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DRAFT REPORT

ASSESSMENT OF REVOLVING FUND PROVIDED TO MICROFINANCE INSTITUTIONS

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1. INTRODUCTION

1.1 Background

Plan Nepal has been one of the major international agencies supporting the emergence, growth and development of Nepalese microfinance sector since mid nineties. It has worked in partnership with different microfinance institutions (MFIs) rather then working directly as a practitioners of microfinance services to its families as clients. In general it has worked in partnership with at least one MFI in each program district. Plan Nepal has provided both the technical and financial support to its partner MFIs in order to strengthen their institutional capacity to expand outreach of the financial services while attaining operational and financial sustainability.

Plan Nepal has provided the financial support in the form of the revolving fund to the MFIs especially in the initial phase of its partnership. It however stopped providing revolving fund to the partner NGOs in the later phase of expansion of the microfinance services in new districts. For instance, during the start-up phase in 1994, it provided revolving loan fund to Eastern Regional Grameen Bikas Bank (GBB) to extend microfinance services to its families in Morang District. Subsequently it worked with Centre for Self Help Development (CSD) in Makawanpur and Development Project Service Centre, Nepal (DEPROSC Nepal) in Rautahat and Morang Districts. Finally, it worked with Nepal Rural Development Service Centre (NRDSC) Biratnagar to enhance access to financial services to its families in Sunsari district. Plan Nepal practically stopped to provide revolving loan fund to MFIs from 1999 onwards as it did not provided any revolving fund to Nirdhan to work in Bara, Banke and Bardia districts, where its supports has been geared towards meeting the incremental operating cost of MFI's branch offices.

Final treatment of the revolving fund provided by Plan Nepal to different MFIs is a matter of great concern to both Plan Nepal and partner MFIs. Plan Nepal lacks information on exact status of the revolving fund that it has provided to partner MFIs during 1994-1998. The database maintained at plan Nepal reveals that it has provided Rs. 14.63 million to five institutions (GBB, CSD, DEPROSC, DD Bank and NRDSC) to enhance access to financial services to its families in Morang, Makawanpur,Rautahat and Sunsari districts. Currently, Plan Nepal has felt the need to assess the financial and legal status of revolving fund provided to various MFIs, use and effect of revolving fund in promoting Nepalese microfinance sector and identifies the best options to settle the revolving fund permanently. Plan Nepal has entrusted Centre for Empowerment and Development Nepal (CED-Nepal) to undertake this assignment. This is the report prepared by CED-Nepal.

1.2 Objectives of the Assignment

This study is aimed at assessing the current status of the revolving loan fund provided by Plan International Nepal to partner MFIs during 1994 and 1999. The specific objectives of the study are to:

- Assess the financial and legal status of revolving fund provided to various MFIs,
- Assess the use and effects of revolving fund in promoting the microfinance sector and
- Recommend best options for plan to settle/treat the revolving fund permanently.

1.3 Methodology

The following methodology was adopted for undertaking this study.

Contract Review: Agreement signed between Plan Nepal and partner MFIs while providing the revolving fund was reviewed in order to assess the legal status of the revolving provided by Plan Nepal to different MFIs. More specifically the contractual provisions regarding final use of revolving fund were ascertained.

Financial Statement Review: Office of the partner MFIs were visited to review their audited financial statement to ascertain the financial status of the revolving fund provided by Plan Nepal.

One to One Interview: One to one interview was conducted with the chairperson, chief executive officers and other key persons in the partner MFIs to get their views on the permanently settle/treat the revolving fund in future.

Telephone Interview: Telephone interview was also conduced with the key persons of the partner MFIs to gather information on the accounting treatment and the use of revolving fund provided by Plan Nepal in their system and best options to permanently settle/treat the revolving fund in future.

1.4 Report Organization

This report is organized into four sections. After this introductory section, overview of revolving fund provided by Plan Nepal to MFIS is provided in section two. While section three presents the key findings and discussions, conclusions and recommendations of the study are provided in section four.

2. OVERVIEW OF REVOLVING FUND PROVIDED TO VARIOUS MFIs OVER TIME

2.1 Revolving Fund Amount

Database obtained from Plan Nepal shows that it had started to provide revolving fund from 1994 and continued until June 1998. During this period Plan Nepal has provided Rs 14.63 million to various microfinance institutions as shown in following table.

Table 2.1: Revolving Fund Amount provided to MFIs

S.N.	Microfinance Institutions	Amount of Revolving Fund (in million Rs.)
1	Eastern Grameen Bikas Bank, Biratnagar	2.500
2	Nepal Rural Development Society Center	1.455
3	DEPROSC-NGO-Morang	1.662
4	DEPROSC Development Bank	6.657
5	Center for Self-help Development	2.400
	Total	14.630

Source: Plan Nepal

The above information was shared to the partner MFIs and all partner MFIs agreed and endorsed that the information included in the database is accurate and agreeable.

2.2 Status of Revolving Fund

2.2.1. DEPROSC NGO in Morang

The total revolving fund amount Rs. 1,662,000 was provided by Plan Nepal to DEPROSC NGO-Morang in two stages. Under agreement 158/270 FY 97 Rs. 1,262,000 was provided for the period of January 1, 1997 to December 1997, which was extended for the period of February 1998. Additional Rs. 400,000 was provided under agreement 570/270 FY 98 for the period of March 1, 1998 to June 30, 1998. Review of audited financial statements of DEPROSC shows that DEPROSC Nepal has been reflected this amount as revolving fund in the liability side of its balance sheet and details of the fund has also been included under annex. Further, DEPROSC Nepal has mentioned that it has regularly provided the copies of audited financial statement to Plan Nepal for their perusal.

2.2.2. DEPROSC NGO (DD Bank) in Rautahat

The revolving fund was initially received by DEPROSC NGO. Later on the fund was handed over to DEPROSC Development Bank through a tripartite agreement between DEPROSC, DD Bank and Plan Nepal. Under this agreement, DEPROSC Nepal has provided a total of Rs. 6,657,000 to DD bank with Rs 3,604,068 as cash and Rs. 3,052,932 as loan documents. DD Bank has used the cash fund available from DEPROSC Nepal for loan operation while tried its level best to collect the loan statement of Rs. 3,052,932 it has received from DEPROSC Nepal. As of July 16,, 2009, DD Bank has collected Rs. 969,314 out of the due loan and it has shown Rs. 4,573,382 (Rs. 3,604,068 + Rs. 969,314) as plan revolving fund in its liabilities side of balance sheet. A sum of Rs. 2,083,618, which has not been collected yet (bad debt), has been shown as off balance sheet item in bank's record.

2.2.3. Centre for Self-Help Development in Makawanpur

The revolving fund of RS, 2400,000 was provided to CSD for a period of one year under agreement no. 005/96. Review of audited financial statements of CSD shows that it has shown revolving fund amount in the liability side of its balance sheet to be payable to Plan Nepal. The details of this amount are presented under schedule 17 of the audited financial statement of the CSD in FY 2008/09.

2.2.4. Nepal Rural Development Service Centre in Sunsari

Plan Nepal has provided the revolving fund amounting Rs. 1,455,000 to NRDSC in two phases. First installment of Rs. 705,000 was provided for the period of one year (January 20 to December 19, 1997), which was extended till March 30, 1998 under the agreement no. 304/270 FY 97/98. Additional amount of Rs.75000 was provided for the period of one year (April 1, 1998 to June 30, 1998) under the agreement no. 676/270 FY 98. The Fund provided by Plan Nepal to NRDSC for the implementation and continuation of micro-finance program during 1997/98 is reflected in the audited balance sheet of FY 2008/2009 as liability to be paid to Plan Nepal. The amount has also been shown as outstanding loan under annex 2.1 of the annual report of FY 2008/2009.

2.2.5. Eastern Grameen Bikas Bank in Morang

Eastern Grameen Bikas Bank was provided Rs. 2,500,000 as revolving fund in two phases. In first phase Rs. 2,000,000 was provided to bank under the agreement no. 193/95 for the period of October 5, 1994 to October 4, 1995 for providing the credit to 400 families at the rate of Rs 5000 per families. Additional Rs 500,000 was provided under the agreement no 665/96 for the period of March 8, 1996 to March 7, 1997. At present, Grameen Bikas Bank has accounted this fund as a capital subsidy reserve as per the recommendation of external auditor and Board of Directors. The fund has been mobilized to enhance access to financial services to the poor plan families in its working areas.

2.3 Review of Contractual Provisions

Plan Nepal has prepared separate agreement with each MFI at the time of providing revolving fund to them. This section presents major provisions of the agreement made with partner MFIs.

2.3.1. Agreement with DEPROSC Nepal in Morang

The agreement between Plan Nepal and DEDPROSC Nepal was made to implement the microfinance program in four VDCs of Morang district namely Jhurkia, Sijuwa, Itahara

and Mahadava. The first agreement was signed on January 24, 1997 for the period of one year and second was signed on 18th March 1998 for the period of four month. The total amount of revolving fund including the both agreement was RS.1.662 million.The agreement has specified the responsibilities of both Plan Nepal and DEPROSC Nepal.

As per agreement Plan Nepal was responsible for bearing 100 percent of the program cost and providing the fund to DEPROSC Nepal in timely manner.

Similarly, the DEPSOSC Nepal was made responsible for

- Designing, implementing, monitoring, evaluating and supporting the programme as per the proposal,
- Submitting a progress report to Plan on monthly basis for the first three months and then after on quarterly basis,
- Working in close consultation and association with Plan Director, designated consultant and programme staff in the planning and implementing of all activities related to program,
- Handover all unspent plan funds and nonexpendable items purchased through Plan funds in whatsoever condition it may be
- Ensuring that all staffs and representative work with local community in a professional manner and assist them in supervision of monitoring of the program to ensure maximum success of the program,
- Providing access to all DEPROSC's records which are related to programs funded by Plan,
- Maintaining basic accounting records in accordance with the generally accepted accounting practices

- Showing revolving fund amount as payable to Plan as plan revolving loan fund,
- Implementing the micro finance programme in four VDCs of Morang district in Plan communities as described in business plan,
- Following the saving and credit methodology and practices suggested by Plan Nepal,
- Using revolving fund in micro loans as stated by Nepal Rastra bank or any regulatory authority of GON,
- Providing outreach, financial and operational performance, institutional development and financial report with in the stipulated time,
- Maintaining separate revolving fund account for the programme funds,
- Establishing effective control procedures for making payments,
- Considering the best practices recommended by plan Nepal or its representative concerning the enhancement of the banks credit methodology and financial and management system.
- Taking prior written approval from Plan Nepal for any change in the programme activity and/or utilization of revolving fund.

Though the agreement has explained the responsibilities of Plan Nepal and DEPROSC Nepal, the agreement is salient on final settlement/treatment of revolving fund.

2.3.2.Agreement with DEPROSC Development Bank in Rautahat

The agreement between Plan Nepal and DEDPROSC Development Bank was signed on 10th September 2002. As per the agreement, DEPROSC Development Bank was provided Rs. 6,657,000 including Rs. 3,604,068 in cash and Rs. 3,052,932 as loan documents. The agreement has specified the responsibilities of both Plan Nepal and DEPROSC Development Bank.

As per agreement Plan Nepal was responsible for

- Allowing DEPROSC Development Bank to utilize revolving fund to provide sustainable financial service to plan communities in Rautahat district,

- Reviewing the status of the revolving fund at the end of each fiscal year by the partnership Progress Reviewing Committee.

Similarly, the DEPSOSC Development Bank was made responsible for
- Showing revolving fund amount as payable to Plan in plan revolving loan fund,
- Implementing the micro finance programme in thirteen VDCs of Rautahat district in Plan communities as described in business plan,
- Following the saving and credit methodology and practices suggested by the Credit /MED initiatives of Plan International,
- Using revolving fund in micro loans as stated by Nepal Rastra bank or any regulatory authority of GON,
- Providing outreach, financial and operational performance, institutional development and financial report with in the stipulated time,
- Maintaining separate revolving fund account for the programme funds,
- Establishing effective control procedures for making payments,
- Considering the best practices recommended by plan Nepal or its representative concerning the enhancement of the banks credit methodology and financial and management system.
- Taking prior written approval from Plan Nepal for any change in the programme activity and or utilization of revolving fund.

Though the agreement has explained the responsibilities of Plan Nepal and DEPROSC Development Bank, the agreement is salient on final settlement/treatment of revolving fund.

2.3.3.Agreement with Centre for Self Help Development

The agreement between Plan Nepal and CSD was signed on September 14,2001.This agreement supersedes the previous agreement signed between Plan and CSD on April 5, 1996 regarding the revolving fund provided by plan to CSD to implement saving and credit services in Plan Makawanpur area. As per the agreement, Plan Nepal was responsible for
- Authorizing CSD to manage Rs.2,400,000 revolving fund to provide sustainable financial service to Plan families and other target communities,
- Reviewing the progress of the programme on a six monthly basis with CSD.

CSD, on the other hand was responsible for
- Disbursing minimum 80% of the revolving fund provided by plan in the Plan and other targeted communities,
- Providing the financial services applying the best microfinance practice / methodologies,
- Providing six monthly outreach and financial performance reports once in every six month,
- Maintaining separate bank account at each branch level for the microfinance services and keeping accurate and up to date records of all financial transactions and making them available for inspection by the duly authorized representatives of Plan during any regular working day,
- Effectively utilizing the revolving fund for the purpose of securing the aims and objectives of the programme,
- Taking prior approval from plan for any change in programme activity and/or utilization of funding support from Plan before their implementation or disbursement,
- Providing other programme related information, data or reports that the Plan may require,
- Promoting gender equality in programme.

However, the agreement is silent about the final settlement procedure of the revolving fund provided by Plan Nepal.

2.3.4.Agreement with NRDSC in Sunsari

The agreement between Plan Nepal and NRDSC was signed in two phases.Both agreements were made to plan /implement and monitor a follow –up program for women groups of Plan programme area in Sunsari District as outline in the proposal. The first agreement was signed on May 29, 1997 for the amount of Rs. 1,297,988, out of which Rs.705, 000 was as seed money. The duration of this agreement was for the period starting June 20 to December 19, 1997. The second agreement was signed on May 27, 1998 for the period of three month of Rs.845, 865, out of which Rs.750, 000 was as seed capital.

Terms and scope of the service were

- Designing and Implementing the follow-up and support program for 47 women groups in Sunsari as outlined in the proposal named follow-up and support program for Plan women groups in Sunsari District,
- Submitting a progress report to Plan on completion of the program,
- Working in close consultation and association with Plan Director,designated consultant and programme staff in the planning and implementing of all activities related to program,
- Handover all unspent plan funds and nonexpendable items purchased through Plan funds in whatsoever condition it may be
- Ensuring that all staffs and representative work with local community in a professional manner and assist them in supervision of monitoring of the program to ensure maximum success of the program,
- Providing access to all NRDSCs records which are related to programs funded by Plan,
- Maintaining basic accounting records in accordance with the generally accepted accounting practices

Plan Nepal was responsible for the payment of actual expenses for running the program and professionals' services were made to NRDC by Plan as per the attched working schedule.

The agreement has not mentioned the provisions regarding to the final settlement procedure of seed money provided by Plan Nepal.

- Allowing NRDSC to utilize revolving fund to provide sustainable financial service to plan communities in Rautahat district,
- Reviewing the status of the revolving fund at the end of each fiscal year by the partnership Progress Reviewing Committee.

Similarly, the NRDSC was made responsible for

- Showing revolving fund amount as payable to Plan in plan revolving loan fund,
- Implementing the micro finance programme in Plan Nepal's working area in Sunsari district in Plan communities as described in business plan,
- Following the saving and credit methodology and practices suggested by the Credit / MED initiatives of Plan International,
- Using revolving fund in micro loans as stated by Nepal Rastra Bank or any regulatory authority of GON,
- Providing outreach, financial and operational performance, institutional development and financial report with in the stipulated time,
- Maintaining separate revolving fund account for the programme funds,
- Establishing effective control procedures for making payments,
- Considering the best practices recommended by Plan Nepal or its representative concerning the enhancement of the banks credit methodology and financial and management system.
- Taking prior written approval from Plan Nepal for any change in the programme activity and or utilization of revolving fund.

2.3.5.Agreement with Eastern Grameen Bikas Bank in Morang

The agreement between Plan Nepal and Eastern Grameen Bikas Bank was made in two phases. The first agreement was signed on October 5, 1994 and the second was signed on March 8, 1996.Both agreements were for the period of one year. The first contact was meant for the enrollment of 400 families out of which at least 300 families to be enrolled as plan families and second was meant for assisting the enrolled families on income generating program. The first contact was made for the amount of Rs.2, 632, 610, out of which Rs.2, 000,000 was to be distributed to 400 families as loan. The second contract was made for the amount of Rs.718, 000 to cover all programs and other activities. Out of this amount Rs.500, 000 was to be disbursed to 400 families as loan.

As per both agreements Grameen Bank was responsible for

- Bearing the responsibility of enrollment of a minimum of 300 families and achieve all work related to donor services as required by Plan,
- Assisting to total 400 families on income generating programs,
- Following Plan ethics, norms, values, rules and regulation during the implementation of agreement,
- Arranging all manpower necessary for the entire program,
- Obtaining prior approval from Plan Nepal for any changes, cancellation or modification of the proposal,
- Hand over to Plan all non –expendable materials provided by Plan which are not mentioned in the proposal within 30 days of the termination,
- Ensuring all GBB's staffs and representatives work with Plan staffs and the community groups in a professional manner and adhering to community and Plan culture,

Plan Nepal was responsible for providing the fund to GBB in timely manner to implement the program.

The agreement made between Plan Nepal and GBB has included the provision of spending the revolving fund amount after five years from signing the contract on community projects in the program area other wise it should be refunded to Plan Nepal.

The agreement between Plan Nepal and Eastern Grameen Bikas Bank in Morang was not available for review. CED-Nepal has made repeated request to eastern GBB to provide the contract document, which if available will be reviewed and included in the final report.

2.4 Assessment of the Status of Revolving Fund

On the basis of the analysis presented in the foregoing section, the study has uncovered that partner MFIs of Plan Nepal are using the revolving fund consistent to the contractual provision. More specifically, the assessment shows the followings.

- Except Grameen Bikas Bank, all four MFIs have shown the revolving fund amount as payable to Plan Nepal as a Plan Nepal Revolving Loan Fund,
- All the partners are implementing the micro finance programme in Plan Nepal's working area in Morang, Sunsari, Rautahat and Makawanpur districts and providing access to financial services to Plan families and communities in these districts.
- All the partner MFIs are following modified Grameen Lending Methodologies incorporating the saving and credit methodology and practices suggested by the Credit / MED initiatives of Plan International,
- These partners are using the revolving fund in micro loans as stated by Nepal Rastra bank or any regulatory authority of GON,

- All MFIs have maintained separate revolving fund account for the programme funds,
- Establishing effective control procedures for making payments,
- Considering the best practices recommended by Plan Nepal or its representative concerning the enhancement of the banks credit methodology and financial and management system.

3. Findings and Discussions

3.1 Financial and Legal Status of Revolving Fund in Various MFIs

Based on the review of accounting practices followed by the partner MFIs and one to one interview with the persons involved in MFIs management, it has been found that all MFIs have shown revolving fund provided by Plan separately as liability to be paid to Plan Nepal as per the contractual agreement. However, Eastern Grameen Bikas Bank has shown the revolving fund amount as capital subsidy reserve as per the recommendation of external auditor and Board of Directors. Further the study has identified that the revolving fund provided by Plan has brought the leverage effect on the expansion of microfinance service of the partner MFIs.

3.2 Use and Effect of Revolving Fund to Promote Nepalese Microfinance Sector

This study uncovered that partner MFIs are using the revolving fund provided by Plan Nepal effectively. For partner MFIs like DD Bank and Nerude Development Bank, revolving loan fund provided by Plan Nepal is a main base and incentives for them to transform into Microfinance Development Bank. For instances, had there been no revolving fund available from Plan Nepal, DEPROSC Nepal could not have started implementation of microfinance programme in Rautahat and Morang districts. Same is the case with CSD in Makawanpur district. The revolving fund provided by Plan Nepal has been instrumental to promote the Nepalese microfinance sector. In general, it has been effective to support the emergence of two MDBs (DD Bank and Nerude Development Bank), and growth and development of two Financial Intermediary NGOs (FI-NGOs) namely CSD and DEPROSC Nepal and growth and development of Eastern Region Grameen Bikas Bank.

There are 22branches of the partner MFIs currently serving the families and communities of Plan Nepal's in Morang, Sunsari, Rautahat and Makawanpur districts. These branches have organized about 46,360 members into 9272 groups in the working areas of these districts. About 84% of these members are active loan clients (total: 40,354) and outstanding loan balance has been estimated at Rs. 418.80 millions, of which Rs. 5 million is overdue loan amount. Average outstanding loan balance is estimated at Rs. 10,378 which implies significant poverty targeting of these MFIs to extend the microfinance services to their clients. See Annex 1 for details on outreach of microfinance services of the partner MFIs in Plan Nepal's working areas in Morang, Sunsari, Rautahat and Makawanpur districts.

The review of the documents, discussions with partner MFIs and assessment of the current situations on microfinance operation reveals that partner MFIs has properly used the revolving fund for purposes envisaged and the fund has significant effect to promote Nepalese microfinance sector.

3.3 Options for Settlement/Final Treatment of Revolving Fund

During the study, key persons in the MFIs governance were interviewed about their views in relation to the permanent settlement of the revolving fund provided by Plan Nepal. All MFIs have realized the role of revolving fund for the expansion of their capacity to deliver the microfinance services to their target communities and opined that it is better to settling/treat the revolving fund permanently.

On the basis of the discussions with executives and management of the partner MFIs, the consultant has come-up with Four options for the permanent settlement/final treatment of the revolving fund: (i) no intervention (status quo), (ii) hand-over the fund to partner MFIs as capital subsidy,(iii) use the fund for implementing the community development program for the families or communities of Plan Nepal and (iv) asking partner MFIs to return the revolving fund to Plan Nepal. Merits and de-merits of each of these options are discussed hereunder.

Table 2: Merits and De-merits of Four Options

Options	Merits	De-merits	Ranking of options
No intervention (status quo)	▪ Low transaction cost ▪ Incentives for MFIs to properly use the fund on threat of future monitoring from Plan Nepal ▪ Increase in client serving capacity of partner MFIs	▪ Uncertainty to partner MFIs ▪ Loss of institutional memory ▪ Risk of mis-use on other purpose	III
Handover as capital subsidy	▪ Low transaction cost ▪ Motivation to partner MFIs for proper use of the fund ▪ Feeling of ownership ▪ Increase in client serving capacity of partner MFIs	▪ Risk of fund mis-use in future ▪ Feeling of easy money	II
Use for community development	▪ Basis for proper use of the fund among Plan family and communities ▪ Consistent to the Plan Nepal's operating policies in Nepal ▪ Capacity enhancement of plan families and communities ▪ Long term memory of Plan Nepal's Contribution on community development	▪ High transaction cost ▪ Increase in communities expectation ▪ Difficult to administer ▪ Lack of feeling of ownership	I
Asking MFIs to return the revolving fund to Plan Nepal	▪ Eliminates risk of miss use of revolving fund	▪ Reluctant to refund ▪ Erosion in partnership philosophy of Plan Nepal ▪ Decrease in Partner's lending base	IV

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions of the Study

On the basis of review of practices followed by the MFIs, review of contractual agreement and the concerns of the partner MFIs, the study has drawn the following conclusions

Status of Revolving Fund: Except Eastern Grameen Bikas Bank, all MFIs have treated the revolving fund as per the agreement signed between them and Plan Nepal and has been shown as the liability to be paid to Plan Nepal. This practice followed by the MFIs is in line with the initial agreement signed with Plan Nepal.

Use of Fund: As mentioned in the agreement, all MFIs have used the revolving fund provided by Plan Nepal exclusively for providing loan to their clients and it has helped them to bring the leverage effect in the delivery of microfinance service to their clients. Access to financial services has been enhanced to more number of Plan families and communities.

Concerns of MFIs: All MFIs are interested to settle revolving fund provided by plan Nepal permanently. This could be done either through providing the fund to them as it is at present or for the use of providing non financial services to their clients.

4.2 Recommendations of the Study

Based on the above discussions and conclusion, the study has identified four options for the settlement /final treatment of the fund .Of the four options for the settlement of the revolving fund, option of use of the fund for implementing community development program for the communities of Plan Nepal has been preferred, followed by hand –over the fund to partner MFIs as capital subsidy. The options of no intervention (status quo) and asking the partner MFIs to return the fund to Plan Nepal have been least preferred in view of inherent risk and Plan Nepal's partnership philosophy.

Finally, Plan Nepal is recommended to undertake the following steps for the final settlement of revolving fund

1. Organize Partners Consultation Meeting: All partner MFIs covered under the study have shown their interest towards the final settlement of the revolving fund provided by Plan Nepal. Hence, Plan Nepal should bring all the Partner MFIs in single forum and discuss this issue among them to settle the revolving fund permanently.
2. Agree on the Options: The four options suggested by the study should be presented among the partner MFIs and their common consensus should be obtained on the preferred option.
3. Undertake the final Action: Based on the option preferred by the partner MFIs, final action should be undertaken for the permanent settlement of revolving fund.

The current status of the revolving loan fund provided by Plan International Nepal to partner MFIs during 1994 and 1999 has been properly used except the case of DD Bank in Rautahat where part of the fund need to be used for write-off purpose. In general financial status of the fund is sound albeit lack of sound contractual basis. The fund has contributed for the growth and development of Nepalese microfinance sector.

In view of the context and realities under which revolving loan fund has been used by the partner MFIs, of the three options for the settlement/final treatment of the revolving fund options of use the fund for implementing the community development program for the families or communities of Plan Nepal has been preferred followed by hand-over the fund to partner MFIs as capital subsidy. The options of no intervention (status quo) have been least preferred in view of inherent risks it has and uncertainty to partner MFIs.

Annex A: List of Persons Met

DEPROSC Nepal
- Mr. Pitamber P. Acharya, Executive Director
- Mr. Kailash Rijal, Deputy Director
- Mr. Binod Acharya, Finance Manager
- Mr. Ram Hari Dahal, Microfinance Manager

DD Bank
- Mr. Sarada Prasad Katel, Chielf Executive Officer
- Mr. Pushpa Raj Adhikari, Finance Manager
- Mr. Hari Prasad Acharya, Planning and Monitoring Manager

CDS, Kathmandu
- Mr. Mukunda Bahadur Bista, Executive Director
- Mr. Kesher Bahadur Shrestha, Programme Director
- Mr. Ram Kumar Shrestha, Chief Executive Officer, Sawalamban Bikas Bank

Nurade Development Bank / NRDSC
- Mr. Mani Kumar Aryal, Chairperson
- Mr. Dolendra Bahadur Baniya, Chief Executive Officer

Eastern Grameen Bikas Bank
- Mr. Shyam Dev Yogi, Executive Director,
- Mr. Govinda Chapagain, Policy and Planning Division Chief

Annex B: Outreach of Microfinance Services of Partner MFIs in Plan Nepal's Working Areas (PLs delate this table and insert the new)

S.N.	Microfinance Institutions	Branch Office	Members (No)	Borrowers (No)	Total Loan Disbursement (Rs.)	Loan Collection (Rs.)	Outsatnding Loan (Rs
1	SBB, Makawanpur	Bhimphedi	1,315	957	133,989,325	124,837,541	9,151,784
2	SBB, Makawanpur	Palung	1,658	1,015	96,026,700	80,463,597	15,563,103
3	SBB, Makawanpur	Hetauda	2,019	1,608	110,600,000	83,705,494	26,894,506
4	SBB, Makawanpur	Bastipur	1,103	777	28,820,000	19,769,544	9,050,456
		Sub-total	**6,095**	**4,357**	**369,436,025**	**308,776,176**	**60,65**
5	DEPROSC, Morang	Rangeli	3,015	2,953	265,016,000	226,980,972	38,035,028
6	DEPROSC, Morang	Katahari	2,256	2,108	162,608,500	138,361,874	24,246,626
7	DEPROSC, Morang	Urlabari	2,480	2,330	128,543,500	98,848,617	29,694,883
8	DEPROSC, Morang	Haraicha	2,388	2,118	109,619,000	82,419,616	27,199,384
		Sub-total	**10,139**	**9,509**	**665,787,000**	**546,611,079**	**119,175,921**
9	DD Bank, Rautahat	Garuda	2,889	1,743	68,987,000	46,966,290	22,020,710
10	DD Bank, Rautahat	Gaur	1,280	1,008	59,385,500	48,126,577	11,258,923
11	DD Bank, Rautahat	Chapur	1,415	1,172	46,946,000	28,273,238	18,672,762
		Sub-total	**5,584**	**3,923**	**175,318,500**	**123,366,105**	**51,952,395**
12	NERUDE Bank, Sunsari	Dewanganja	1,466	1079	100,393,600	91,613,670	8,779
13	NERUDE Bank, Sunsari	Chimadi	2,619	2,326	206,482,600	186,049,587	20,433
14	NERUDE Bank, Sunsari	Duhabi	2,622	2,207	137,850,500	119,581,712	18,268
15	NERUDE Bank, Sunsari	Inaruwa	3,022	2709	170,926,000	149,870,488	21,055
16	NERUDE Bank, Sunsari	Jhumka	2,134	1982	101,494,500	84,650,222	16,844
17	NERUDE Bank, Sunsari	Itahari	2,498	2285	113,169,500	93,836,013	19,333
18	NERUDE Bank, Sunsari	Dharan	2,020	1956	86,503,500	67,174,998	19,328
		Sub-total	**16,381**	**14,544**	**916,820,200**	**792,776,690**	**124,043,510**
16	Grameen Bikas Bank, Morang	Urlabari	1,850	1,578	328,543,500	305,848,617	22,694,883
		Grand Total	**34,976**	**29,503**	**2,594,872,025**	**2,177,513,056**	**417,358,969**

Annex B: Outreach of Microfinance Services of Partner MFIs in Plan Nepal's Working Areas

S.N.	Microfinance Institutions	Branch Office	Members (No)	Borrowers (No)	Total Loan Disbursement (Rs.)	Loan Collection (Rs.)	Outsatnding Loan (Rs.)	Loan Overdue (Rs.)	Average loan size (Rs.)
1	SBB, Makawanpur	Bhimphedi	1,315	957	133,989,325	124,837,541	9,151,784	-	9,563
2	SBB, Makawanpur	Palung	1,658	1,015	96,026,700	80,463,597	15,563,103	-	15,333
3	SBB, Makawanpur	Hetauda	2,019	1,608	110,600,000	83,705,494	26,894,506	-	16,725
4	SBB, Makawanpur	Bastipur	1,103	777	28,820,000	19,769,544	9,050,456	-	11,648
		Sub-total	**6,095**	**4,357**	**369,436,025**	**308,776,176**	**60,659,849**		**13,922**
5	DEPROSC, Morang	Rangeli	3,015	2,953	265,016,000	226,980,972	38,035,028	-	12,880
6	DEPROSC, Morang	Katahari	2,256	2,108	162,608,500	138,361,874	24,246,626	5,661	11,502
7	DEPROSC, Morang	Urlabari	2,480	2,330	128,543,500	98,848,617	29,694,883	-	12,745
8	DEPROSC, Morang	Haraicha	2,388	2,118	109,619,000	82,419,616	27,199,384	-	12,842
		Sub-total	**10,139**	**9,509**	**665,787,000**	**546,611,079**	**119,175,921**	**5,661**	**12,533**
9	DD Bank, Rautahat	Garuda	2,889	1,743	68,987,000	46,966,290	22,020,710	867,023	12,634
10	DD Bank, Rautahat	Gaur	1,280	1,008	59,385,500	48,126,577	11,258,923	724,659	11,170
11	DD Bank, Rautahat	Chapur	1,415	1,172	46,946,000	28,273,238	18,672,762	411,847	15,932
		Sub-total	**5,584**	**3,923**	**175,318,500**	**123,366,105**	**51,952,395**	**2,003,529**	**13,243**
12	NERUDE Bank, Sunsari	Dewanganja	1,466	1079	100,393,600	91,613,670	8,779,930	170,822	8,137
13	NERUDE Bank, Sunsari	Chimadi	2,619	2,326	206,482,600	186,049,587	20,433,013	169,702	8,785
14	NERUDE Bank, Sunsari	Duhabi	2,622	2,207	137,850,500	119,581,712	18,268,788	48,665	8,278
15	NERUDE Bank, Sunsari	Inaruwa	3,022	2709	170,926,000	149,870,488	21,055,512	63,803	7,772
16	NERUDE Bank, Sunsari	Jhumka	2,134	1982	101,494,500	84,650,222	16,844,278	138,617	8,499
17	NERUDE Bank, Sunsari	Itahari	2,498	2285	113,169,500	93,836,013	19,333,487	121,288	8,461
18	NERUDE Bank, Sunsari	Dharan	2,020	1956	86,503,500	67,174,998	19,328,502	-	9,882
		Sub-Total	**16,381**	**14544**	**916,820,200**	**792,776,690**	**124,043,510**	**712,897**	**8,529**
19	Grameen Bikas Bank, Morang	Katari	2,113	2077	285,445,000	254,015,000	3,143,000	-	1,513
20	Grameen Bikas Bank, Morang	Karsiya	1,819	1788	190,806,000	164,539,000	26,267,000		14,691
21	Grameen Bikas Bank, Morang	Rangeli	3,188	3133	274,263,000	240,607,000	13,656,000	2,190,000	4,359
22	Grameen Bikas Bank, Morang	Dhanighat	1,041	1023	131,029,000	111,130,000	19,899,000	93,000	19,452

		Sub-Total	**8,161**	**8021**	**881,543,000**	**770,291,000**	**62,965,000**	**2,283,000**	**40,014**
		Grand Total	**46,360**	**40,354**	**3,008,904,725**	**2,541,821,050**	**418,796,675**	**5,005,087**	**10,378**