towns were selected based on the following criteria: (i) a large number of women beneficiaries; (ii) deployment of one WDO and at least five women workers in each of the project districts; (iii) the presence of NGOs and participating banks, able to assist with the delivery of credit and other project services; (iv) ongoing and planned activities of other aid agencies;¹⁰ and (v) accessibility of the areas. However, selection of scattered project sites (both district and village) resulted in widely dispersed partner NGOs and clients, and a corresponding higher cost of logistics and other activities.

10. The project scope and all its components were highly relevant to achieving the project goal. However, the variety and complexity of project inputs in each component, covering scattered districts, constituted a challenge, and targets proved to be ambitious considering the duration and scope of the Project. Accordingly, the closing date was extended by 2 years from 30 June 2000 to 30 June 2002. Extension of the Project was also necessary because enactment of the Financial Intermediary Act by Parliament was delayed by almost 3 years; its enactment was a specific loan covenant because it was a prerequisite for establishment of FIs, a key target of the Project.¹¹ The complexities and time required for this process were not adequately foreseen or allowed for in the project design. The midterm review recommended new strategies including promotion of women's saving and credit cooperatives¹² (SCCs); provision of training on saving and credit management; and establishment of linkages with apex financial institutions. This further enhanced the relevance of the project design.

B. Project Outputs

11. Actual project outputs are compared with appraisal targets in Appendix 1. Physical targets have been achieved or exceeded, with 182 village development committees in 12 districts covered out of the planned total of 180 village development committees. Of the planned

⁸ Dang, Salyan, Pyuthan, Baglung, Parbat, Kaski, Chitwan, Lalitpur, Bhaktapur, Siraha, Saptari, and Dhankuta.

⁹ Nepalgunj, Pokhara/Dumre, Kathmandu/Lalitpur, Bhaktapur, and Dhankuta.

¹⁰ United States Agency for International Development, United Nations Children's Fund, United Nations Development Programme/International Labour Organisation–Training for Rural Gainful Employment; and German Technical Assistance Agency–Small Business Promotion Project.

¹¹ NGOs are registered as not-for-profit organizations under the Societies Registration Act 1978. They required registering under the Financial Intermediary Act 1998 to deliver financial services to their clients, which empowers them to work as FI-NGOs. FI-NGOs do not have a capital requirement and they are regulated by NRB.

¹² SCCs are registered under the Cooperative Act 1992, which allowed cooperatives to provide financial services to their members. Prior approval is required for a cooperative to extend these services to non-members. SCC boards consist of a chairperson, secretary, treasurer, and five members.

coverage of 20,000 women beneficiaries, 41,684 (208%) were reached through formation of 6,512 women self-help groups. This achievement was due to strong commitment of staff of the Women Development Section¹³ (WDS) and NGOs in social mobilization, and the response from beneficiaries being better than expected. Over 80% of the groups survived (some of them federated into SCCs, other were continuously served by FI-NGOs and WDS). Only groups promoted by partner NGOs who neither graduated into FI nor federated their groups into SCCs, and have no other program in the area, remained inactive.

12. Over 26,600 women beneficiaries (versus a target of 20,000) received basic training envisaged under the Project to create awareness of financial services, enterprise selection, and business finance. This was followed by vocational skills training in various productive income-generating activities and micro-enterprises for 21,360 women (154% of appraisal target of 13,800). Basic training played a key role in motivating women beneficiaries to participate in economic development initiatives, and vocational and management skills training enhanced their credit absorptive capacity. Over 79% of women beneficiaries experienced impact of training in the form of new technology adoption and use, exposure to new skills and use, strengthening of old technology, income generation, employment creation, and asset creation.¹⁴ During the Project Completion Review (PCR) Mission¹⁵ field visit, women beneficiaries clearly indicated the value of the basic and skill training, and support they received during the project period. There was some concern about the requirement of basic training to beneficiaries as a prerequisite for the credit. An assessment of beneficiary knowledge and skill may have been more beneficial for saving scarce resources.

13. Thirty-eight partners, including 29 NGOs and nine SCCs, became FIs, compared to the appraisal target of 20. Although delayed, the Project facilitated enactment of the Financial Intermediaries Act, the approval of its bylaws, and the necessary amendments to the Act.¹⁶ The Project developed 82 women SCCs, which are legal credit union-type microfinance institutions, by federating about 1,811 self-help groups (10,282 women beneficiaries).¹⁷

14. Since many of the SCCs and FI-NGOs were established toward the end of the Project, they are still at an early stage of institutional development and require further support and capacity building (see recommendations in paras. 73 to 77).¹⁸ This will require regular follow-up and supervision by staff of the concerned WDS who need additional training. As agreed with the PCR Mission, training in bookkeeping and cooperative management for newly formed SCCs is being organized by DWD. Similarly, for FI-NGOs that have acquired FI licenses lately, the Rural Microfinance Development Center¹⁹ (RMDC) will provide support as required to ensure that they

¹³ District level of DWD.

¹⁴ Household survey, July 2002.

¹⁵ The PCR Mission comprised Laxmi Sharma, project officer (Mission Leader), Nepal Resident Mission (NRM); Kavita Sherchan, external relation and civil society liaison Officer, NRM; and Nara Hari Dhakal, staff consultant.

¹⁶ The amendments included (i) redefining financial intermediation, (ii) provision of the legal right and authority to FI-NGOs to mobilize savings from its clients, (iii) ensuring that concerned NGOs had full liability for all the microfinance transactions, (iv) redefining enterprise established under FI-NGO financial support, and (v) inclusion of microfinance operation in the rights, duties, and responsibility of the FI-NGOs, etc.

¹⁷ This is an additional achievement of the Project, which was not envisaged during appraisal.

¹⁸ Most FIs have just completed one-year cycles while some have just started. Financial statements for two continuous years are not available, so financial viability of FI-NGOs could not be undertaken rigorously. Operating Self Sufficiency (OSS) of FI-NGOs ranged between 33% and 85% with an average of 63% while that of Financial Self Sufficiency (FSS) of these FIs ranged between 19% and 67% with an average of 47% FSS. These FIs possess prospects of acquiring OSS within next two years and FSS in three years.

¹⁹ In 1999, the Government established RMDC to provide loans and technical assistance to Microfinance Development Banks, NGOs and SCCs for expanding their microfinance operations in 26 districts.

develop capacity to undertake their new responsibilities while providing wholesale loans to them.

15. Most of the newly created SCCs with very low savings per shareholder do not have adequate funds to meet their members' demand for financial services. Similarly, newly formed FI-NGOs are unable to access wholesale loans due to lack of physical, financial, and technical capacity to be eligible for receiving wholesale loans. To resolve this, it is essential that SCCs and FI-NGOs establish working linkages to the Rural Self-Reliance Fund²⁰ (RSRF) and RMDC, respectively. It was therefore agreed during the PCR Mission that DWD would provide further support to the SCCs to establish the necessary linkages with RSRF and ensure that wholesale loans would be available. In the case of FI-NGOs, RMDC has committed to provide ongoing wholesale loans and technical support.

16. The PCR Mission noted the absence of synergy between the working mechanisms of FI-NGOs and WDS and a lack of coordination between them at district and village levels. Recognizing the importance of their activities being complementary, DWD agreed to prepare an action plan to overcome these problems utilizing the strengths of FI-NGOs to plan and implement its future program, especially in the provision of microfinance services to women beneficiaries. Accordingly, DWD instructed WDS to prepare the district-level coordination plan to utilize the strength of the FI-NGOs.

17. Component wise, project outputs are described as follows:

1. Group Formation and Training of Women Beneficiaries

18. The Project supported DWD to carry out social preparation and training of women beneficiaries. Women beneficiaries were mobilized and organized into 2,865 self-help groups that became focal points for accessing project support. These groups involved about 16,000 women beneficiaries and basic training was provided to about 12,700 (79%) of them. About 8,520 beneficiaries received vocational and about 2,520 received management skills training. The Project helped women beneficiaries to approach and request credit from the participating banks;²¹ about 13,280 women received credit. The women promoted by WDS were generally in more rural/remote areas. Group savings of NRs19.3 million were generated, and NRs11.7 million was mobilized by intra-lending. WDS staff received trainer's training in management including enterprise management, institutional development, financial management, account keeping, and business development.

19. To support the executing agency (EA) staff and beneficiary training efforts, the Project originally included rehabilitation of training centers and construction of additional classrooms and hostel services. However, the Danish International Development Agency provided grant funds for these activities so it was deleted from the Project.

20. In October 2000, ADB approved a supplementary grant of \$0.2 million under TA 1903-NEP to train an additional 3,000 women beneficiaries and federate self-help groups into women SCCs, and link them with RSRF. This consolidated the project benefits and helped sustain the

²⁰ In 1992, the Government created the fund to provide financial assistance to deprived sections of rural society for carrying out income-generating activities through SCCs or NGOs. The fund is administered by NRB, and as per the Government's Financial Sector Strategy Statement and ADB's medium-term strategy for Rural Microfinance Development in Nepal (2000), such involvement by the central bank is to be phased out as it is inconsistent with its role as a supervisory and regulatory body.

²¹ Participating banks were two commercial banks: Nepal Bank Limited and Rastriya Banijaya Bank.

project activities even after project completion. WDS staff in project areas assisted women groups to federate into women cooperatives. As a result, about 48 women SCCs were developed. The total cost of this component did not increase, because of the cancellation of the loan proceeds allocated for rehabilitation of four training centers.

2. Institutional Support to Selected Nongovernment Organizations

21. Strengthening the capacity of partner NGOs to graduate them from social intermediary to FI was one of the operational focuses of the Project. Detailed surveys of most NGOs operating in the project area were carried out to identify which ones would be most suited to participate in the Project. As envisaged, 95 partners (87 NGOs and eight women SCCs) were selected. Each was local to its area, and knew the geography and the people, which was a major advantage. This basic strength was backed by the effective training of the partners, and the beneficiaries. These partners were engaged to carry out in-field services including group formation, training of beneficiaries, savings mobilization, and group activity planning and operation.

22. Partner NGOs mobilized 25,670 women beneficiaries and formed a total of 3,647 groups. Group savings of about NRs45.3 million were generated, and about NRs29.5 million mobilized by intra-group lending. A total of NRs216.2 million was disbursed by participating banks to 13,205 women beneficiaries mobilized by partner NGOs. Basic training was received by 13,994 women beneficiaries, 7,754 received management skills training, and 14,080 received vocational skills training. A total of 479 women self-help groups (2,688 women beneficiaries) were federated into 34 women SCCs, facilitated by 21 partner NGOs. Since partner NGOs were allowed to implement the Project in areas near to the road head and near to urban areas, beneficiaries reached by them were generally middle-level poor.

23. Technical and financial support provided to 95 partners in three stages²² was tied according to their performance on maintaining their portfolio quality. Trained partner NGOs, which were adequately strengthened, were subsequently engaged to carry out field services including group formation, beneficiaries training, savings mobilization, and assistance to group activities. These NGOs also received further training and supervisory support together with the field staff of the commercial banks to enable them to act as credit agents and later as FIs. As of 15 August 2002, 29 partner NGOs and nine SCCs had graduated as FIs, compared to the appraisal target of 20. FIs were trained in business planning, bookkeeping, accounting, and financial and information management, thus making them eligible for acquiring wholesale loans from RMDC. Of these, 17 are providing microfinance services to women beneficiaries, and have obtained wholesale loans amounting to NRs20.6 million (Appendix 1). Both FI-NGOs and FI-SCCs established management information systems to prepare a monthly income statement and balance sheet giving information on the cost of service delivery. About NRs17.2 million has been disbursed with an overall recovery rate of nearly 97%. Based on the information system of 17 FIs, FI-SCCs' cost to deliver \$1.00 of loan was \$0.07–\$0.14 with an average of \$0.11; for FI-NGOs the range was \$0.17–\$0.24, with an average of \$0.20.²³ Fifteen applications submitted by partner NGOs within the project period for FI licenses to NRB are currently being processed by NRB and an additional three FIs started microfinance services after the project closing date.

²² Three stages of partner NGOs were: social intermediary (stage I), credit agent (stage II), and FIs (stage III).

²³ Project progress report of June 2002.

3. Provision of Credit to Women

24. The Project provided credit to women beneficiaries for on-farm and non-farm income-generating activities. About NRs395.3 million (equivalent about \$5.6 million) credit was disbursed by participating banks²⁴ to 26,481 women beneficiaries (188% of the appraisal target) with an overall repayment rate of about 83% (details in Appendix 1). A total of 39 different types of small income-generating activities and micro-enterprise subprojects was promoted. About 64% of the loan funds obtained by women beneficiaries were invested in agriculture, of which about 87% were for livestock, mostly buffalo. Although the participating banks required compulsory insurance of livestock for the first year before approving loans for livestock, most women beneficiaries did not renew their insurance in subsequent years, because they forgot to or chose not to in order to save money. However, as livestock were usually the beneficiaries' principal productive assets, and loans were obtained without any physical collateral, death of uninsured livestock usually resulted in bankruptcy, thereby exacerbating their poverty situation.²⁵ As recommended by ADB's December 2001 review mission, livestock insurance available at affordable rates (8% of the loan amount), was subsequently made compulsory for the entire loan period. Failure of these enterprises was uncommon. Activity switching was quite common. Vegetable growers shifted to livestock farming or grocery store or cottage industries, and vice versa. Activity switching is estimated at as high as 60%.

25. Credit was provided for fixed investments and/or working capital, and as individual or group loans secured by the joint liability of the members of the group. The loan proceeds for the credit component under the Project were fully disbursed by participating banks by 1999. Only a few branches of the participating banks have been revolving the funds to provide new or repeat loans, so overall the participating banks' credit schemes have not guaranteed beneficiaries with sustainable access to financial services. Due to insurgency, they have withdrawn most of their branches. To continue the provision of credit to women beneficiaries, the Project supported nine FI-NGOs and 13 women SCCs to establish business linkages with RMDC and RSRF, allowing them to access wholesale loan for onlending to women beneficiaries.²⁶ Thus, the positive impact of the Project became gradually more sustainable.

26. The need for savings was stressed as an integral part of the credit component to ensure that the beneficiaries were able to repay their loans and achieve healthy, self-reliant enterprises. The Project used simple group-managed savings operated and managed by self-help groups. Group saving was a form of collective asset. Once groups were formed, they built their economic asset through group savings every month. Members participated in saving schemes and the saving rate differs from group to group, which ranged between NRs20 and NRs100, as per the decision based on the consensus of the members of each group. Savings worth NRs64.7 million were generated and women groups used their group savings for intra-lending among members at interest rates ranging between 12% and 30% for purchase of seeds and fertilizer, operation of retail shops, finance of domestic needs, and purchase of small livestock like goats, pigs, and poultry. It appears that they also served to provide the immediate cash requirement of some group members during emergencies.

²⁴ Participating banks received funds from NRB at 6% interest rate. Nepal Bank Limited onlent to beneficiaries at 11% and Rastriya Banijaya Bank at 14%.

²⁵ ADB's review mission aide-mémoire, December 2001.

²⁶ FIs have two type types of lending rates: 10% flat and 18% declining balance. SCC interest rates range between 18% and 24%.

C. Project Costs

27. The project cost estimate at appraisal was \$9.6 million, including a foreign exchange component of \$3.9 million and a local cost component of \$5.7 million. The actual total project costs amounted to about \$11.2 million, with expenditures of about \$1.0 million for group formation and training, about \$3.0 million for institutional support to NGOs, and about \$6.2 million for credit. Actual project cost compared with appraisal estimate is shown in Table 1, and more details of the actual project cost are included in Appendix 2.

Table 1: Appraisal and Actual Project Costs
(\$ '000)

| Component | Appraisal Estimate | | | Actual | | |
|--|--------------------|--------------|--------------|--------------|--------------|---------------|
| | Foreign | Local | Total | Foreign | Local | Total |
| 1. Group Formation and Training of Women Beneficiaries | | | | | | |
| a. Group Formation and Training | 180 | 720 | 900 | 51 | 970 | 1,021 |
| b. Rehabilitation of Training Facilities | 498 | 617 | 1,148 | | | |
| 2. Institutional Support to NGOs | 632 | 1,368 | 2,000 | 390 | 2,575 | 2,965 |
| 3. Provision of Credit | 2,390 | 2,110 | 4,500 | 3,148 | 3,064 | 6,212 |
| 4. Incremental Administrative and Operating Cost | 110 | 955 | 1,082 | 172 | 743 | 915 |
| 5. Interest during Construction | 50 | | 50 | 50 | | 50 |
| Total | 3,860 | 5,770 | 9,630 | 3,811 | 7,352 | 11,163 |

NGOs = nongovernment organizations.

28. The actual project cost was higher than the appraisal estimate. This was because after June 2000 some of the branches of participating banks and FI-NGOs and SCCs continued the credit component through their own funds or funds from apex institutions. An amount equivalent to \$1.0 million was financed by ADB on a grant basis from the Japan Special Fund to meet the costs of group formation and training.²⁷ The cost of institutional support to NGOs equivalent to about \$2.9 million was financed by the Government of Norway.²⁸

D. Disbursements

29. The loan amount at appraisal was SDR3.54 million, of which total of SDR2.68 million was disbursed, and the remaining undisbursed balance of SDR0.05 million was canceled on 15 October 2002. An amount of SDR0.82 million for rehabilitation and improvement of training centers was canceled on 19 August 1996. The separate imprest accounts for each EA, as provided for in the Loan Agreement, were established for a total sum of \$2.03 million to ensure timely disbursement and efficient project implementation in accordance with ADB's *Guidelines on Imprest Fund and Statement of Expenditures Procedures*. The efficiency of using the imprest

²⁷ ADB approved in October 2000 an additional supplementary grant fund of \$0.2 million to train an additional 3,000 women beneficiaries, and for federating self-help groups into women SCCs and linking them with RSRF.

²⁸ On 17 September 1997, the ADB Board approved administration of an additional grant of \$1.0 million from the Government of Norway for the operational support to NGOs under the TA.

account improved after the third year of the project.²⁹ The disbursement pattern was as expected. As shown in Appendix 3, disbursement concentrated on the social preparation and delivery of support services in the initial 2 years, when group formation was rapidly developed, and disbursement for the credit component concentrated mainly in the following 3 years. The loan account was closed on 15 October 2002.

E. Project Schedule

30. The loan was approved on 24 June 1993, signed on 16 September 1993, and declared effective on 15 December 1993. The Project was planned to be implemented over 6 years, with physical completion by December 1999, and loan closing by 30 June 2000. On 31 March 2000, at the Government's request, ADB approved a 2-year extension of the loan closing date from 30 June 2000 to 30 June 2002. About 10 months of the extension period was lost in reaching consensus between ADB and the EA on hiring of a new team leader/microfinance specialist for the extension period.

31. The 2-year extension substantially improved the project outputs. It enabled the more progressive partner NGOs to graduate into FIs (29 in total), and 1,881 women self-help groups to federate into 82 women SCCs. Vocational skills training was provided to 21,360 women beneficiaries. A comparison of scheduled and actual project implementation is in Appendix 4.

F. Implementation Arrangements

1. Project Management and Organization

32. As envisaged, there were two EAs for the Project: DWD under the Ministry of Women, Children and Social Welfare³⁰ for the components covering group formation and training of women beneficiaries, and institutional support to NGOs; and NRB for the credit component. An NGO support unit was established within DWD to implement the institutional support to the NGO component of the Project.³¹

33. The project implementation structure was well defined but quite complex. Project activities were coordinated at two levels. At the central level, a project implementation committee was established to ensure centralized leadership and close coordination among the project entities, and a central advisory board provided policy guidance during the early stages of the Project. However, these two bodies were later merged to provide policy guidance and coordination at the central level. At the district and urban level, the WDSs coordinated the project activities with the district development committees, government line agencies, and NGOs. Women workers and local NGOs jointly carried out the project activities at the village level. These arrangements were generally satisfactory, although the midterm review (July 1997) noted the need to improve coordination between WDSs and NGOs. The TA consultants were instrumental in resolving this; district coordination committees were formed and met every trimester.

²⁹ The annual imprest account turnover ratio was 0.8 in 1996, 5.0 in 1997, 2.0 in 1998, 3.4 in 1999, and 3.2 in 2000.

³⁰ On 17 December 1999, the Ministry of Local Development informed ADB of the Government's decision to shift the Women Development Division (WDD) from the Ministry of Local Development to Ministry of Women and Social Welfare. The changeover took place on 27 December 1999. Later in 2000, WDD and Ministry of Women and Social Welfare were renamed as DWD and Ministry of Women, Children and Social Welfare, respectively.

³¹ The NGO Support Unit, comprising domestic and international consultants within DWD, was an autonomous team under the guidance of the Project Director.

34. Two credit delivery and recovery mechanisms were envisaged during appraisal: (i) model A, which proposed that NRB lent a part of the loan proceeds to the participating banks for onlending to the women beneficiaries; and (ii) model B, which proposed that NRB relend a portion of the loan proceeds to NGOs for onlending to women beneficiaries. Model A mechanism was implemented as envisaged, whereby NGOs and WDS staff prepared women to obtain loans from participating banks. In over 80% of cases, partner NGOs supported participating banks to recover their loans. A total of 52 partner NGOs graduated from social intermediary to become credit agents³² and 38 graduated as FIs. Due to the 3-year delay in enactment of the Financial Intermediaries Act and approval of its bylaws, the loan proceeds were fully disbursed under the model A mechanism. Consequently, no funds were left in NRB for model B for onlending to NGOs who graduated into FIs after June 2000. However, this did not have an adverse effect on the Project, since model B was subsequently able to be introduced by linking FI-NGOs and SCCs to RMDC to obtain funds and technical support. Since then, this alternative mechanism has been continued even after completion of the Project. However, financial sustainability of this mechanism could not be tested during the project period. A description of the system that was followed during the project period for lending credit to beneficiaries is in Appendix 5.

35. The overall conceptual approach of the Project was generally appropriate. However, one weakness was the proposal to begin with using services of participating banks for the delivery of credit and later to transfer this to FIs. It proved to be somewhat impractical because FIs lacked the loanable funds to meet the women's increased needs and capacity.³³ Because of this, some potential women beneficiaries were unable to participate. Therefore, instead of first linking potential beneficiaries with participating banks, and later to partner NGOs or SCCs, for credit services, it would have been more sustainable and viable if they had first been linked to FIs, and later on to participating banks (if required).

2. Financing Arrangements

36. Loan proceeds for the noncredit components were channeled to DWD through the Government's regular budgetary transfers, while the loan for the credit component was channeled to NRB for relending to the two participating banks. A Subsidiary Loan Agreement was signed between the Government and NRB making the latter responsible for repayment of that portion of the ADB loan. NRB in turn entered into financing agreements with the participating banks. The ADB loan financed up to 80% of the total cost of each subproject. As envisaged in the project design, participating banks would onlend to beneficiaries a mix of the ADB loan proceeds and their own funds at a minimum interest rate of 17% per annum, which was the prevailing commercial bank lending rate in Nepal. This allowed an interest spread of at least 11%. However, at the Government's request, ADB later approved that interest rate charges could vary according to market rates. This change was valid in view of the large decline in market interest rates since project appraisal; it proved to be necessary to stimulate beneficiary interest in accepting credit.

³² Credit agents received commission on recovery performance.

³³ The first loan provided by the participating banks was NRs15,000, which increased to NRs30,000 in repeat loans. However, FIs provided smaller loans, which followed a sequence of NRs5,000, NRs 8,000, and NRs12,000. Linking women beneficiaries, who already received credit services from participating banks, to FIs undermined their enhanced money management capacity.

G. Conditions and Covenants

37. Conditions for loan effectiveness were complied with on time and the loan was declared effective on 15 December 1993.

38. All relevant covenants were satisfactorily complied with, although four specific covenants were delayed (Appendix 6). One of the covenants required adoption of new legislation to promote the participation of NGOs in the development process within 1 year of the effective date. However, the target proved to be unrealistic. Four covenants became non-applicable during the project life. These relate to NRB's relending of loan proceeds to FIs and onlending of subloans to beneficiaries by FIs (para. 34). Three covenants became irrelevant when the rehabilitation and improvement of training centers and a training materials production center was deleted from the Project (para. 19).

39. Covenants were broadly adequate to ensure sufficient control and quality of project implementation. Regular follow-up on the compliance of the covenants was done by ADB through monthly project meetings and review missions. These meetings were quite effective in facilitating compliance with covenants. Compliance of covenants that related to the enactment of Financial Intermediary Act, approval of its bylaws, and its amendments were beyond the EAs' control (para. 10). This led to project implementation delays.

H. Technical Assistance

1. TA 1903-NEP: Group Formation and Training to Women Beneficiaries

40. TA 1903-NEP was approved for \$0.9 million in conjunction with the Project to support DWD to implement group formation and training to the women beneficiaries component of the Project. In August 2000, the ADB Board approved a change of scope and an increase in the TA amount by \$200,000 to continue and expand the TA activities during the Project extension period. Social mobilization under the TA consolidated women beneficiaries, and basic and skill training contributed in increasing credit absorptive capacity of women beneficiaries. Social capital at the local level increased. All the envisaged outputs were achieved or exceeded and the TA was rated as successful.³⁴

2. TA 1904-NEP: Institutional Support to NGOs

41. TA 1904-NEP was a part of the Project itself and supported implementation of institutional support to NGOs. The TA's output broadly met the overall objectives and the TA was rated as successful.³⁵ It was relevant, and design was consistent with its objectives. There was adequate provision to directly assist the Project to meet its objectives of building the capacity of the women beneficiaries and enabling them to link with participating banks and access credit. Although the graduation of partner NGOs into financial intermediaries was delayed, the substantive outputs were delivered within the revised schedule. By graduating 37 financial intermediaries and 34 SCCs, the TA established a foundation for an alternative financial system for women beneficiaries.

³⁴ ADB. 2003. *Technical Assistance Completion Report on Group Formation and Training to Women Beneficiaries*. Manila.

³⁵ ADB. 2003. *Technical Assistance Completion Report on Institutional Support to NGOs*. Manila.

I. Consultant Recruitment and Procurement

42. Consultants under the Project were financed from two grant sources: (i) 145 person-months of local individual consultants under the Japan Special Fund-financed TA 1903 NEP: Group Formation and Training of Women Beneficiaries (compared with 132 person-months originally proposed), and (ii) 182 person-months of consultants under the Government of Norway-financed TA 1904 NEP: Institutional Support to NGOs (compared with 156 person-months originally proposed). ADB engaged the consultants in accordance with ADB's *Guidelines on the Use of Consultants*.

43. Equipment, materials, and vehicles were procured through local competitive bidding and direct purchase in accordance with ADB's *Guidelines for Procurement*. The major equipment and vehicles procured under the loan and TAs are shown in Appendix 7.

J. Performance of Consultants, Contractors, and Suppliers

44. Consultants (i) prepared training manuals for conducting training to enhance the capacity of women beneficiaries and SCCs; (ii) produced monthly, bi-monthly, and quarterly progress reports highlighting activities undertaken; and (iii) submitted completion reports. The consultants' reports were generally satisfactory. Their services were completed for the most part in line with the terms of reference. The performance of the consultants was generally satisfactory, although project performance during the initial year suffered owing to inadequate experience of some of the consultants used for the assignment.

K. Performance of the Borrower and the Executing Agency

45. The Borrower and EAs showed strong commitment during implementation of the Project, and ensured the availability of sufficient counterpart funds. Both EAs maintained separate accounts for the Project and had them audited annually by the Auditor General of Nepal. Submission of audited project accounts and of monthly progress reports was satisfactory. The project completion report was submitted within the stipulated time.

46. Overall, the performance of the borrower and EA was satisfactory. The assessment of the EAs' capacity and commitment at appraisal proved to be reasonably accurate. DWD provided a dedicated and committed cadre of female temporary staff to implement the Project. However, their level of dissatisfaction and frustration is increasing due to their temporary job status and the lack of progress in addressing the process of regularization of their positions. This issue is being addressed in the Governance Reform Program. The Project provided a series of trainer's training on (i) savings and credit management, (ii) entrepreneurship development and management of microenterprises, and (iii) institutional development. Staff informed the PCR Mission that the training was useful and that it enhanced their performance. The Project management team was awarded for exemplary project performance in FY1999 and FY2002.

L. Performance of ADB

47. The performance of ADB was satisfactory. It provided essential support and assistance in supervising project implementation, disbursed adequate funds in a timely manner, and regularly fielded review missions. ADB fielded 12 missions including the project inception mission and midterm review mission, although the latter was fielded about 1 year behind schedule. Most of the missions included field visits. Each mission prepared a time-bound action

plan that could be readily monitored and that helped achieve the project targets. The missions' recommendations were highly relevant to achieving the project objectives, and administration was adequate. ADB was responsive in addressing implementation issues. ADB's regular monthly meetings with the project manager and TA consultants facilitated smooth implementation of the Project. Both the Borrower and DWD appreciated the assistance and cooperation extended to them by ADB and considered the performance of ADB to be satisfactory.

III. EVALUATION OF PERFORMANCE

A. Relevance

48. The project goal and purpose remain highly relevant in terms of both ADB's development strategy and the Government's stated development priorities of improving and enhancing the socioeconomic status of women and promoting their greater participation and integration in national development, thereby contributing toward poverty reduction. Specific programs for women remain a priority within the Government's Ninth Plan (FY1998–FY2002) and Tenth Plan (FY2003–FY2007). Increased access to improved financial services for women is required for income generation and poverty reduction. This is evidenced by increase in the number of economically active women with higher per capita income. However, a study undertaken in 2001³⁶ shows that the Project mainly benefited the "the middle-level poor," because the districts selected were generally better in terms of the Human Development Index than other districts. Partner NGOs were also allowed to implement the Project in areas near the road head and urban areas.

B. Efficacy in Achievement of Purpose

49. All physical outcomes of the Project were achieved or exceeded, as was the expected project objective of improving incomes and employment opportunities of poor women. By increasing women's access to funds, the Project helped enhance the role of women within the family. Women used loans to do microenterprises and provided work for their unemployed relatives. Social capital at the local level has been enhanced through the formation of women cooperatives and stable self-help groups. Women's SCCs developed by federating women self-help groups and FIs have emerged as effective grass roots institutions that are able to address a series of women issues, including access to savings and microfinance, health and hygiene, access to information, and gender awareness in their communities. Selected interviews with women beneficiaries during the field visit of the PCR Mission (27–30 December 2002 and 10–17 January 2003) revealed their increased credit-absorptive capability and competencies in enterprise management, marketing their products, and SCC management.

50. The Project is assessed as efficacious. It has fostered entrepreneurial spirit among women and increased their self-reliance. About 87% of the women beneficiaries experienced a positive impact on their livelihood out of the lending services obtained from the Project in the form of asset creation, income generation, and employment generation.³⁷ There has been significant new job creation out of the enterprises supported through provision of credit under this Project. The new jobs created from enterprises supported through credit under this Project are estimated at 24,260 person-years against the appraisal estimates of 24,800 person-years. Further details on employment generation achieved by the Project are show in Appendix 8.

³⁶ ADB. 2001. *Special Evaluation Study on Gender and Development*. Manila.

³⁷ Household survey, July 2002.

C. Efficiency in Achievement of Outputs and Purpose

51. Overall, the Project is assessed as efficient. Analysis of the financial viability of the Project reveals that it is high. Financial internal rates of return (FIRRs) for typical subprojects range between 23% and 46% against the appraisal estimates of 24% and 61 %. Aggregated FIRR is 31% at the project level if the subsidies provided are excluded and 15% if they are included in the analysis.³⁸ The cost-benefit ratios are also favorable at around 1.5 for all crop activities (against the appraisal estimates of 2.0). Sensitivity analysis shows most of the subprojects remain financially viable under less favorable conditions with annual revenue decreasing by 10% in each case. The result indicates quite attractive returns to women clients from income-generating activities (Appendix 9).

52. The economic internal rates of return (EIRRs) of the subprojects range from 26% to 77%, against the appraisal estimates of 13% to 35% (Appendix 9). Overall, the EIRR of the Project is estimated at an attractive 30%. Although the EIRR for some subprojects was low, it should be noted that the analysis does not include nonquantifiable benefits or secondary benefits such as training or secondary employment.

D. Preliminary Assessment of Sustainability

53. The sustainability of the Project is rated as likely,³⁹ provided follow-up support is given for further institutional strengthening of newly graduated FIs, SCCs, and self-help women groups. Institutional development at grass roots level has taken place and there is adequate demand for microfinance products and services. Women beneficiaries actively participated throughout project implementation and their commitment to continue activities after project completion was evident. The Government is committed to support FIs, SCCs, and the women groups through regular follow-up and supervision by WDS.⁴⁰

54. FIs and SCCs are new entities for providing financial services at the local level. Since they are allowed to set their own interest rates, it has encouraged competition at local level and has forced the existing players in financing marketing to become more efficient and self-sustaining. Being based on members, with low operating costs and a strong feeling of ownership, as well as operating in a base of local savings, women SCCs have a strong basis for sustainability. Establishment of FI business linkages with apex institutions, such as RMDC, has strengthened FIs institutional capacity and has been instrumental in creating stable frameworks for sustaining the Project's impact. Interviews with FI-NGOs indicated that the deterioration of the security situation had adversely affected their services to beneficiaries. In some cases, FIs were reluctant to expand their operations. However, an improvement in the security situation since the cease-fire in January 2003 appears to be encouraging them to continue their services.

55. Most of the enterprises operated by women under this Project are family owned and managed; in most cases it is the expansion or upgrading of their existing enterprises. These women were trained, were exposed to new ideas on how to develop their organization, and were known to the service providers such as line agencies and the private sector. Thus, there are strong indications that these enterprises are sustainable.

³⁸ The subsidies provided to the Project refer to grant-financed TAs.

³⁹ Based on ADB's criteria to assess the sustainability (Supplementary Appendix C).

⁴⁰ Due to budgetary constraints, the Government would like to include follow-up institutional support to social infrastructure created by the Project as one of the subcomponents in the proposed Empowerment of Women Project, which is currently being prepared.

E. Environmental, Sociocultural, and Other Impacts

56. Environmental classification of the Project at appraisal was Category C, and this remained appropriate. The small-scale subprojects undertaken by women beneficiaries had little or no effect on the environment. Beneficiaries were encouraged through training to use sound environment practices. These included (i) selection of a suitable mix of crop that generate cash income and improve soil fertility, and (ii) proper management and feeding of livestock to reduce deforestation.

57. Beneficiaries acquired social and personal benefits from belonging to self-help groups and cooperatives. In these groups, intense networking and support generated increased self-confidence, community involvement, and improved family relations. Women accumulated savings in their own accounts, and therefore had control over withdrawals. Savings were used to source loans, which helped empower women. Women's access to microfinance services strengthened their influence over economic and household decisions and provided them with greater freedom to invest in activities that raised their own well-being and as well as that of the household as a whole.⁴¹

58. The Project built social capital by requiring that members of the self-help groups and cooperatives followed a set of carefully constructed "rules of the game"—writing bylaws, electing chairpersons and other members, reviewing loan proposals, etc.—that build mutual assistance and accountability. Women communicated and solved their problems jointly in-group.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

59. The Project is rated as successful in accordance with the review of its relevance, efficacy, efficiency, sustainability, and impact on institutional development. Appendix 10 includes the quantitative assessment of project performance by ADB's criteria to determine project rating. The Project has contributed significantly in mobilizing and empowering women, increasing their access to income-generating opportunities, and in building NGO capacity.

60. Women beneficiaries have benefited from the social and economic empowerment brought about by the Project and there is clear evidence that outcomes can be sustained. The group formation and training activities were effective in achieving the expected project outputs. The microcredit provided was quite effective; it enabled women beneficiaries to initiate income-generating activities and micro-enterprises. Over 95% of income-generating activities and micro-enterprises established under the credit services were financially viable and provided income and employment opportunities to women beneficiaries.

61. By transforming 29 local NGOs and 9 SCCs into FIs, and federation of women's self-help groups into 82 women SCCs, the Project has indeed established a foundation for an alternative financial system for women beneficiaries. Establishment of business linkages between women SCCs and apex financing institutions has strengthened SCCs' institutional capacity and was instrumental in creating stable frameworks for sustaining the project impacts. Institutional development at grass roots level has taken place. However, follow-up support is needed to further consolidate the project benefits and ensure long-term sustainability.

⁴¹ An observation noted during the PCR Mission's field visit.

B. Lessons Learned

1. Project Design

62. The Project confirms that combining credit schemes with group formation and appropriate training is an effective and successful methodology. In cases where group formation is considered the most appropriate approach, qualitative and sustainable results depend on integrating all of these aspects.

63. Project implementation, monitoring, and supervision were logistically difficult and costly due to scattered project sites (both districts and village). Clustering the project area based on the geographic contiguity and similarity should be considered when selecting project sites to improve the efficiency of implementation, monitoring, and supervision.

64. Project targets should be realistic. At the time of project design a more careful assessment of each planned intervention against the prevailing environment would have been beneficial to avoid project implementation delays.

65. Community selection criteria should be pro-poor in order to reach the poorest of the poor.

2. Project Implementation

66. Instead of first linking women beneficiaries with participating banks, and later to partner FIs or SCCs for credit services, it would have been more sustainable and viable if they had been linked with FIs or SCCs in the first place (para. 35).

67. To minimize the vulnerability of women beneficiaries who borrow for rearing livestock, livestock insurance should be made compulsory for the whole loan duration with yearly renewal premiums automatically added to the women's outstanding loan balances (para. 24).

3. Institutional Strengthening and Capacity Building

68. A careful assessment of women beneficiary knowledge and skills would be beneficial to identify their capacity and needs, and thus ensure scarce resources are used efficiently (para. 12). Training and any other assistance should be need-and demand-driven.

69. The Project confirms that access to microfinance services strengthens women's influence over economic and household decisions and provides them with greater freedom to invest in activities that raise their own well-being and that of the household as a whole.

70. Women's social empowerment can be achieved through social mobilization and capacity building in the process of group formation.

71. Financial and institutional development support is critical at early stages of any microfinance institution.

C. Recommendations

72. DWD should immediately initiate follow-up activities to encourage and monitor the sustainability of women self-help groups, SCCs, and FIs.

73. Fifteen applications for FI license submitted by partner NGOs to NRB with interest and commitment to graduate as FIs are currently being processed by NRB. Therefore, NRB should expedite this process through the provision of the required technical support, if needed.
74. DWD should continue the process of federating women self-help groups into SCC credit cooperatives and organize regular needs-based training for their executives and members, especially for newly formed ones.
75. DWD should prepare an action plan to establish links between WDSs and FI-NGOs to ensure synergy of working mechanisms so that WDS can use the strengths of FI-NGOs in planning and implementation of its future program, especially provision of microfinance services to women beneficiaries.
76. Fulfillment of the recommendations requires that the Government ensures adequate and timely budgetary support to DWD for these required actions.
77. The Government should explore the possibility of using partner NGOs and SCCs in their future development projects.
78. The preferred timing of a project performance audit report is 2005, which would allow 3 years in which to assess sustainability of the Project's outputs.

PROJECT OUTPUTS
Table A1.1: Comparison of Project Target and Achievement

| Item | Unit | Appraised | Actual | Percentage of Achievement | Remarks |
|---|-------|-----------|--------|---------------------------|---|
| 1. VDC Coverage | No. | 180 | 182 | 101 | |
| 2. Women Beneficiaries | No. | 20,000 | 41,684 | 208 | Due to better response from beneficiaries. |
| 3. Partner NGOs | No. | 95 | 95 | 100 | |
| 4. Rehabilitation of Women's Training Centers ^a | No. | 3 | – | – | Grant funds became available so the loan allocation was canceled. |
| 5. Refurbishment of Training Materials Production Center ^a | No. | 1 | – | – | Grant funds became available so the loan allocation was canceled. |
| 6. Number of Credit Packages | No. | 13,800 | 25,978 | 188 | |
| (i) Agricultural Production | No. | 10,500 | 21,849 | 208 | |
| (ii) Micro-enterprise | No. | 3,000 | 3,928 | 131 | |
| (iii) Small Business Promotion | No. | 300 | 201 | 67 | |
| 7. Credit Disbursed | \$ mn | 3.6 | 6.2 | 172 | |
| 8. Financial Intermediaries | No. | 20 | 37 | 145 | |
| 9. Saving and Credit Cooperatives | No. | – | 82 | – | An additional achievement of the Project. Self-help groups were federated into women Saving and Credit Cooperatives, and those could access the Rural Self Reliance Fund administered by Nepal Rastra Bank. |
| 10. Financial Internal Rate of Return | % | 24–61 | 25–46 | | |
| 11. Economic Internal Rate of Return | % | 13–35 | 26–77 | | |

VDC = village development committee, NGO = nongovernment organization.

^a During the project appraisal, as agreed with the Government, this component was included under the Asian Development Bank loan on the understanding that if the Government is able to obtain grant funding for the rehabilitation of women training centers and training material production center, the loan amount allocated to this component would be reallocated or canceled (*Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to the Kingdom of Nepal for the Microcredit Project for Women*, para. 67, page 18).

Table A1.2: Project Outreach Details
(as of 15 August 2002)

| Item | Unit | Project Outreach | | Total |
|---|----------|--|--|---------|
| | | Through TA 1903-NEP Support ^a | Through TA 1904-NEP Support ^b | |
| 1. Group Formation | No. | 2,865 | 3,647 | 6,512 |
| 2. Group Members | No. | 16,012 | 25,671 | 41,683 |
| 3. Savings Mobilization | | | | |
| Collection | NRs '000 | 19,316 | 45,360 | 64,676 |
| Inter lending | NRs '000 | 11,747 | 29,507 | 41,254 |
| Bank Balance | NRs '000 | 7,231 | 14,250 | 21,481 |
| 4. Loan Transaction by Participating Banks | | | | |
| Disbursement - Clients | No. | 13,276 | 13,205 | 26,481 |
| Disbursement - Amount | NRs '000 | 179,160 | 216,222 | 395,382 |
| Collection | NRs '000 | 124,875 | 144,845 | 269,720 |
| Outstanding—Clients | | 5,191 | 7,348 | 12,539 |
| Outstanding—Amount | NRs '000 | 54,285 | 71,428 | 125,713 |
| Installment Overdue—Clients | No. | 1,172 | 2,084 | 3,256 |
| Installment Overdue—Amount | NRs '000 | 8,939 | 11,974 | 20,913 |
| Total Overdue— Clients | No. | 2,422 | 1,465 | 3,887 |
| Total overdue—Amount | NRs '000 | 22,610 | 12,588 | 35,198 |
| 5. Indicators | | | | |
| Recovery Rate ^c | % | 80 | 86 | 83 |
| Overdue Rate ^d | % | 58 | 34 | 45 |
| Access to Loans | % | 83 | 51 | 64 |
| Active Loan Clients | % | 32 | 29 | 30 |
| Average Initial Loan Size | NRs '000 | 14 | 16 | 15 |
| Average Outstanding Loan | NRs '000 | 10.5 | 9.7 | 10 |
| Average Saving Balance | NRs '000 | 1 | 2 | 2 |
| Average Group Size | No. | 6 | 7 | 6 |
| 6. Basic training | No. | 12,679 | 13,994 | 26,673 |
| 7. Skill training | No. | 11,042 | 21,834 | 32,876 |
| Management Skill | No. | 2,519 | 7,754 | 10,273 |
| Vocational Skill | No. | 8,523 | 14,080 | 22,603 |

^a TA 1903-NEP: *Group Formation and Training of Women Beneficiaries* was implemented by Women Development Section.

^b TA 1904-NEP: *Institutional Support to NGOs* was implemented by NGOs.

^c Ratio of the amount recovered on or before the due date to the amount recovered on or before due date plus overdue amount not recovered on due date expressed as a percentage.

^d A loan (or installment of it) is said to be overdue when the amount is not recovered on or before the due date.

Table A1.3: Outreach of Active Financial Intermediaries
(as of 15 August 2002)

| Item | Unit | Status by FI TYPE | | |
|---------------------------------------|----------|-------------------|----------|----------|
| | | NGOs | SCCs | Total |
| 1. Number in Transaction | No. | 8 | 9.0 | 17.0 |
| 2. Group Formation | No. | 260 | 318.0 | 578.0 |
| 3. Members/Share Holders | No. | 1,715 | 1,588.0 | 3,303.0 |
| 4. Savings Mobilization | | | | |
| Collection | NRs '000 | 635 | 2,306.0 | 2,941.0 |
| Inter lending | NRs '000 | 166 | — | 166.0 |
| Bank balance | NRs '000 | 469 | — | 469.0 |
| 5. Loan Transaction | | | | |
| Disbursement - Clients | No. | 724 | 1,588.0 | 2,312.0 |
| Disbursement - Amount | NRs '000 | 5,532 | 11,668.0 | 17,200.0 |
| Collection | NRs '000 | 1,750 | 4,331.0 | 6,081.0 |
| Outstanding - Clients | | 681 | 1,409.0 | 2,090.0 |
| Outstanding - Amount | NRs '000 | 3,782 | 7,337.0 | 11,119.0 |
| Installment overdue - Clients | No. | 22 | 21.0 | 43.0 |
| Installment overdue - Amount | NRs '000 | 50 | 129.0 | 179.0 |
| Total Overdue - Clients | No. | 0 | 0.0 | 0.0 |
| Total Overdue - Amount | NRs '000 | 0 | 0.0 | 0.0 |
| 6. Indicators | | | | |
| Recovery Rate | % | 97 | 97 | 97 |
| Overdue Rate | % | 1 | 2 | 2 |
| Access to Loans | % | 42 | 100 | 70 |
| Active Loan Clients | % | 38 | 89 | 63 |
| Average Initial Loan Size | NRs '000 | 8 | 7 | 7 |
| Average Outstanding Loan | NRs '000 | 6 | 5 | 5 |
| Average Saving Balance | NRs '000 | 1 | 2 | 1 |
| Average Group Size | No. | 7 | 5 | 6 |
| 7. Access to Wholesale Loan | | | | |
| Rural Microfinance Development Center | No. | 7 | 0 | 7 |
| Rural Self-reliance Fund | No. | 1 | 9 | 10 |
| Third Livestock Development Project | No. | 1 | 0 | 1 |
| ILO/IPEC | No. | 1 | 0 | 1 |
| MS Nepal | No. | 1 | 0 | 1 |
| UNICEF | No. | 0 | 4 | 4 |
| Women World Banking | No. | 1 | 0 | 1 |
| 8. Access to Wholesale Loan | NRs '000 | 15,598 | 5,037 | 20,635 |
| Rural Microfinance Development Center | NRs '000 | 13,225 | 0 | 13,225 |
| Rural Self-reliance Fund | NRs '000 | 273 | 4,237 | 4,510 |
| Third Livestock Development Project | NRs '000 | 600 | 0 | 600 |
| ILO/IPEC - revolving loan fund | NRs '000 | 400 | 0 | 400 |
| MS Nepal - revolving loan fund | NRs '000 | 100 | 0 | 100 |
| UNICEF - revolving loan fund | NRs '000 | 0 | 800 | 800 |
| Women World Banking | NRs '000 | 1000 | 0 | 1,000 |

— = not available, FI = financial intermediary, ILO = International Labour Organisation, IPEC = UNICEF = United Nations International Children's Emergency Fund, MS Nepal =

Table A1.4: List of Financial Intermediaries Developed Through the Project Support
(as of 15 August 2002)

| Name |
|--|
| 1. Dhaulagiri Community Resource Development Center |
| 2. Rural Awareness Forum |
| 3. Chartare Yuwa Club |
| 4. Sigana Youth Club |
| 5. Adarsa Yubak Club |
| 6. Mahila Swablamban Samaj |
| 7. Nari Uthan Kendra |
| 8. Nepal Mahila Samudayik Kendra |
| 9. Project Approach Team for Rural Organization Nepal |
| 10. Society of Local Volunteer Effort |
| 11. Association of Nepal Cottage and Small Industries |
| 12. MANUSHI |
| 13. Mahila Adrsa Sewa Kendra |
| 14. Mahila Adhikar Tatha Bikash Kendra |
| 15. Creative Women Development Association |
| 16. Bhagwan Yuba Club |
| 17. Women Entrepreneurs Associations of Nepal |
| 18. Patan Enterepreneurs Association of Nepal |
| 19. Nepal Mahila Uthan Kendra |
| 20. Gramin Kshetra Bikash Tatha Annunsandhan |
| 21. National Educational and Social Development Organization |
| 22. Srijan Bikas Kendra |
| 23. Samudayik Mahila Bikash Kendra |
| 24. Nari Utthan Tatha Bal Balika Sanrakshyan Sangh |
| 25. Sarvodaya Gramin Bikash Sangh |
| 26. Mahuli Samudayik Bikash Kendra |
| 27. Srijana Samudiyak Bikas Kendra |
| 28. Society Welfare Action Nepal |
| 29. SUPAR |
| 30. Pushpanjali Saving and Credit Cooperatives |
| 31. Unati Mahila Bikas Saving and Credit Cooperatives |
| 32. Shree Jyoti Saving and Credit Cooperatives |
| 33. Pragati Saving and Credit Cooperatives |
| 34. Agraj Mahila Bikas Saving and Credit Cooperatives |
| 35. Srijana Mahila Bikas Saving and Credit Cooperatives |
| 36. Janajagaran Mahila Saving and Credit Cooperatives |
| 37. Pragati Mahila Bikas Saving and Credit Cooperatives |
| 38. Mahila Prayas Saving and Credit Cooperatives |

ACTUAL PROJECT COSTS
(\$'000)

| Items | ADB | | | JSF | | | Norway | | | Government | PB/NGO | Beneficiaries | Project Cost |
|-------------------------------|--------------|------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|------------|--------------|---------------|---------------|
| | Foreign Cost | Local Cost | Sub total | Foreign Cost | Local Cost | Sub-total | Foreign Cost | Local Cost | Sub-total | Local Cost | Local Cost | Local Cost | |
| Group Formation and Training | | | | 51 | 970 | 1,021 | | | | | | | 1,021 |
| Rehabilitation of WTCs | | | | | | | | | | | | | |
| Institutional Support to NGOs | | | | | | | 390 | 2,575 | 2,965 | | | | 2,965 |
| Provision of Credit | 3,148 | | 3,148 | | | | | | | | 2,500 | 564 | 6,212 |
| Administrative and Operating | 172 | 326 | 498 | | | | | | | 417 | | | 915 |
| Service | 50 | | 50 | | | | | | | | | | 50 |
| Total | 3,370 | 326 | 3,696 | 51 | 970 | 1,021 | 390 | 2,575 | 2,965 | 417 | 2,500 | 564 | 11,163 |
| % | | | 33 | | | 9 | | | 27 | 4 | 22 | 5 | 100 |

ADB = Asian Development Bank, JSF = Japan Special Fund, NGO = nongovernment organization, PB = participating bank, WTC = women training center.
Source: Asian Development Bank.

CUMULATIVE, YEARLY AND QUARTERLY LOAN DISBURSEMENTS

Table A3.1: Cumulative Loan Disbursement
(\$)

| Category | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Credit Facilities | | 146,523 | 514,308 | 1,522,343 | 2,410,608 | 3,147,865 | 3,147,865 | 3,147,865 | 3,147,865 |
| Civil Works | | | | | | | | | |
| Furniture and Equipment | 556 | 11,188 | 11,188 | 28,434 | 32,511 | 32,652 | 33,415 | 39,028 | 53,843 |
| Incremental Administration and Operating Cost | 24,444 | 30,137 | 34,669 | 94,733 | 148,322 | 172,517 | 227,633 | 335,872 | 444,260 |
| Service Charge | - | 1,295 | 4,399 | 15,836 | 36,234 | 49,521 | 49,521 | 49,521 | 49,521 |
| Advance | 100,000 | 146,523 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | | |
| Total | 125,000 | 289,143 | 764,564 | 1,861,346 | 2,827,675 | 3,602,555 | 3,658,434 | 3,572,286 | 3,695,489 |

Source: Asian Development Bank.

Table A3.2: Yearly Loan Disbursement
(\$)

| Category | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|----------------|----------------|----------------|------------------|----------------|----------------|---------------|-----------------|----------------|
| Credit Facilities | | 146,523 | 367,785 | 1,008,035 | 888,265 | 737,257 | | | |
| Civil Works | | | | | | | | | |
| Furniture and Equipment | 556 | 10,632 | | 17,246 | 4,077 | 141 | 763 | 5,613 | 14,815 |
| Incremental Administration and Operating Cost | 24,444 | 5,693 | 4,532 | 60,064 | 53,589 | 24,195 | 55,116 | 108,239 | 108,388 |
| Service Charge | | 1,295 | 3,104 | 11,437 | 20,398 | 13,287 | | | |
| Advance | 100,000 | | 100,000 | | | | | (200,000) | |
| Total | 125,000 | 164,143 | 475,421 | 1,096,782 | 966,329 | 774,880 | 55,879 | (86,148) | 123,203 |

Source: Asian Development Bank.

Table A3.3: Quarterly Loan Disbursements
(\$ million)

| Year | Quarter | Actual Disbursements | Actual Cumulative | Cumulative Percentage of Actual Disbursements |
|--------------|---------|----------------------|-------------------|---|
| 1994 | I | | | |
| | II | | | |
| | III | 0.025 | 0.025 | 0.676 |
| | IV | 0.100 | 0.125 | 3.382 |
| 1995 | I | 0.061 | 0.186 | 5.032 |
| | II | 0.000 | 0.186 | 5.032 |
| | III | 0.000 | 0.186 | 5.032 |
| | IV | 0.103 | 0.289 | 7.819 |
| 1996 | I | 0.079 | 0.368 | 9.957 |
| | II | 0.005 | 0.373 | 10.092 |
| | III | 0.096 | 0.469 | 12.689 |
| | IV | 0.296 | 0.765 | 20.698 |
| 1997 | I | 0.203 | 0.968 | 26.190 |
| | II | 0.432 | 1.400 | 37.879 |
| | III | 0.228 | 1.628 | 44.048 |
| | IV | 0.234 | 1.862 | 50.379 |
| 1998 | I | 0.155 | 2.017 | 54.573 |
| | II | 0.100 | 2.117 | 57.278 |
| | III | 0.398 | 2.515 | 68.047 |
| | IV | 0.313 | 2.828 | 76.515 |
| 1999 | I | 0.000 | 2.828 | 76.515 |
| | II | 0.199 | 3.027 | 81.899 |
| | III | 0.422 | 3.449 | 93.317 |
| | IV | 0.154 | 3.603 | 97.484 |
| 2000 | I | 0.000 | 3.603 | 97.484 |
| | II | 0.000 | 3.603 | 97.484 |
| | III | 0.056 | 3.659 | 98.999 |
| | IV | 0.000 | 3.659 | 98.999 |
| 2001 | I | (0.179) | 3.480 | 94.156 |
| | II | 0.058 | 3.538 | 95.725 |
| | III | 0.000 | 3.538 | 95.725 |
| | IV | 0.035 | 3.573 | 96.672 |
| 2002 | I | 0.043 | 3.616 | 97.835 |
| | II | 0.000 | 3.616 | 97.835 |
| | III | 0.000 | 3.616 | 97.835 |
| | IV | 0.080 | 3.696 | 100.000 |
| Total | | 3.696 | | |

Source: Loan Financial Information Systems, Asian Development Bank.

PROJECT SCHEDULE

| Activity | Year 1 1994 | | | | Year 2 1995 | | | | Year 3 1996 | | | | Year 4 1997 | | | | Year 5 1998 | | | | Year 6 1999 | | | | Year 7 2000 | | | | Year 8 2001 | | | | Year 9 2002 | | | |
|---|--------------------------------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|----------------|---|---|---|
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| | Institutional Support to NGOs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Establishment of PIC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fielding of Consultants | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Establishment of NGO Support Unit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Survey of District NGOs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Selection of NGOs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Training of NGO Staff | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Formation of District NGO Association | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accreditation of NGOs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Group Formation and Training Beneficiaries | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Field of Consultants | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Training of Trainers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Formation of Self-help Groups | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Skills Training | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision of Credit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Establishment of Approval Committees | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Credit Delivery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Model A | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Model B | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rehabilitation of WTC and TMPC | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Detailed Design | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Civil Works | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Procurement of Equipment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PBME and Review | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual and Mid-term Review | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Socio Economic Survey | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Note: NGOs = Nongovernment Organisation, PIC = Project Implementation Committee, PBME = Project Benefit Monitoring and Evaluation, WTC = Women Training Center, TMPC = Training Materials Production Center.

Legend: K = Kathmandu-based Nongovernment Organization, D1 = districts included in first phase, D2 = districts included in second phase, N = national, A = annual, M = Midterm review, ■: Appraisal Schedule, ▨: Actual Schedule

CREDIT DELIVERY AND RECOVERY METHODOLOGY

A. Participating Banks

1. Nepal Rastra Bank (NRB) lent a part of the loan proceeds at 6% interest to the participating banks, which onlent to women beneficiaries.¹ The Women Development Section (WDS) staff and/or nongovernmental organizations (NGOs) did household surveys and organized the beneficiaries into cohesive groups and provided them with basic training, skills training, and savings mobilization. Training was provided in cooperation with other agencies. After training, women beneficiaries decided either to expand existing businesses or start new businesses. Skill training was a requirement for women beneficiaries deciding to initiate new businesses to access credit, while women deciding to expand existing businesses could access credit on completion of basic training.

2. WDS and/or NGO staff assisted beneficiaries to process loan applications. NGOs prepared loan applications, which were further reviewed by WDS. Loans recommended by WDS were forwarded to the participating banks for appraisal. WDS and NGO staff acted as social intermediaries. The participating banks were responsible for monitoring and supervision of loans they disbursed to women beneficiaries.

B. Nongovernment Organizations as Credit Agents

3. NGOs as credit agents (CAs) of the participating banks assisted women beneficiaries to prepare loan applications and forward them to participating banks. Operating guidelines for credit agents were prepared and approved by the boards of the participating banks in 1998 (delayed by 2 years). Only in the fifth year of the Project were NGOs accredited as CAs. They received commission on loan recovery performance of loans recommended by them (4% for recovery rate (RR) >95%, 3% for RR between 90%–95%, 2% for RR of 85%–90%, and 1% for RR of 80%–85%). In order to attain reasonable sustainability levels, every year partner NGOs must recover at least NRs40 million in loans, maintaining a recovery rate of over 95% for the entire loans handled. Given the volume of credit disbursement, recovery, clients' credit absorptive capacity, and participating banks' efficiency with regard to lending, the CA model appeared to be infeasible for partner NGOs. Hence, this model was dropped in the later stage of the Project.

C. Inter-Lending Model

4. Inter-lending of savings within groups was commonly used to meet emergency cash demands of individual members, with loan terms and conditions decided by the group. Saving was an integral part of the credit component. WDS and NGOs motivated the women group members to participate in the savings scheme. Each group decided monthly saving rates of each member, and these were deposited in local banks. Women beneficiaries used inter-lending amounts for short periods and the annual interest rate charged varied from 12% to 36%, with an average of 24%. Intra-lending was one of the useful services to meet group members' immediate cash requirements, mainly during emergencies. Repayment performance was 100%, which was quite encouraging.

¹ Two participating banks were Nepal Bank Limited and Rastriya Banijaya Bank. Nepal Bank Limited onlent to beneficiaries at 11% interest, Rastriya Banijaya Bank at 14%.

D. Financial Intermediary Nongovernment Organizations

5. All financial intermediary nongovernment organizations (FI-NGOs) followed the Grameen Bank model for financial intermediation. They targeted rural women from households with less than 0.6 hectare (in the terai) or 0.5 hectare (in the hills) of land. Peer groups of five members were self-formed; members must be unrelated and incorporated into village “centers” of up to eight peer groups. Attendance at meetings and savings contributions (weekly in the terai and fortnightly in the hills), group fund contributions, and insurance payments were mandatory. Members had to contribute savings for 2–4 months before being eligible to receive a loan, and contribution continued for the duration of the loan term. Interest of 8% was paid on savings. Group members mutually guaranteed each other’s loans and were held legally responsible for repayment by other members. No further loans were made available unless all members repaid their installments. No collateral was required. Mandatory weekly/fortnightly meetings included self-esteem-building activities and discipline enforcement. When loans were disbursed, 5% of the loan amount was withheld as a group fund.

6. Loans were made to individuals within the group by the local credit officer at the weekly/fortnightly meetings. However, only two members received loans initially. After a period of successful repayment (between four and eight loan terms), two more members received loans. The final member received her loan after another period of successful repayment. Loan amounts varied from NRs5,000 to NRs20,000 at interest rate of 20% per annum (10% flat). Loan terms were for 1 year with 50 weekly payments of NRs22 per NRs1,000 borrowed. FI-NGOs typically provided pre-credit orientation, but minimal technical assistance to clients. Group members and center leaders performed loan appraisal. NGO staff verified information and made periodic visits to client businesses. Credit officers provided services to 200 and 300 clients.

E. Women Savings and Credit Cooperatives

7. Rational for emergence and growth of women SCCs was based on formalizing the intra-lending model to credit union operation. Women SCCs² lent to individuals (shareholders only) rather than to groups, and the size of loan was usually fixed relative to the amount of the members’ savings and/or a fixed ceiling. Loan amounts were tied with members’ savings. The observed loan to savings ratio ranged from 0.8:1 to 10:1. Loan ceilings were set; the maximum amount ranged from NRs1,000 to NRs50,000. The governing body or the group as a whole made loan approvals. The processing of loan applications and delivery of credit were generally much faster than by FI-NGOs and participating banks (3 to 4 days compared with up to 1 year for participating banks). Interest rates ranged between 18% and 34%. Reported repayment of loans is also very high, supporting the theory that member “ownership” of funds is an integral part of successful loan recovery.

8. Women SCCs are, by definition, financially sustainable as they utilize their own funds and cover their minimal operating costs. They have simple accounting and reporting systems to suit their requirements, which include a loan ledger, income and expenditure records, and some statement of assets and liabilities. SCCs focus more on maintaining their operations or expanding the number of clients rather than improving their management systems such as record keeping, policy making, financial management, and auditing.

² Women SCCs are formed by federating 6–20 women self-help groups under Cooperative Act 2048. They are basically credit unions.

COMPLIANCE WITH LOAN COVENANTS

| Sector | Covenant | Reference in Loan Agreement | Status of Compliance |
|----------------------|---|------------------------------------|--|
| | 1. The Borrower will, within one year of the Effective Date, adopt a legislation to promote the participation of nongovernment organizations (NGOs) in the development process. | Schedule 6, para. 23 | Complied with late. |
| Environmental | | | |
| | 2. The Borrower will ensure that NGOs and participating banks comply with the requirements of the Borrower's environmental rules and regulations. | Schedule 6, para. 29 | Complied with. |
| Social | | | |
| | 3. Women Development Division (WDD), with the assistance of UNIFEM, will carryout initial baselines surveys of beneficiaries and will engage NGOs and appropriate local individuals and institutions to assess the impact of the Project beneficiaries. WDD will be responsible for verification and analysis of the information collected by NRB, NGOs individuals, and institutions. | Schedule 6, para. 27 | Complied with. |
| Financial | | | |
| | 4. The Borrower will, within six months of the Effective Date, enter into an administrative arrangement with Nepal Rastra Bank (NRB), to regulate the terms upon which NRB will relend the proceeds of the Loan attributable to Part C of the Project (credit component) to Financial Intermediaries (FIs) under Financing Agreements. | Article III, Section 3.01 | Complied with |
| | 5. The Borrower will cause the Project Executing Agencies (EAs) and the Financial Intermediaries to (i) maintain separate accounts for their respective parts of the Project; (ii) have such accounts, including the Imprest Accounts, and related financial statements audited annually, (iii) in the case of the Project EAs, furnish to the Asian Development Bank (ADB), not later than twelve months after the end of each related fiscal year, certified copies of such audited accounts and financial statements; (iv) in the case of the FIs, furnish to NRB, not later than twelve months after the end of each related fiscal year, certified copies of such audited accounts and financial statements. | Article IV, Section 4.06 para. (b) | Complied with. Quality was satisfactory. |

| Covenant | Reference in Loan Agreement | Status of Compliance |
|--|-----------------------------------|---|
| 6. The Borrower will cause to be established, within three months of the effective date, two Imprest Accounts, one by NRB for the credit component of the Project and the other by WDD for the non-credit components of the Project. | Schedule 3, para. 8 | Complied with. |
| 7. Borrower will cause NRB to relend the proceeds of the Loan attributable to Part C of the Project to FIs under Financing Agreements which will be, in form and substance, satisfactory to ADB. | Schedule 6, para. 10 | Not applicable. Due to the late enactment of Financial Intermediaries Act (3 years' delay), the loan proceeds under the Project were fully disbursed by the two participating banks (Nepal Bank Limited and Rastriya Banijaya Bank) in 1999. Consequently, when NGOs started graduating as FIs, in June 2000, there were no funds left under the loan proceeds to be lent by NRB to them. Since then FIs have been accessing wholesale loans from the Rural Microfinance Development Center |
| 8. The Borrower will require that NGOs accredited, as FIs will, when applying for subsidiary loans, submit to the relevant approval committee through the NGOs Support Unit or through the concerned field office of WDD a pipeline of proposed subprojects together with a summary of feasibility studies. | Schedule 6, para.13 | Not applicable due to late graduation of NGOs as FIs. |
| 9. The FIs will onlend the funds lent under Financing Agreements, together with their own funds, to the Beneficiaries by Subloans under onlending agreements which will be, in form and substance, satisfactory to ADB. | Schedule 6, para. 17(a) | Not applicable (see item 7). |
| 10. NGOs will make Subloans to Beneficiaries satisfying the following criteria as the Borrower and ADB may agree: (i) Beneficiaries receiving Subloans will belong to a low income group falling below the Borrower-defined poverty line or be able to enhance labor intensive employment by creating jobs for women belonging to low income groups; (ii) Beneficiaries will have completed skills training provided under the Training Technical Assistance or another appropriate project; (iii) Beneficiaries will be residents of the area where the Subproject is to be undertaken; (iv) Beneficiaries will have no record of default | Schedule 6, para. 18 | Complied with. |

| Covenant | Reference in Loan Agreement | Status of Compliance |
|---|---|--|
| <p>with any recognized financial institution in Nepal; and</p> <p>(v) Beneficiaries will be members of self-help groups which have initiated savings mobilization activities.</p> | | |
| <p>11. It will be a condition for disbursement of credit to NGOs under Part C of the Project that the Borrower will have adopted appropriate legislation or regulations to provide specific mechanisms for the delivery of credit by NGOs.</p> | <p>Schedule 6, para. 24</p> | <p>Not applicable (see item 7).</p> |
| <p>12. The Borrower will ensure that NRB, in consultation as necessary with other agencies, adopts simplified procedures, including the identification of any information to be required as part of an application, to enable decisions to be reached within a reasonable period of time on applications by NGOs for permission to lend and borrow money.</p> | <p>Schedule 6, para. 25</p> | <p>Complied with late due to late enactment of the Financial Intermediaries Act.</p> |
| <p>13. The Borrower will ensure in particular that accreditation of NGOs as FIs for the purpose of the Project will constitute approval by NRB for such NGOs to lend and borrow money.</p> | <p>Schedule 6, para. 25</p> | <p>Complied with late due to late enactment of the Financial Intermediaries Act.</p> |
| <p>14. The Borrower will cause each FI, promptly as required, to take all action within its powers to maintain its legal existence, to carry on its operations and to require, maintain and renew all rights, properties, powers, privileges, and franchises which are necessary in the carrying out the Project or in the conduct of its business.</p> | <p>Article IV, Section 4.11 (a)</p> | <p>Complied with late due to late enactment of the Financial Intermediaries Act.</p> |
| <p>15. The Borrower will cause each FI at all times to conduct its business in accordance with sound administrative, financial, environmental and business practices, and under the supervision of competent and experienced management and personnel.</p> | <p>Article IV, Section 4.11 (b)</p> | <p>Complied with late due to late enactment of the Financial Intermediaries Act.</p> |
| <p>16. In the event that the Borrower obtains external funds on terms and conditions satisfactory to ADB to assist in financing Part A of the Project, ADB will, in consultation with the Borrower,</p> <p>(i) reduce the amount of the Loan by and amount corresponding to the amount of such external funds, or</p> <p>(ii) reallocate amounts of the Loan among different categories of expenditure to take account of the activities to be financed by such external funds.</p> | <p>Schedule 6, Section 28</p> | <p>Complied with.</p> |

| Execution | Covenant | Reference in Loan Agreement | Status of Compliance |
|-----------|--|-----------------------------------|----------------------|
| 17. | Central Advisory Board (CAB) will act as the steering committee for the Project and will provide overall policy guidance. CAB will meet as often as necessary, and not less than once every six months, to discuss implementation of the Project. | Schedule 6, para. 2 | Complied with. |
| 18. | The PIC to be established by the Borrower prior to the Effective Date, will act as the focal point for overall project management and coordination. The Borrower will ensure that the Joint Secretary of Ministry of Local Development in charge of WDD will serve as Project Director and chairperson of PIC and that the WDD Undersecretary in charge of special programs will serve as Project Manager, with responsibility for day-to-day implementation and management of the Project. The Project Manager will be assisted by program officers working on a full-time basis for the Project. The WDD Undersecretary in charge of special programs, the Chief Manager of the Development Finance Department of NRB, the team leader of the NGO Support Unit and representative of the participating banks will serve as members of PIC. The Borrower will ensure that PIC has powers to co-opt additional members as and when required and that PIC meets at least once every three months. | Schedule 6, para. 3 | Complied with. |
| 19. | WDD will, within three months of the effective date, appoint the WDD Under-secretary in charge of special program assistance as its coordinator for Parts A and B of the Project. | Schedule 6, para. 5(a) | Complied with. |
| 20. | WDD will also cause WDOs to coordinate Project activities at the district level with District Development Committees, NGOs and concerned agencies and to maintain accounts for counterpart funds provided by the Borrower. At the village level, Project activities will be carried out by Women Workers and local NGOs. | Schedule 6, para. 5(b) | Complied with. |
| 21. | NRB will appoint the Chief Manager of its Development Finance Department as its component coordinator. | Schedule 6, para. 6 | Complied with. |
| 22. | The Borrower will, within one year of the Effective Date, establish an NGO Support Unit within WDD as an autonomous team under the supervision of the Project Director. | Schedule 6, para. 7 | Complied with. |

| Covenant | Reference in Loan Agreement | Status of Compliance |
|---|------------------------------------|---|
| 23. The NGO Support Unit will select and accredit NGOs to participate in the Project, in accordance with the following criteria and such other criteria as may be agreed by the Borrower and ADB: | Schedule 6 para. 6 | Complied with. |
| <ul style="list-style-type: none"> (i) registration with the concerned Chief District Office or any other appropriate agency of the Borrower which registers organizations for purposes of establishment as a legal entity; (ii) at least one year of experience in a social mobilization or other community development work and a minimum coverage of 100 beneficiaries; (iii) at least two administrative staff members and a permanent office to handle subloans; (iv) demonstrable high commitment to improve the socioeconomic status of women; and (v) establishment of locally based or district-based operations. | | |
| 24. In the event that Model B is adopted after completion of the Midterm Review (MTR), the Borrower will cause | | See item 7. |
| (a) NRB to establish a National Approval Committee in Kathmandu within three months of the completion of the MTR; | Schedule 6, para. 28 | Complied with. |
| (b) District Approval Committees in each district in the Project area within six months of the completion of the MTR for the purpose of considering applications by NGOs for subsidiary Loans, based upon recommendations made by the NGO Support Unit. | Schedule 6, para. 28 | Complied with. |
| 25. Approval Committees will meet as frequently as required, and at least once a month after the commencement of applications by NGOs to disburse credit under Part C of the Project. | Schedule 6, para. 8 | Complied with. |
| 26. The Borrower will cause competent and qualified consultants and contractors, acceptable to the Borrower and ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB. | Article IV, Section 4.03 (a) | No longer relevant due cancellation of rehabilitation and improvement of three women training centers and a training materials production center. |
| 27. The Borrower will cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules, and construction methods acceptable to the Borrower and ADB. | Article IV, Section 4.03 (b) | No longer relevant (see item 26). |

| Covenant | Reference in Loan Agreement | Status of Compliance |
|---|--|----------------------|
| Benefit Monitoring and Evaluation | | |
| 28. WDD will, within one year of the Effective Date, appoint five experienced field officers as program officers, based in Kathmandu, to supervise and provide technical support to WDOs by means of regular visits to the Project area. | Schedule 6 para. 27 | Complied with. |
| Reports | | |
| 29. The Borrower will furnish to ADB semiannual reports on the execution of the Project and, if requested by ADB, the subprojects and the performance of FIs. | Article IV, Section 4.07 para. (b) | Complied with. |
| 30. Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months after the said closing date, the Borrower, through Project Implementation Committee (PIC), will prepare and furnish to ADB a report, on the execution and initial operation of the Project. | Article IV, Section 4.07 para. (c) | Complied with. |
| Others | | |
| 31. The Borrower, through MLD and in consultation with ADB, will maintain or create sufficient permanent positions (i) for Women Development Officers (WDO) in the District Headquarters within the organization of Local Development Offices of MLD in the Project Area; and (ii) for Women Workers in each village in which the Project activities are carried out. | Schedule 6, para. 22 | Complied with. |
| 32. The Borrower, ADB, and the Government of the Kingdom of Norway will conduct a comprehensive midterm review of all aspects of Project implementation within three years of the Effective Date. | Schedule 6, para. 26 | Complied with. |
| 33. The Borrower will ensure that steps are taken to adopt a properly coordinated approach to the Project and other programs. In particular, the Borrower will ensure that credit delivery under other programs complements and does not overlap with credit delivery under Part C of the Project. | Schedule 6, para. 30 | Complied with. |
| 34. The Borrower will, in consultation with ADB develop and implement procedures for the operation of Training Centers, including (i) the introduction of revised curricula for appropriate skills training for rural women | Schedule 6, para. 21 | Complied with. |

| | Covenant | Reference in Loan Agreement | Status of Compliance |
|-------|--|--|-----------------------------------|
| (ii) | and in-service training of trainers, WDDs and WWs; the introduction of follow-up field courses for trainees, including where appropriate the provision of liaison arrangements with Financial Intermediaries; and | | Complied with. |
| (iii) | measures to enable the Training Centers to function as multi-user facilities available at cost to public authorities and NGOs, thereby increasing utilization. | | No longer relevant (see item 26). |

MAJOR EQUIPMENT AND VEHICLES PROCURED UNDER THE PROJECT

| Item | No. of Items | Actual Cost (\$) | Type of Fund |
|--|---------------------|-----------------------------|---------------------|
| 1. Bicycles | 20 | 950 | Loan |
| 2. Motorcycles | 15 | 12,500 | Loan |
| 3. Computer | 20 | 35,900 | Loan |
| 4. Toyota Land Cruiser | 4 | 53,500 | Grant |
| 5. XL Motorcycle | 4 | | Grant |
| 6. Honda Hero Motorcycle | 2 | | Grant |
| 7. Computers Assembled Locally | 4 | 3,500 | Grant |
| 8. Pentium Computer with Multimedia | 1 | 2,200 | Grant |
| 9. Compaq Laptop Computer | 1 | 2,900 | Grant |
| 10. Acer 486 Computer | 5 | 8,829 | Grant |
| 11. Printer | 8 | 4,895 | Grant |
| 12. Photocopy Machine | 2 | | Grant |
| 11. Fax Machine | 4 | 2,910 | Grant |
| 12. Panasonic Electronic Modular Switching | 1 | | Grant |
| 13. Sendon Uninterrupted Power Supply | 3 | | Grant |
| 14. Telephone Set | 11 | | Grant |

Source: Asian Development Bank.

EMPLOYMENT GENERATION

| Item | Enterprises (No) | Per Enterprise ^a | Employment Generation per Year | | | Fixed Investment per Enterprise (NRs) | Cost per Job Created (\$) |
|-------------------------------|---------------------|--------------------------------|--------------------------------|--------------|---------------|---|---------------------------------|
| | | | Self | Wage | Total | | |
| Agriculture Production | | | 1,301 | 0 | 15,011 | | |
| Summer Vegetables | 1,986 | 0.23 | 454 | 0 | 454 | | |
| Winter Vegetables | 2,150 | 0.23 | 496 | 0 | 496 | | |
| Ginger | 521 | 0.36 | 188 | 0 | 188 | | |
| Banana Farming | 75 | 0.72 | 54 | 0 | 54 | 7,039 | 90 |
| Citrus Farming | 60 | 0.84 | 50 | 0 | 50 | 2,944 | 38 |
| Mango Farming | 71 | 0.83 | 59 | 0 | 59 | 2,559 | 33 |
| Buffalo Farming | 6,041 | 0.78 | 4,728 | 0 | 4,728 | 36,525 | 468 |
| Goat Farming | 7,161 | 0.72 | 5,185 | 0 | 5,185 | 33,906 | 435 |
| Pig Farming | 904 | 0.65 | 589 | 0 | 589 | 29,984 | 384 |
| Poultry Farming | 1,537 | 1.38 | 2,124 | 0 | 2,124 | 16,243 | 208 |
| Heifer (Buffalo) Raising | 1,343 | 0.81 | 1,084 | 0 | 1,084 | 22,750 | 292 |
| Cottage Industries | | | 170 | 509 | 679 | | |
| Bag Making | 79 | 3.64 | 72 | 215 | 287 | 3,374 | 43 |
| Sweater Making | 122 | 3.22 | 98 | 294 | 392 | 10,316 | 132 |
| Micro-Enterprises | | | 3,706 | 4863 | 8,568 | | |
| Retail Shops | 2,750 | 1.69 | 2,788 | 1858 | 4,646 | 12,872 | 165 |
| Tailoring/Sewing | 978 | 3.42 | 668 | 2674 | 3,342 | 8,637 | 111 |
| Tea/Refreshment Shop | 102 | 3.83 | 117 | 274 | 391 | 12,897 | 165 |
| Cold Drink Store | 98 | 1.93 | 133 | 57 | 189 | 25,749 | 330 |
| Total (NRs '000) | 25,978 | 0.92 | 18,887 | 5,373 | 24,260 | | |

Assumptions: rate of exchange NRs78 = 1\$; wage rate = NRs90; and number of available days per year for employment = 250.

^a Share of employment generation per year by an enterprise = [(Labor cost + Net annual revenue)/wage]/number of available days per year for employment.

FINANCIAL AND ECONOMIC ANALYSIS

A. Basic Approach and Framework

1. The methodology used for the financial and economic analysis follows as closely as possible the one used for project appraisal. As envisaged, microcredit for women was the only component directly related to income-raising activities. Thus the financial and economic analysis was focused on the financial and economic viability of the subprojects financed by the credit. Financial and economic analyses are done at two levels: (i) subproject level and (ii) project level.

2. Small income-generating activities and micro-enterprises were the subprojects promoted under the Project through the provision of microcredit services to women beneficiaries. A total of 26,481 women beneficiaries obtained credit services from branches of participating banks and used such services for initiating income-generating activities (subprojects). In view of this, financial and economic analysis of the Project is done by assessing financial and economic viability of major subprojects initiated by women beneficiaries. Subproject-level parameters of financial and economic results were aggregated using the relative share of each subproject to generate the Project-level financial and economic parameters. The Project-level financial and economic analysis was done using same approaches used for the subproject analysis as in appraisal.

3. Field surveys were conducted in 12 project districts. A review of progress reports submitted by participating banks' branches to their head offices and progress reports of nongovernment organizations (NGOs) to the Project was done. There were about 39 different types of subproject. For in-depth financial and economic analysis, 15 types of subproject were selected. The sample subprojects include banana farming (initiated by 0.3% of women beneficiaries) to goat rearing (27.0 % of women beneficiaries). These selected activities represent the activities undertaken by 98% of women clients and 97% of total loans disbursed under the Project (Table A9.1). The subprojects comprise nine activities for agriculture, two for cottage industries, and four for small business.

4. To analyze financial viability, enterprises managed by 10–25 women beneficiaries from representative geographical locations were studied through on-site observation. Subproject data—initial investment cost, annual operating cost, gross revenue, price, market, year of establishment, expansion over time, problems encountered, technical support received, and vision for future expansion—were collected from representative sites. Collected information was used to prepare a typical investment model of each of these subprojects. The developed financial model was validated and compared with various secondary sources including the Department of Cottage and Village Industries, commercial banks, and other development partners. Financial models of individual subprojects were compiled to obtain a representative investment model for each type of subproject. An economic analysis from the viewpoint of the subproject and the project level is also done on the basis of the financial analysis.

Table A9.1: Income-Generating Activities Selected for Analysis

| Item | Women Clients | | Loan Disbursement | | Average Loan Disbursement Size (NRs) |
|--------------------------------|---------------|---------------|-------------------|---------------|--------------------------------------|
| | Number | % of Total | Amount (NRs '000) | % | |
| A | 21,870 | 82.59 | 252,695 | 63.93 | 11,554 |
| Agriculture Loans | | | | | |
| Buffalo | 6,041 | 22.81 | 93,455 | 23.64 | 15,470 |
| Goat | 7,161 | 27.04 | 86,491 | 21.88 | 12,078 |
| Piggery | 904 | 3.41 | 7,536 | 1.91 | 8,336 |
| Poultry | 1,537 | 5.80 | 22,645 | 5.73 | 14,733 |
| Heifer (cow and buffalo) | 1,343 | 5.07 | 10,941 | 2.77 | 8,147 |
| Vegetables (summer and winter) | 4,136 | 15.62 | 24,700 | 6.25 | 5,972 |
| Banana | 75 | 0.28 | 791 | 0.20 | 10,544 |
| Horticulture | 131 | 0.49 | 1,205 | 0.30 | 9,197 |
| Ginger Production | 521 | 1.97 | 4,782 | 1.21 | 9,178 |
| B | 633 | 2.39 | 10,117 | 2.56 | 15,982 |
| Cottage Industries | | | | | |
| Bag Making | 79 | 0.30 | 1,125 | 0.28 | 14,241 |
| Sweater Knitting | 122 | 0.46 | 2,034 | 0.51 | 16,672 |
| C | 3,978 | 15.02 | 132,470 | 33.51 | 33,301 |
| Micro-Enterprises | | | | | |
| Retail Shops | 2,750 | 10.38 | 95,118 | 24.06 | 34,588 |
| Tailoring/Sewing | 978 | 3.69 | 23,454 | 5.93 | 23,982 |
| Tea and Refreshment Shop | 102 | 0.39 | 3,875 | 0.98 | 37,990 |
| Cold Drink Store | 98 | 0.37 | 4,650 | 1.18 | 47,449 |
| Subtotal (A+B+C) | 25,999 | 98.18 | 382,951 | 96.88 | 14,729 |
| All Project | 26,481 | 100.00 | 395,282 | 100.00 | 14,927 |

B. Financial Analysis

1. Assumptions

5. The assumptions and data used to calculate the financial internal rate of return, and the results of the analysis, are described below.
 - i. The subproject life was taken to be between 1 and 7 years (1 year for vegetable farming and ginger production and 7 years for other type of subprojects).
 - ii. Analysis is done in constant 2001/02 prices. All value of project costs is discounted/compounded to the 2001/02 level by using a factor of average value of gross domestic product deflator (7.8%) during 1990–2001.
 - iii. For agricultural production-related subprojects, all production costs and returns have been estimated as incremental values, with project and without project. Farm-gate prices prevailing in 2001/02 were used to value all costs and returns.
 - iv. A 15% discount rate is used to obtain present value of costs and returns. This is estimated as the real opportunity cost of the funds for farmers as follows. The nominal interest rate in the private sector was 24% and average inflation rate during

- the 1990's was about 8% and hence the real interest rate was 15% ($1.24/1.08 = 1.15$).
- v. The financing model of enterprises is designed to calculate net cash flows before and after debt service and measures of project worth. Three measures of subproject worth—financial rate of return (FIRR); benefit-cost ratio (BCR); and net present value (NPV)—are computed using discounted net benefits with a 15% discount rate.
 - vi. Sensitivity analysis is carried out assuming 10% reduction in annual revenue.
 - vii. Financial discounted net benefits are computed for the project period in two scenarios. First, the cost of grant-financed technical assistance (subsidy) is excluded under total investment cost. The results, thus, would indicate returns to women clients on their total cost (loan and equity). Second, returns are also computed including the subsidy portion of total costs. The resulting outcomes would show whether the project would have been profitable to women beneficiaries if they had to bear the entire social preparation and training costs.
 - viii. All financial prices remain unchanged at 2001/02 constant price and all the financial figures of the enterprises have been converted to the 2001/02 price level with regard to the years of operation. The exchange rate of NRs78 to the dollar is used.

2. Results

6. Financial analysis was done for 15 types of subproject and results have been summarized in Table A9.2. Almost all subprojects are financially attractive. The estimated average net annual revenues range from NRs4,120 for planting winter vegetables in one *katha* (equivalent to 0.03 hectares) of land to NRs 47,913 for a tea/refreshment shop. Even after debt service, the revenue of all the enterprises is positive. Average revenues after debt service in cottage industries and micro-enterprises are particularly high and exhibit a significant impact on women's social and economic status considering the prevailing poverty line.

7. The results indicate quite attractive returns to women clients from income generation on their total investments. FIRRs with subsidy (excluding costs for technical support, social preparation, and training costs of the project) range from 25% for bag making to 46% for heifer (buffalo) raising. The benefit-cost ratios are also favorable at around 1.5 for all crop activities (against appraisal estimates of 2.0). Most of the subprojects are still financially viable under unfavorable conditions of revenue decreased by 10%.

8. FIRRs without subsidy (including technical support, social preparation, and training cost of the project) range between 16% for goat farming to 32% for heifer (buffalo) raising. The benefit-cost ratio is also favorable at around 1.3 for all crop activities (against the appraisal estimates of 2.0). This provides a mixed result on financial attractiveness of the enterprises if they have to cover the entire project cost.

9. The FIRR for the entire Project is 31% with subsidy and 15% without subsidy, indicating that, for women clients with appropriate support in social preparation, basic and skill training, and institution development, return on investment would be high.

Table A9.2: Financial Internal Rate of Return for Subprojects
(NRs per unit)

| | Initial Investment | | | Loan | Annual Gross Revenue | Annual Operating Cost | | | | Annual Net Revenue | | Financial Ratios With Subsidy | | | Project Life (years) |
|-------------------------------|--------------------|---------------|---------------|---------------|----------------------------|-----------------------|---------------|--------------|---------------|-----------------------|--------------|----------------------------------|-------------|---------------|----------------------------|
| | Fixed | Working | Total | | | Raw materials | Labor | Other | Total | Before DS | After DS | FIRR | BCR | NPV (NRs.) | |
| Agriculture Production | | | | | | | | | | | | | | | |
| Summer Vegetables | 0 | 0 | 0 | 5,972 | 11,120 | 4,429 | 2,250 | 350 | 7,029 | 4,091 | 2,889 | 0 | 1.58 | 2,889 | 1 |
| Winter Vegetables | 0 | 0 | 0 | 5,972 | 11,010 | 4,290 | 2,250 | 350 | 6,890 | 4,120 | 2,943 | 0 | 1.60 | 2,943 | 1 |
| Ginger | 0 | 0 | 0 | 9,178 | 30,000 | 17,911 | 2,250 | 350 | 20,511 | 9,489 | 5,860 | 0 | 1.46 | 5,860 | 1 |
| Banana Farming | 5,087 | 5,689 | 10,776 | 10,544 | 23,914 | 5,689 | 9,000 | 1,051 | 15,739 | 8,175 | 7,260 | 40% | 1.19 | 14,489 | 7 |
| Citrus Farming | 2,463 | 5,828 | 8,291 | 9,178 | 26,025 | 5,828 | 8,618 | 931 | 15,376 | 10,650 | 10,206 | 23% | 1.17 | 11,751 | 7 |
| Mango Farming | 2,127 | 5,055 | 7,182 | 9,178 | 25,172 | 5,055 | 8,513 | 1,033 | 14,600 | 10,572 | 10,189 | 23% | 1.17 | 11,627 | 7 |
| Livestock Production | | | | | | | | | | | | | | | |
| Buffalo Farming | 28,587 | 21,133 | 49,720 | 15,470 | 46,557 | 21,133 | 8,746 | 2,669 | 32,547 | 14,010 | 8,864 | 33% | 1.05 | 8,410 | 7 |
| Goat Farming | 24,550 | 13,840 | 38,390 | 12,078 | 35,902 | 13,840 | 8,862 | 1,352 | 24,053 | 11,849 | 7,430 | 31% | 1.05 | 7,272 | 7 |
| Pig Farming | 19,528 | 13,242 | 32,770 | 8,336 | 32,717 | 13,242 | 8,849 | 1,306 | 23,397 | 9,320 | 5,805 | 30% | 1.04 | 5,158 | 7 |
| Poultry Farming | 22,450 | 10,811 | 33,261 | 14,733 | 57,407 | 10,811 | 16,794 | 11,457 | 39,062 | 18,345 | 14,304 | 38% | 1.13 | 26,157 | 7 |
| Heifer (buffalo) Raising | 18,366 | 6,586 | 24,952 | 8,147 | 30,284 | 6,586 | 2,973 | 2,228 | 11,786 | 18,498 | 15,192 | 46% | 1.25 | 21,300 | 7 |
| Cottage Industries | | | | | | | | | | | | | | | |
| Bag Making | 12,269 | 136,703 | 148,972 | 14,241 | 222,943 | 136,703 | 47,080 | 2,208 | 185,992 | 36,951 | 34,743 | 25% | 1.03 | 22,652 | 7 |
| Sweater Making | 33,188 | 267,530 | 300,718 | 16,672 | 298,806 | 202,170 | 47,080 | 18,280 | 267,530 | 31,276 | 25,302 | 26% | 1.03 | 28,368 | 7 |
| Micro-Enterprises | | | | | | | | | | | | | | | |
| Retail Shops | 21,747 | 433,730 | 455,477 | 34,588 | 493,787 | 433,730 | 19,248 | 18,129 | 471,108 | 22,679 | 18,765 | 28% | 1.01 | 26,425 | 7 |
| Tailoring/Sewing | 29,516 | 11,589 | 41,105 | 23,982 | 134,057 | 11,589 | 61,903 | 40,260 | 113,752 | 20,305 | 14,993 | 23% | 1.03 | 13,923 | 7 |
| Tea/refreshment Shop | 49,408 | 843,651 | 893,059 | 37,990 | 1,006,865 | 843,651 | 47,178 | 68,122 | 958,951 | 47,913 | 39,020 | 25% | 1.01 | 46,589 | 7 |
| Cold Drink Store | 49,769 | 915,636 | 965,405 | 47,449 | 1,004,868 | 915,636 | 29,548 | 36,783 | 981,968 | 22,900 | 13,942 | 34% | 1.01 | 52,581 | 7 |
| Project (NRs '000) | 19,996 | 63,785 | 83,782 | 14,453 | 94,709 | 64,518 | 11,214 | 5,725 | 81,457 | 13,252 | 9,396 | 31% | 1.03 | 11,158 | 6 |

DS = debt service; FIRR = financial internal rate of return.

Table 9.3: Sensitivity Analysis of Financial Internal Rate of Return and Benefit-Cost Ratio

| | FIRR | | Benefit-Cost Ratio | |
|-------------------------------|--------|--------------------------------|--------------------|--------------------------------|
| | Actual | Decline in Revenues: 10% | Actual | Decline in Revenues: 10% |
| Agriculture Production | | | | |
| Summer Vegetables | | | 1.58 | 1.42 |
| Winter Vegetables | | | 1.60 | 1.44 |
| Ginger | | | 1.46 | 1.32 |
| Banana Farming | 40% | 25% | 1.19 | 1.07 |
| Citrus Farming | 23% | 18% | 1.17 | 1.05 |
| Mango Farming | 23% | 18% | 1.17 | 1.06 |
| Livestock Production | | | | |
| Buffalo Farming | 33% | (7%) | 1.05 | 0.94 |
| Goat Farming | 31% | (2%) | 1.05 | 0.95 |
| Pig Farming | 30% | (9%) | 1.04 | 0.94 |
| Poultry Farming | 38% | 18% | 1.13 | 1.02 |
| Heifer (buffalo) Raising | 46% | 31% | 1.25 | 1.12 |
| Cottage Industries | | | | |
| Bag Making | 25% | (11%) | 1.03 | 0.93 |
| Sweater Making | 26% | 20% | 1.03 | 1.01 |
| Micro-Enterprises | | | | |
| Retail Shops | 28% | 19% | 1.01 | 1.00 |
| Tailoring/Sewing | 23% | (9%) | 1.03 | 0.92 |
| Tea/Refreshment Shop | 25% | 17% | 1.01 | 1.00 |
| Cold Drink Store | 34% | 20% | 1.01 | 1.00 |

C. Economic Analysis

1. Assumptions

10. Financial prices (and values) were adjusted as follows in order to derive economic prices (and values).

- i. A careful breakdown of all the components of total investment costs into (a) materials and skilled labor and (b) unskilled labor has been done. The proportion of total investment costs is separated. The economic value of total materials cost was obtained by applying a standard conversion factor (SCF) of 0.9.¹ Unskilled labor is shadow priced as explained below.
- ii. No firm estimates of the shadow wage rate (SWR) are available for Nepal. Most appraisal reports prepared by agencies such as the World Bank and Asian Development Bank assume an SWR of about 50% of the market wage rate.

¹ In this report, all economic values were converted to border priced equivalent by using a standard conversion factor (SCF) of 0.9. Most analysts consistently assume this value of SCF for Nepal.

- Theoretically, SWRs can range from 0% to 100% of the market wage rate, depending upon the opportunity value of labor.
- iii. A 50% SWR is assumed in this report for three main reasons: (a) there is no firm estimate of the SWR, (b) it is highly unlikely that labor has an opportunity value of zero in Nepal, and (c) it is same as the SWR assumed by major agencies and therefore facilitates comparison of this result with theirs.
 - iv. The SWR of 50% is assumed to hold for unskilled labor in all categories of operations. The shadow-priced wage bill is converted to the border price equivalent by using an SCF of 0.9.
 - v. Economic prices of agricultural commodities are derived from the World Bank forecast for 2001. For other commodities, an SCF of 0.9 is used.
 - vi. About 60% of the operating cost is assumed to be the unskilled labor cost and the remaining 40% material costs. Following this breakdown, the financial values were converted to economic values by using SWR and SCF values discussed above.
 - vii. Total financial values of technical inputs (social preparation and training costs) were converted to economic values using the SCF of 0.9.
 - viii. Traded inputs and outputs were valued at their farm-gate parity prices. These prices for 2001/02 are available in a recent feasibility study. For nontraded inputs and outputs, the SCF of 0.9 was applied to financial prices to obtain their economic prices.
 - ix. A 12% discount rate has been assumed for calculating the present value of economic costs and returns. This rate was consistently used in all major appraisal reports, and its use in this report will ensure greater comparability of these results with those in similar reports.

2. Results

11. The economic internal rates of return (EIRRs) of the subprojects range from 26% to 77%, suggesting that these subprojects are economically justifiable. The low EIRRs in some subprojects may be acceptable because this computation does not include other non-quantifiable benefits including social capital enhancement, livelihood improvement, or secondary benefits like training or alternative employments resulting from the subprojects.

12. The overall EIRR of the Project is estimated at 30%. This implies that the returns on investment to society or the economy through this Project is high and attractive.

Table A9.3: Economic Internal Rate of Return by Subproject
(NRs per Unit)

| Item | Initial investment | | | Loan | Annual Gross Revenue | Annual Operating Cost | | | | Annual Net Revenue | | Economic Ratios | | | Weight |
|---------------------------------|--------------------|---------------|---------------|---------------|----------------------|-----------------------|--------------|--------------|---------------|--------------------|---------------|-----------------|-------------|----------------|-------------|
| | Fixed | Working | Total | | | Raw materials | Labor | Other | Total | Before DS | After DS | EIRR | BCR | NPV | |
| Agriculture Production | | | | | | | | | | | | | | | |
| Summer Vegetables | 0 | 0 | 0 | 6,569 | 10,008 | 3,986 | 563 | 315 | 4,864 | 5,144 | 5,144 | | | | 7.50 |
| Winter Vegetables | 0 | 0 | 0 | 6,569 | 9,909 | 3,861 | 563 | 315 | 4,739 | 5,171 | 5,171 | | | | 8.12 |
| Ginger | 0 | 0 | 0 | 10,096 | 27,000 | 16,120 | 563 | 315 | 16,997 | 10,003 | 10,003 | | | | 1.97 |
| Banana Farming | 15,346 | 6,637 | 21,983 | 4,496 | 21,523 | 5,120 | 4,500 | 1,518 | 11,137 | 10,385 | 9,813 | 42% | 1.34 | 23,239 | 0.28 |
| Citrus Farming | 12,459 | 6,359 | 18,819 | 2,709 | 23,423 | 5,245 | 4,309 | 1,115 | 10,668 | 12,755 | 12,478 | 26% | 1.36 | 22,739 | 0.22 |
| Mango Farming | 12,090 | 5,718 | 17,808 | 2,340 | 22,655 | 4,550 | 4,256 | 1,169 | 9,975 | 12,680 | 12,441 | 26% | 1.37 | 22,379 | 0.27 |
| Livestock Production | | | | | | | | | | | | | | | |
| Buffalo Farming | 41,196 | 24,744 | 65,939 | 17,017 | 41,901 | 19,020 | 4,373 | 5,724 | 29,117 | 12,785 | 9,569 | 35% | 1.10 | 17,692 | 22.81 |
| Goat Farming | 36,755 | 16,434 | 53,189 | 15,345 | 32,312 | 12,456 | 4,431 | 3,978 | 20,865 | 11,447 | 8,685 | 35% | 1.13 | 16,691 | 27.04 |
| Pig Farming | 31,231 | 16,434 | 47,665 | 9,867 | 32,312 | 12,456 | 4,431 | 3,978 | 20,865 | 11,447 | 8,685 | 49% | 1.18 | 21,967 | 3.41 |
| Poultry Farming | 34,445 | 22,567 | 57,012 | 21,452 | 51,667 | 9,730 | 8,397 | 12,837 | 30,964 | 20,702 | 18,177 | 51% | 1.30 | 52,056 | 5.80 |
| Heifer (buffalo) Raising | 29,953 | 9,998 | 39,951 | 9,537 | 24,621 | 5,927 | 1,486 | 4,010 | 11,423 | 13,198 | 11,132 | 32% | 1.21 | 18,930 | 5.07 |
| Cottage Industries | | | | | | | | | | | | | | | |
| Bag Making | 23,246 | 140,673 | 163,919 | 11,462 | 200,649 | 123,033 | 23,540 | 17,640 | 164,213 | 36,436 | 35,055 | 66% | 1.15 | 106,486 | 0.3 |
| Sweater Making | 46,257 | 202,139 | 248,396 | 33,273 | 268,926 | 181,953 | 23,540 | 20,186 | 225,679 | 43,247 | 39,513 | 59% | 1.11 | 113,238 | 0.46 |
| Micro-enterprises | | | | | | | | | | | | | | | |
| Retail Shops | 33,672 | 409,120 | 442,792 | 13,364 | 444,408 | 390,357 | 9,624 | 18,763 | 418,744 | 25,664 | 23,218 | 40% | 1.03 | 59,272 | 10.38 |
| Tailoring/Sewing | 42,218 | 49,984 | 92,202 | 21,674 | 120,651 | 10,430 | 30,951 | 39,554 | 80,936 | 39,716 | 36,395 | 77% | 1.29 | 118,084 | 3.69 |
| Tea/Refreshment Shop | 64,099 | 826,154 | 890,253 | 37,936 | 906,178 | 759,286 | 23,589 | 66,868 | 849,743 | 56,435 | 50,877 | 44% | 1.04 | 139,436 | 0.39 |
| Cold Drink Store | 64,496 | 845,449 | 909,945 | 38,379 | 904,381 | 535,729 | 14,774 | 21,376 | 571,879 | 332,502 | 326,903 | 50% | 1.03 | 107,752 | 0.37 |
| Average Total (NRs '000) | 29,844 | 64,525 | 94,369 | 14,009 | 85,203 | 57,018 | 5,508 | 7,423 | 69,949 | 15,254 | 12,985 | 30% | 1.06 | 503,491 | 98.1 |

DS = debt service.

OVERALL ASSESSMENT

Criteria used in the determination of the overall assessment are relevance, efficacy, efficiency, sustainability, and institutional development and other impacts.

| Criterion | Assessments | Rating (0–3) | Weight (%) | Weighted Rating |
|---|-----------------|-----------------|---------------|--------------------|
| A. Outcome Assessment | | | | |
| 1. Relevance | Highly Relevant | 3 | 20 | 0.6 |
| 2. Efficacy | Efficacious | 2 | 25 | 0.5 |
| 3. Efficiency | Efficient | 2 | 20 | 0.4 |
| B. Sustainability | | | | |
| | Likely | 2 | 20 | 0.4 |
| C. Institutional Development and Other Impact | | | | |
| | | 2 | 15 | 0.3 |
| D. Overall Assessment | | | | |
| | | | 100 | 2.2 |

Highly Successful (HS): Overall weighted average (OWA) is >2.5 and none of the five criteria has a score of less than 2; otherwise the rating would be downgraded by one level.

Successful (S): OWA is between $1.6 \leq S \leq 2.5$ and none of the criteria has a score of less than 1; otherwise the rating would be downgraded by one level.

Partly Successful (PS): OWA is between $0.6 \leq PS < 1.6$ and number of criteria receiving a rating of less than 1 should not exceed 2; otherwise the lowest rating would be given.

Unsuccessful (US): OWA is <0.6 .