



COOPERATIVES IN NEPAL

At the workshop on enhancing the role of women in cooperative businesses, Kathmandu, December 2017.

Contribution of cooperatives to Nepal's economy

- 34,737 - number of primary cooperatives in Nepal.
- 6.5 million members in cooperatives (23% of Nepal's population).
- 51% of members in cooperatives are women.
- 40% of the board of directors in cooperatives are women.
- 63,500 - number of employees in cooperatives.
- US\$ 63.47 billion - total share capital of cooperatives.
- US\$ 302 billion held in deposits in cooperatives, of which US\$ 273 billion are disbursed as loans.

(All figures as of 2019)

Did you know?

- The Constitution of Nepal (2015) recognises cooperatives as one of the three pillars, along with the public and private sector, for development of the national economy.
- The National Cooperative Federation of Nepal (NCFN) is the apex organisation representing Nepalese cooperatives nationally and internationally.
- The Department of Cooperatives within the Ministry of Land Management, Cooperatives and Poverty Alleviation is responsible for the regulation, promotion and development of cooperatives. As a federal agency, the Department also supports the provincial and local regulatory agencies.
- The 2017 Voluntary National Review of the Sustainable Development Goals (SDGs) of Nepal recognises the important role of cooperatives in reducing poverty by providing economic opportunities for members, empowering weaker members and mediating access to credit.
- ICA has five members from Nepal. The members with their year of affiliation are NCFN (1997); National Cooperative Development Board (NCDB, 2011); Nepal Agricultural Cooperative Central Federation Ltd. (NACCFL, 2012); National Cooperative Bank Ltd. (NCBL, 2013); Nepal Multipurpose Central Cooperative Union Ltd. (NEMCCU, 2017).
- NCFN's Chairman Mr. Keshav Prasad Badal and Vice Chairperson Ms. Om Devi Malla, were the first-ever cooperators to be honoured with the "Su Prabal Janasewa Shree Bibhusan" (State Honour) for promoting and developing the cooperative sector.

Nepal has a long tradition of informal community-based groups engaged in savings and credit, grain savings and labour exchanges. Since their formalisation in the 1960s, cooperatives have grown significantly, are found in diverse sectors and play an important part in the development of the Nepalese economy by integrating people from different ethnic, social and marginalised backgrounds.

Types of cooperatives in Nepal

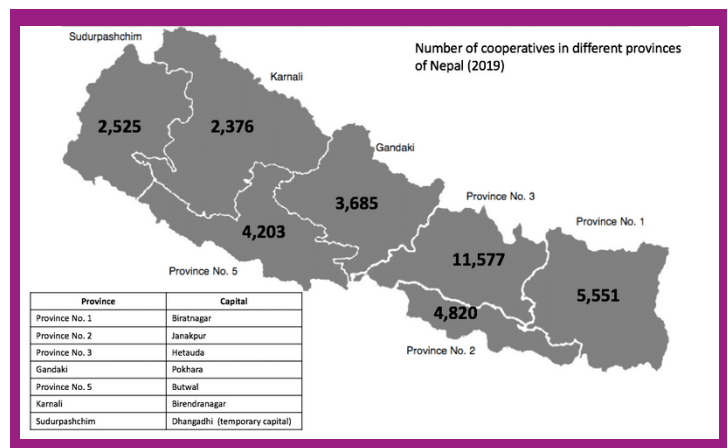
Cooperatives in Nepal are present in the following sectors:

- Agricultural*
- Consumer service
- Energy
- Financial (savings and credit)
- Health
- Multipurpose cooperatives
- Tourism
- Worker

*Includes allied sectors like livestock, dairy, tea, etc.

Geographical presence of cooperatives in Nepal

Cooperatives are present in all seven provinces of Nepal.



Evolution of the cooperative movement

→ 1953-2000

- The modern cooperative movement in Nepal began after the end of the Rana oligarchy in 1951. In 1953, the Department of Cooperatives (DOC) was established under the Ministry of Agriculture for Planning and Development.
- From 1954 onwards, credit cooperatives with limited liability, such as the Bakhan Credit Cooperative (BCC) in Chitwan district were formed. They were promoted by the government as part of a flood relief and resettlement programme. Later, BCC became a multipurpose cooperative.
- Development of cooperatives has been closely integrated with the national development plans of the government. In the first Five Year Plan (1956-1961), the government actively endorsed the establishment of agricultural multipurpose cooperatives.
- In 1969, the government launched a large-scale reorganisation programme which continued till the end of the Fourth Five Year Plan (1970-1975). The programme focused on strengthening the business efficiency of cooperatives.
- From 1975 to 1980, the government launched the 'Sajha' Programme or Cooperative Expansion Programme which converted cooperatives and village committees into 'Sajha Snastha' or cooperative societies. While the programme ensured a manifold increase in cooperatives and its members, it had limitations, such as, forcing farmers to compulsorily use their savings to procure membership; and local politicians becoming ex-officio members on the board of cooperatives.
- The Sajha Programme was altered between 1980 to 1985 to account for the needs of small farmers. The ex-officio board representation was replaced by elected office bearers. The focus was on improving the quality of cooperatives and setting up new cooperatives only after feasibility studies.
- In 1991, NCDB was established to revitalise existing cooperatives through policy-based norms such as bylaws. During this period, the growth of cooperatives was witnessed in savings and credits, dairy, and agro-based sectors such as chemical fertilisers, insecticides and seeds.
- In 1993, NCFN was established as the apex body representing the Nepalese cooperative movement.
- In 1997, after becoming a member of the ICA, NCFN observed the International Cooperative Day for the first time.

→ 2000-present

- Since 2000, cooperatives played an important role in service delivery, market promotion and infrastructure development in Nepal. They have been actively promoted by the government and NCFN.
- In 2000, NCFN initiated the National Cooperative Award to recognize the best performing cooperatives.
- In 2001, NCFN started publishing 'Sahakari Sandesh' on a weekly basis to disseminate news about cooperatives.
- In 2004, the National Cooperative Development Fund was established by NCFN to promote the development of cooperatives.
- Central sectoral cooperative unions were established such as Central Coffee Producers Cooperative Union (2006), Central Fruits and Vegetables Producers Cooperative Union (2006), Central Sugarcane Cooperative Union (2010), Central Tea Cooperative Union (2011), Central Communication Cooperative Union (2011), Nepal Health Central Cooperative Union (2011), Central Multipurpose Cooperative Union (2012), and the Central Seed Production Cooperative Union (2012).
- In 2012, the government established the Ministry for Cooperatives and Poverty Alleviation.
- In 2014, the First National Cooperative Congress was organized jointly by the government of Nepal, Ministry of Cooperatives and Poverty Alleviation, NCFN, NCDB and DOC. The Second Cooperative Congress was organised in 2018.
- In 2018, The Ministry for Cooperatives and Poverty Alleviation was converted into the Ministry of Agriculture, Land Management and Cooperatives. It is now called the Ministry for Land Management, Cooperatives and Poverty Alleviation.

Law on cooperatives

- 1959-The Cooperative Society Act of 1959 was the first law on cooperatives in Nepal. Due to political instability in the country at that time, the law could not be adequately enforced.
- 1961-The law was amended, and the Cooperative Society Rules were passed which introduced the mutuality concept 'Sajha' in Nepal. The activities under Sajha were used to promote the Panchayat system. The government took control of independent cooperatives which were used as tools to deliver goods and services as per its direction.
- 1984-The Common Associations (Sajha Snastha) Act of 1984 replaced the previous law and modified the existing Sajha Programme for cooperative development.
- 1992-After the repeal of the Sajha Act, the Cooperatives Act of 1992 was passed by the newly elected government based on the ICA principles.
- 2017-The Cooperatives Act of 2017 was adopted after the proclamation of the Constitution of Nepal in 2015. The Act consolidated all prevailing laws on cooperatives in different sectors and provided for the development of cooperatives in a federal structure.
- 2019-Cooperatives Rules were enacted to fully implement the Cooperative Act of 2017.

Key highlights of the 2017 Act

- Promotes one member one vote principle.
- Allows for the formation of various secondary level cooperatives.
- A minimum of 15 and maximum of 100 Nepalese citizens can form a cooperative.
- 33% representation of women in the board of cooperatives.
- Establishes a Cooperative Promotion Fund to majorly develop infrastructure, followed by training and education, marketing and monitoring cooperatives.
- Provision for a Stabilisation Fund by saving and credit cooperatives to protect themselves from operational losses.
- At least 25 cooperatives may form a specialized cooperative association, register it and carry out large scale, capital intensive projects.
- Establishes a compulsory Patronage Refund to return benefits to its members based on the annual volume of transactions between the cooperative and the members.
- Defines roles and responsibilities of NCFN.

Cooperative landscape of Nepal

Cooperatives in Nepal operate in different sectors and are closely linked with all areas of development. They play an important role in furthering the achievement of SDGs in the country.

Reducing economic inequalities (SDG 10): Bhabishya Nirman Sana Kishan (BNSK), Dakshinkali

BNSK is an agricultural saving and credit cooperative in Kathmandu with 920 members, of which 740 (80%) are women and 557 (60%) are youth. BNSK strives to promote sustainable development through income generating activities, eco-friendly farm practices, and social empowerment of small farmers. The cooperative encourages members to take loans only for income generating activities such as vegetable farming, poultry, and dairy-based business without a collateral. It is also actively engaged in monitoring the use of loans, training members and providing them market-based opportunities. BNSK has savings worth US\$ 293,626 and has given out loans worth US\$ 319,901 (2019). BNSK is a member of NACCFL, the apex organisation for agricultural cooperatives. **BNSK was featured in aroundtheworld.coop documentary series in 2019 and presented at the United Nations Head Quarters (New York) in commemoration of the International Day of Cooperatives 2019.**



The BNSK team with the Around the World crew.

Image credit: Around the world.coop



Image credit: MMSCC

Promoting women's empowerment (SDG 5): Mahila Milan Savings and Credit Cooperatives Ltd. (MMSCC), Makwanpur

Established in 2001 by 26 women, the MMSCC has grown to become a leading financial institution. The MMSCC motivates rural women to become members and to participate in their saving schemes, financial literacy classes, skill development training and awareness building programs. It also provides low interest credit to its members for income generation activities. Some of their members have started their own small businesses and become entrepreneurs. MMSCC now has 4,265 members with US\$ 277,626 share capital and transactions worth over US\$ 2.3 million. The MMSCC is currently campaigning to reduce women and child trafficking and practices such as child marriage, underage marriage and forced marriage in their communities.

Promoting decent work and economic growth (SDG 8): Uchapahadi (High hill) Tea Producer Cooperative Society Ltd. (UTPCS), Ilam

UTPCS was started by small holder green leaf tea farmers who were far from a processing plant. They faced delays in payment and had no official contract or bargaining power. They also lacked technical skills to process the tea themselves. UTPCS encourages sustainable production and collective marketing of the tea while ensuring standard pricing – it was the first tea cooperative in Nepal to be certified organic in 2009. The cooperative established its own tea factory in 2018 and processes high quality black tea, green tea and several speciality varietals. Its 172 members, of which 33 are women, also receive technical training, cooperative education training, and best farming practices.



Mrs. Bimala Rai (Basnet) member of the cooperative plucking tea in her tea garden.

Image credit: NCF

Promoting sustainable communities (SDG 11): Baglung Milk Producers Cooperative Union (BMPCU), Baglung

The BMPCU was established in 2001 to bring small dairy farmers together to meet the stiff competition in the market and get better prices. Over the years, BMPCU has built a reputation of supplying high quality and economically priced products. It provides extension services to members, such as livestock insurance, veterinary care, nutritious grass seeds, shed improvement and capacity building. It has 1,500 members and annual transactions worth US\$ 521,740 (2018-19).



- In 2011, NCFN collaborated with the German Corporation for International Cooperation (GIZ) to prepare a Five Year Cooperative Business Plan to make cooperatives sustainable.
- The government of Nepal formulated the National Cooperative Policy in 2012. NCFN developed cooperative education manuals to enhance the management capacity of cooperatives.
- In 2012, NACCFL and Agriterra collaborated to strengthen the management capacities of agricultural cooperatives. One of the successful outcomes of the collaboration was the creation of My.Coop, an agricultural training package, jointly produced by NACCFL, Agriterra and ILO, which is used to train Nepali farmers.
- The Kathmandu Declaration at the 18th South Asian Association of Regional Cooperation (SAARC) Summit in 2014, recognised the potential of cooperatives in achieving inclusive, broad-based and sustainable economic growth and development.
- Cooperatives in Nepal and the ICA rallied to provide support to affected cooperatives after the devastating 2015 earthquake.
- In 2019, NCFN partnered with UNDP in Nepal to raise awareness on SDGs and prepared the SDG Implementation Guidelines to identify and highlight the unique role played by cooperatives in achieving SDGs.

Engagement with ICA-AP

- Nepal hosted the Sixth ICA Asia-Pacific Cooperative Ministers' Conference in 2002.
- The Regional Consultation of Cooperatives from SAARC Countries was held in Kathmandu in 2015.
- ICA has been actively represented by Nepalese cooperative leaders in its Regional Board (Mr. Deepak Prakash Baskota and Mr. Keshav Prasad Badal) and Global Board (Ms. Om Devi Malla).
- Nepal is developing a curriculum for formal cooperative education at school and university level. In 2019, they hosted a seminar, inviting representatives from international cooperatives and universities to share best practices and pedagogies on cooperative education.
- Cooperators from Nepal have benefitted from international trainings organized by ICA-AP. These include trainings organized by the ICA-Ministry of Agriculture, Forestry and Fisheries, Government of Japan, to strengthen agriculture cooperatives; seminars and workshops organized on e-commerce and cooperative-to-cooperative trade; and by the ICA-AP consumer, women, research and youth committees.

What are cooperatives?

Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.

Cooperative values

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

Cooperative principles

The seven cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

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About International Cooperative Alliance Asia and Pacific

ICA-AP is one of four regional offices of the ICA. Established in 1960 in New Delhi, India, it unites, promotes, and develops cooperatives in the region. ICA-AP's 108 members from 33 countries spans a variety of sectors, including agriculture, credit and banking, consumer, education, fisheries, forestry, housing, and insurance.

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