

Recent financial crisis in BRAC and the rule of rumors

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Introduction

Beginning in 1972 as a small relief and rehabilitation organization to serve the returning refugees from India following liberation war, BRAC grew into one of the largest NGO in Asia working for the alleviation of poverty and empowerment of the poor. Currently 61 per cent of its expenditures (1999) are met from its own income-generating resources and the Donors coordinated by a Donor Consortium provide the rest. At the beginning of the new millenium, some time in early February, BRAC management reviewed the present flow of expenditures vis-a-vis Donor Commitment and found that the present flow of expenditure is highly inconsistent with available reserve of fund for substantial part of its expenditure. Since the inception of the organization, such situation presented several times which is not unexpected, given the process of releasing committed fund. Under the circumstances, different strategies had been adopted at different times to manage such crisis. This year, once again BRAC faced similar financial shortage owing to delay in release of fund committed by the donors and excess expenditures. Accordingly, management took some drastic decisions to cope with the crisis and disseminated the decisions to the field in the form of circulars. These decisions have been implemented immediately across all the programs wherever thought necessary. But it was observed that implementation of new decisions has precipitated adverse effects on the programs and caused frustration and disillusionment among field workers. Thus, we tried to explore the strategies and legacy of current crisis management by BRAC and the extent of damage done in the field. This paper is devoted to present these findings from the discussions and help the management to have an insight from the field.

Methodology

This information was collected from an Area Office (AO) in the third week of April 2000. Considering the sensitive nature of issue, participant observation method was used to collect information. An investigator who worked previously in the area office and had good rapport with the staff was chosen for the purpose. He spent five days in the office and in the disguise of working on a different project, collected the required information. He conducted informal discussion with the staff, both individually and in small groups. These discussions usually took place during leisure, over a cup of tea or in the dining room in the most informal atmosphere. The investigator made it sure that they express their anxieties, comments and thoughts without any inhibition. A Senior Researcher at RED supervised the work of the field investigator.

Findings

In general we found a very low level of morale among the field staff. There was lot of confusion and disappointments in the past few weeks. From discussion with the field staff, certain steps taken by the Head Office produced adverse effects on the programs and precipitated demoralization among the staff. These are presented in this section.

Redundancy of professionally weak and excess staff

During the time of financial crisis an attempt was made to identify professionally weak and excess staff of each program. A number of memorandums were circulated across all programs and implemented promptly. As a result, some of the staff was declared

redundant and some other staff was given forced leave, as the management could not identify enough work for them. This created a panic in the field and the staff got demoralized. All on a sudden a majority of the field staff became uncertain about their future in the organization. Rumors circulated in the field that thousands of staff would be sacked and so on. One BEP PO had information that by June four to five thousand staff would be declared redundant. When asked the basis of this, he mentioned that since opening of the new schools are stopped, the staff will be in excess gradually and therefore redundancy is obvious. Last year he heard that BRAC would give a surprise (*Chamak*) in year 2000. Now he is wondering whether this is that *chamak*!

Cut in financial perks

Circulars were issued from the Head Office to local management to curtail their expenses as the overall expenditure of BRAC was thought to be very high. In doing so, electric bills (300 units for each month, which was as per requirement previously), office maintenance bill (from Taka 300 to Taka 250 only), motor cycle bill, recreation allowance for field staff (2 basic pay and six days leave after four years of continued service in the field), magazine bill for all programs, and food allowances (from Taka 18 to Taka 15) etc. were curtailed drastically. BEP staff mentioned that their newspaper bill, monthly entertainment allowance for office and tea allowance for teachers' refreshers training were stopped altogether.

Curtailement of staff facilities was very disappointing to the field staff. They mentioned that limitation of motorcycle bill is quite disheartening to them because it is not sufficient

(currently fixed to Taka 1400 for RDP and 700 to 800 for NFPE) for supervision of field activities. According to them, this would reduce their monthly salary as the actual cost incurred on motorcycle is high which has to be met from their own pockets.

Suspensions of further expansion and newly started programs

Expansion of the program such as opening of new schools, new libraries, and set up of RDP outposts were suspended. Even some newly set up RDP outposts and schools were withdrawn as well. They cited an example of a RDP outpost, which was opened three times in the same place under this area office and closed three times because of recent circulars for cost containment. Now they are feeling very embarrassed to even bring back the office furniture from the rented house. They mentioned that frequent changes in decisions are very bad for program; consequently, beneficiaries can lose their trust in the organization. According to local BEP staff, if schools were not opened by December this year then two staff would be excess here. BEP planned to open 4,318 schools across the country this year. Among these, only 483 schools were opened and the rests are stopped until further notification.

Redundancy of newly recruited staff

All newly recruited staff is declared redundant by an office order this year. In BEP, new staffs were sent home after couple of days of joining while in RDP it happened at the time when they turned up for joining. However, they were given traveling allowances. Seeing this, other staff started thinking that they could also face the same fate in the

future. To quote one: *"it now seems that it will not be possible for us to continue work in BRAC anymore..."*

Staff transfers from BEP to RDP

Quite a number of staff was transferred from BEP to RDP, which is still going on. Such transfer is considered as a big threat for them. Initially, many staff was not ready to leave BEP and move to RDP. This was mainly because they thought that they would be sacked after being transferred to RDP. One Program Organizer said that he had heard that DED-2 had advised the Director of BEP for staff cut, but the BEP Director was reluctant to do so by saying, "no one would be declared redundant from BEP". And hence, excess staffs are being transferred from BEP to RDP. They also heard the rumor that from thence BEP would be operated by level five and six staff only, and this was confirmed when they saw that most of the transferred staff were from level seven and above. Obviously, they were not aware of the very purpose of the selective transfer, which is to make them managers in RDP. These transfers produced quite a high level of mental stress among the staff. An evidence of mental stress of BEP staff is cited here:

One Friday morning during the time of breakfast I (the investigator) noticed that a BEP staff was worried to know the decisions of monthly Regional Manager's meeting which was held at the Head Office. After breakfast, he went to the nearest (10 km away) BEP office to know the outcomes of the meeting. But he found that people there were also worried. Finally, they decided to meet their Regional Manager at his office (65 km away). Accordingly, one staff was sent to the Regional Office. The Regional Manager informed them that there was no

surprise but the process of transfer would continue for sometime. If anyone refuses to join RDP as ordered, necessary action would be taken against the concerned person promptly.

The above two phenomenon caused a panic among the field staff and seriously hampered their routine activities. They were obsessed with the thought-“what will happen to me?”

Reduced frequency of NFPE teacher’s refresher training

The monthly refreshers training of teachers is an important feature of BRAC’s education program. As a consequence of the austerity measures, its frequency has been reduced to once in two months. It was felt that since BRAC teachers were academically less qualified, reducing frequency of refreshers training would adversely affect their teaching skills. One BEP staff suspected some sinister design behind this decision, which he could not clarify.

Increased VO member’s yearly membership renewal fee

VO member’s yearly renewal fee was increased from Taka 10 to Taka 20. The RDP staffs think that this would make it difficult to collect this raised fee from members and as a consequence, they feared VO members’ drop out would increase.

Increased fees for BEP students

Previously each BEP student had to pay Taka 5 each month, which was doubled, and collectable all at a time. Whereas the government was introducing stipends for primary

students, the staff members felt that the parents would not take BRAC's doubling of the fee easily. Moreover, this decision was taken at the middle of the year and the parents were considering it is a breach of commitment made by the staff before. The staff were feeling embarrassed to collect this new fee.

Concerns raised at BRAC Research Conference 2000

The Research and Evaluation Division conducted eight research conferences in 2000 beginning early February. The idea was to "take research where the grassroots workers are" i.e., disseminating key research findings on program in a popular format for the field level programme implementers. During these sessions, time and again the participants raised the issue whenever occasion presented. A sense of anxiety and insecurity was clear from their queries. At a number of places they charged the researchers why they were not doing research on BRAC staff itself, which can substantially improve the performances of the programs if their grievances are appropriately addressed. The Head Office personnel attending the conferences, at Director and PC levels, had quite a hard time in responding to their concerns.

Perceived reasons for crisis

The investigator asked the staff whether they knew the reasons for present crisis they mentioned. They mentioned that they heard that donation to BEP was being delayed and this was the primary reason for the crisis. Interestingly, they also mentioned some other reasons for present financial crisis. This included the training of field staff at the expensive Head Office establishment indiscriminately, and excess house rent charged by

RDP to BEP (Taka 11,000 monthly). Also, one BEP staff stated that he has heard that some fund (about 300 crore Taka) were taken form BEP for running the BRAC Bank since the BRAC Bank had no funds at all. Both HPD and RDP staff thought that they had no fund crisis yet in their programs.

Discussion and conclusion

The recent decisions implemented in the field to cope with the financial crisis caused frustration and disappointment among the field staff in general. On the basis of findings and discussions with the field staff, outcomes of this crisis management can be categorized into positive and negative effect. The positive effect is that this has increased accountability and responsibility of the staff because they are led to believe that professional weakness may lead to redundancy. One PO said, “presently it is very difficult to work in BRAC without better performance”. Also, thrifty measures undertaken will reduce the cost of programs in the long run. On the other hand, possible negative effect may be that as the sense of job insecurity increases, the staff morale diminishes substantially and hence can show less interest in work, which may ultimately affect the quality of the program. From the findings, it appeared that the BEP’s staffs were more disappointed than the other two programs while HPD was the least affected. Finally, it can be said that the current fund crisis phenomenon once again explicitly reminds us that donation dependent organization could face financial crisis at any time. Instead of a top down approach, it is better under such circumstances to take the staff in confidence and try to manage the crisis in a more participatory and transparent way. This will remove much of the confusion and rumors circulating in the organization. More

importantly, strategies for financial crisis management in emergency situations should be in place beforehand so that programs can run unhindered with minimal trauma to the staff and the organization.