

Exploratory Study on BRAC's NGO Cooperation Project

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Executive summary

Introduction - BRAC embarked on an NGO Cooperation Project to enhance efficiency of the small and medium NGOs in effective micro-finance management vis-a-vis augmentation of micro-finance activities for poverty alleviation. The newly set up NGO Cooperation Unit (NCU) at BRAC facilitates the implementation of the project. The NCU extended support to 74 NGOs (hereinafter called partner organisations or POs) between 1995 and 1999. Of the 74 POs, 59 were given both training and credit support, while 13 only training. BRAC disbursed maximum Tk. 1,400,000 to each PO as credit in 12 installments. For this BRAC charged 5% service charge from the recipient POs per annum.

The study- The Research and Evaluation Division (RED) of BRAC carried out a study in May 2000 to explore (i) the effects of the project in bringing any benefit to the partner organisations in the operation and management of micro-finance programme, and (ii) to elicit the views and aspirations of the participating agencies on the BRAC project.

The POs implementing the micro-finance activity with full adherence to the agreed operational procedures were defined as 'Good', the POs with minor lapses were referred to as 'Fair,' and those handled funds improperly were labeled as 'Defaulter'. The BRAC-NCU extended financial support to 13 POs in 1997, and 46 POs during 1998-1999. According to NCU, 3 out of 13 POs who received loans in 1997 could not prove their full potential in implementing the programme effectively (Defaulter). Besides, one PO graduated to the *Palli Karma Sahayak* Foundation (PKSF) within one year of BRAC cooperation. The remainders were able to meet the criteria agreed by both the parties, and thus these POs were classified into two groups: 'Good' and 'Fair'. Following this crude classification, three POs (one from each grade) were purposively selected for the study. These were Samannita Unnayan Seba Sangathan or SUSS (Good), Social Development Project or SDP (Fair) and *Debi Chowdhurani Palli Unnayan Kendra or DCPUK* (Defaulter).

The study mainly based on the POs' perspective. The major study variables included profile of the POs, staff training and village organisations of the POs, savings, loans, process of raising savings and loan disbursement, use of savings, income and expenditures, record keeping, accounting, supervision, opinions on programme, expectations from BRAC and benefits accrued by the VOs.

Data were collected through group interview with the executives, review and validation of records/documents, and group discussion with the members of the village organisations of the POs. For a number of indicators data were collected for two points of time such as 'before BRAC cooperation' (1996), and 'in course of BRAC cooperation' (1999). Semi-structured checklists were used for data collection.

Results- All the study POs primarily the SUSS and the SDP witnessed a substantial improvement in geographical coverage, human resource development, savings and credit, and annual budget after joining the BRAC initiative. Although the DCPUK's geographical coverage

was apparently higher, its coverage of population and village was rather sporadic or the figures were reported in profuse or it had other activities (health, family planning, etc.) rather than micro-finance. In contrast, being younger, the SUSS formed more VOs (122) than that of the SDP (40). During 1997-1999 the number of donors for all the three POs increased considerably. They (SUSS and SDP) postulated that their attachment with BRAC acted as a hallmark to mobilise other donors for funding their activities. The SUSS said, *"As a consequence of BRAC cooperation our trustworthiness and image favourably improved and different donors entrusted us more. Consequently, they extended funds for implementing other development activities."* Both the SDP and the SUSS, however, asserted that their activities increased since receiving BRAC support (the DCPUK was not asked about it). Different donors for instance, CARE, NGO Forum, etc. extended funds to work on water and sanitation, and agriculture.

The DCPUK never maintained MIS on credit operations that are considered to be fundamental for any effective credit programme. The SDP, nonetheless, started maintaining MIS first in 1997. Although the SUSS started maintaining MIS before BRAC but as a result of BRAC assistance the system became more focused and comprehensive during 1997-1999. Besides, the use of MIS for quality management function got impetus during the period.

The POs learned and thereby began to make provision for loan loss at the rate of 2% on disbursement since BRAC cooperation but they never did it earlier. They mentioned that BRAC training, supportive supervision, and monitoring contributed to the improvement in those particular areas. The POs had overlapping (of work) neither with BRAC nor with other NGOs. Except the DCPUK (in the case of loan repayment) neither of the study POs encountered any conflict with BRAC during project implementation. BRAC's stringent pre-cooperation assessment of the incumbent NGOs aided to overcome many weaknesses/limitations.

Both the SDP and the SUSS had amiable relations with BRAC. The SUSS described, *"Whenever we approach the BRAC local offices, they extend necessary cooperation. BRAC do not impose anything. Basically, our relation is not one of master-servant."* The SDP said that the BRAC workers used to monitor, supervise and provide useful feedback to improve the quality of their work.

The DCPUK failed to repay the installment of loan, and to uphold the agreement BRAC closed the deal with it. But the perceptible issue was despite problem, BRAC successfully recovered the full amount of credit from it. The leaders of the POs were inquired as to how their agencies would be benefited if BRAC decided to write-off the loan. The DCPUK said, *"There will be no fund crisis, and income of the PO will boost."* The SDP cited, *"It will facilitate to multiply resources leading to further expansion of credit activity."* The SUSS narrates, *"We can use the money as revolving fund."* The leaders were also asked, "How will their agencies use the amount if BRAC donated the loan fund?" The DCPUK said that it would use the amount for income generation activities for their own organisations e.g., fish culture, horticulture and sanitation. The SDP viewed that it would use the money for escalating the credit programme whereas the SUSS said that it would use the money as revolving fund for credit. It also added that SUSS would pay service charges to BRAC if the proviso was made.

The DCPUK and SUSS observed that the amount of loan was small to earn sufficient revenue through service charges implying that the amount of loan need to be enlarged. The SUSS recommended a 6-monthly or annual installment for BRAC loan repayment. This would give them a window of longer use of loan leading to higher income of the participating POs. Conversely, the SDP commented that the existing seven-day notice for termination of contract was not justified.

All the POs regardless of their performance standing were satisfied with the present package in the project. But the DCPUK and the SDP suggested to incorporate more programmes such as fishery and horticulture. The SDP and SUSS highly ranked the training and finance components of the package. But they recommended a higher amount of loan to enable them to generate more revenues to sustain their activities. The DCPUK and SUSS expected more training of staff in credit operation and management. Besides, the SUSS sought cooperation in extending loan for hire purchase of motorbikes and land.

All the study POs unanimously expressed that BRAC should continue and expand the project in future. But the amount of funding should be increased. The statement of SUSS clearly reflected the necessity of continuance of the initiative. *“Our organisation reached a critical stage with BRAC support. We need support until we become self-reliant. Otherwise we will fail to move further.”*

One discernible issue was that the study POs wanted to see BRAC as an alternative to PKSF (BRAC should turn into a PKSF). To rationalize this one PO said, *“The present PKSF is like the military. It unilaterally makes policy, asks the POs to follow its own prescribed monitoring system, papers, and documents. In contrast, BRAC does not impose anything without convincing the POs. It does not ask to abruptly alter the respective POs’ existing formats/papers and basic procedures.”*

Suggestions- We mentioned here some of the suggestions contained in the main text; as the sample size was small one should be careful in interpreting these.

1. The study POs openly expressed their need for financial support. BRAC, therefore, should continue and expand the project. Also the amount of support should be increased to an extent that will help generate significant revenue for organisational sustenance.
2. BRAC may introduce sectoral programmes such as fishery, horticulture, sericulture and sanitation for boosting the income and employment generation.
3. The existing seven-day notice for termination of contract needs reconsideration i.e.; the period may be extended.
4. The POs expressed their intention to use the BRAC loan as revolving fund. The recipient POs may pay BRAC a nominal service charge, if BRAC enforce the system.
5. If BRAC contribution, however, remains as loan, BRAC may increase the space between the installments of repayment (e.g., 6-monthly or annual installment). This will help use the money for a longer time leading to an increased income for the POs.
6. Prior to providing credit to the POs, necessary training need to be arranged for the staff including the executives of the potential NGOs.

7. BRAC may choose 464 NGOs representing all the thanas of the country through in-depth study and thereby develop their capacity in credit operations and management first, and then entrusts them with credit support in phases. This may help strengthen the micro-finance network throughout the country. BRAC also may identify the potential local NGOs having dedicated leadership capacity and then finance them to develop small enterprises that will ultimately employ the extreme poor of the locality. Such an initiative will promote the BRAC goals too.
8. BRAC should carry out in-depth monitoring of the POs and provide more support to those, which have proven to be potentially good.

Exploratory Study on BRAC's NGO Cooperation Project

1. Background

Introduction - A plethora of the non-governmental organisations (NGOs) involved in poverty alleviation programmes in Bangladesh have been successful in developing effective mechanisms for operations and management of micro-finance programme. But a host of NGOs has still been pursuing ways for building capacity in effective micro-finance operations. The NGOs with experience in this particular field can help bolster the capacity and efficiency of those agencies already got involved in micro-finance operations leading to a wider coverage and strong network. Thus, in response to this felt need of the NGOs, BRAC embarked on an NGO Cooperation Project aiming to enhance the efficiency of community-based small NGOs in effective micro-finance management vis-a-vis multiply the micro-finance activities for poverty alleviation. Thus, BRAC established an NGO Cooperation Unit (NCU) initially at its Training Division to implement the project, but later its operational responsibilities were given to the Monitoring and Internal Audit Department. The NCU extended support to 74 NGOs (henceforth called partner organisations or POs) between 1995 and 1999 with the following objectives:

- Establish and sustain functional linkages with promising local community-based small and medium NGOs,
- Multiply and strengthen poverty alleviation activities through the POs,
- Develop capability of POs in poverty alleviation activities,
- Evade duplication of activities between BRAC and POs,
- Coordinate and monitor poverty alleviation activities of POs,
- Facilitate the POs to optimise the use of the available resources,
- Help amplify the effectiveness of the poverty alleviation programmes of the POs, and
- Extend financial assistance to the POs for implementing micro-finance and savings programmes in partnership.

Nature and areas of cooperation - To attain the above objectives, BRAC extends the following support to the POs:

- **Training** – BRAC provides training to the POs on savings and credit programmes, monitoring system, education programme, technical aspects of poverty alleviation activities, programme management and accounting.
- **Technical and logistics support** – This comprises of management information system development, operational system and methodology development, operational issues of sectoral programmes, marketing of products, input supply and logistics.
- **Financial assistance** – Though BRAC has no intention of playing the role of a funding agency, in essential circumstances it provides financial support to the POs in terms of revolving loan fund, and funds for relief activities during disasters.

Of the 74 POs, 59 were given both training and credit support, while 13 only training. BRAC disbursed maximum Tk. 1,400,000 to each PO as credit in 12 installments. For this BRAC charged 5% service charge from the recipient POs per annum.

Basic operational procedures of NCU - NCU follows a set of criteria in selecting an NGO for extending cooperation. These are:

- The PO should be working in Rural Development Programme area of BRAC,
- The PO must be registered with the government,
- The PO is not associated with the *Palli Karma Sahayak* Foundation, and has its own capital of taka 1-2 hundred thousand,
- The PO must be a local organisation,
- The PO must have credit activities,
- The organisations which are strategically essential,
- The head of the organisation must be a resident of the project area, and
- The PO should have village organisations.

Terms and conditions for financial assistance - The POs need to conform the following terms and conditions for getting financial assistance from BRAC:

- The PO should pay service charge @ 5% to BRAC,
- Installments for repayment should be quarterly,
- Total repayment should be made in 8 installments,
- Graduate to PKSF within 2 years of BRAC support,
- The POs should charge the beneficiaries 15% or more service charge,
- The POs should concentrate in their working villages,
- Before further expansion the POs should cover all the target populations in their working villages,
- The POs should have active village organisations in their working villages,
- Each VO should have 15-40 members,
- The POs must realise average weekly savings @ Tk. 5 per head,
- The POs should follow the following VO membership criteria:
 - i) Households with less than 50 decimals of land, and
 - ii) Any adult household member needs to sell manual labour for 100 days/year for survival.

Organisational discipline - Each PO should have the following items for record keeping: vouchers, cashbook, ledger book, subsidiary ledger book, stock book, member's installment and passbook, savings and installment collection sheets, attendance register and movement register. The recipient POs need to sign an agreement in prearranged form containing detailed terms and conditions for credit from BRAC. They are encouraged to follow the agreed conditions religiously in credit operations.

2. The study

The objective - BRAC has been implementing the project for the last 3 years. Now, it is imperative to have a rapid assessment of the effects of the project on micro-finance operations by the partner organisations. The Research and Evaluation Division (RED) of BRAC, thus, carried out the study to explore the effects of the project in bringing any benefit to the partner organisations in the operations and management of micro-finance, and to elicit the views and comments of the participating agencies on the project.

Selection of POs for the study – Based on the impression of the managers at the BRAC NGO Cooperation Unit who have intimate interactions with project implementers, the POs getting financial support in 1997 were functionally characterised into ‘Good’, ‘Fair’, and ‘Defaulter’. The POs who implemented the micro-finance activity with full adherence to the agreed operational procedures were defined as ‘Good’, the POs with minor lapses were referred to as ‘Fair,’ and those handled funds improperly were labeled as ‘Defaulter’. Initially, BRAC gave financial support to 13 POs in 1997. Another 46 POs received loans during 1998-1999. According to NCU, 3 out of 13 POs who received loans in 1997 could not demonstrate their potential in implementing the programme effectively (Defaulter). Besides, one PO graduated to *Palli Karma Sahayak* Foundation (PKSF) within one year of BRAC cooperation. The remainder 9, however, were capable to meet criteria agreed by both the parties. The latter group of POs was labeled as ‘Good’ and ‘Fair’. Following this crude classification, three POs (one from each grade) were purposively selected for the study (Table 1).

Table 1: List of partner organisations selected for the study by performance status

Name of partner organisation	Thana	District	Performance status
SUSS (Samannita Unnayan Seba Sangathan)	Modhupur	Jamalpur	Good
SDP (Social Development Project)	Mohanpur	Rajshahi	Fair
DCPUK (Debi Chowdhurani Palli Unnayan Kendra)	Pirgacha	Rangpur	Defaulter

Variables/indicators of the study - The study primarily focused on the providers’ (POs) perspective. Thus, the foremost variables studied were: profile of the POs, training of POs, PO village organisations, savings, loans, process of raising savings and loan disbursement, use of savings, income and expenditures, record keeping, accounting, supervision, opinions on programme, expectations from BRAC and benefits accrued by the VOs.

Techniques and tools for data collection - A method-mix was used for data collection which included group interview with the providers, review and verification of records/documents, and group discussion with the members of the village organisations. For a number of study indicators data were collected for two points of time such as, ‘before BRAC cooperation’ (1996), and ‘in course of BRAC cooperation’ (1999). A semi-structured checklist was used for group interviews and group discussions. The data were collected in May 2000.

Data processing and analysis - Data were edited for consistency, and then were coded and processed manually for analysis. Since most information was qualitative the data were summarised in matrix for interpretation and descriptive presentation.

3. Results

Profile of the POs - All the study POs got registered either with the NGO Affairs Bureau or the Department of Social Welfare of the government of Bangladesh (GoB). By year of establishment the DCPUK appeared to be older (1981) than SDP (1992) and SUSS (1994). But by age of credit operation the SDP was senior (1992) to DCPUK (1994) and SUSS (1995).

Except for a few cases, all the study POs witnessed a considerable improvement in geographical coverage, human resources, savings and credit, and annual budget after joining the BRAC NGO Cooperation initiative between 1997 and 1999 (Annex 1). The DCPUK's geographical coverage appeared to be higher (10 thanas, 72 unions and 927 villages) compared to SUSS (2 thanas, 10 unions and 59 villages), and SDP (2 thanas, 7 unions and 65 villages). But in spite of a larger geographical coverage the DCPUK had only 19 village organisations (VOs) as opposed to 122 and 40 of the SUSS and the SDP respectively. This indicated that the DCPUK's coverage of population and village was rather sporadic or the figures pertaining to geographical coverage were reported in profuse or it had other activities rather than micro-finance e.g., health and family planning. On the contrary, being younger, the SUSS covered more unions (10) than the SDP (7). The SUSS also formed more VOs (122) than that of the SDP (40). This could be credited to the intensive coverage of populations by the SUSS and quality of its work. The number of permanent staff of DCPUK did not rise in 1999 from 1996 (4) whereas the SDP and the SUSS witnessed a significant increase by 70% and 61% respectively. Contrarily the SDP did not hire any temporary/project staff in 1999 while the SUSS and DCPUK did. Their increase in temporary/project staff was 100% and 60% respectively. However, when compared between 'before' and 'after' BRAC cooperation, the overall increase in human resources was significant (DCPUK 55%, SDP 70% and SUSS 88%). The DCPUK could not speed up the impetus of female VO formation if compared between 'before' and 'after' BRAC cooperation. But it increased for both SDP and SUSS by 54% and 62% respectively. The DCPUK had no male VOs but the SDP and the SUSS formed the same only in 1999 (1 vs 8 VOs). For the same timeframe, average size of female VO was risen in 1999 compared to 1996 (DCPUK 15 vs 20, SDP 19 vs 25, and SUSS 13 vs 16).

The DCPUK's Head Office was situated at its own building, while the SDP's and SUSS's HO were at the rental houses. All the POs were the members of the Association of Development Agencies in Bangladesh (ADAB). Individual status quo further showed that apart from the ADAB, the POs had the network membership with various agencies. The DCPUK had the network membership with Swiss Development Cooperation, SDP with Credit Development Forum, NGO Forum and PKSf, and SUSS with CDF. All the POs received assistance in terms of training, finance and education support from BRAC.

Staff training - The number of staff receiving training on Savings and Credit Management, Management Accounts, and Management Development varies between the POs. In aggregate, the SDP's trained staff augmented to 3 in 1999 from nil in 1996, while for SUSS it increased to 5 from 3, but the DCPUK showed no progress in this regard despite its cumulative number of trained staff was higher (14 in both points of time i.e., 1996 and 1999) than SUSS and SDP. Although trained human resources and the genuine age of DCPUK was substantially greater it failed to prove its efficiency in micro-finance management. The attrition rate of its older trained staff, conceivably, was widespread requiring new training for 14 personnel between 1997-1999.

Weekly meeting of village organisations - Unlike SUSS and SDP the DCPUK was unable to achieve target of weekly meetings of the VOs that is considered as one of the most significant forum to interact with the micro-finance beneficiaries leading to a successful programme. The SUSS and the SDP organised almost all the meetings planned in 1996 and 1999. In contrast, the DCPUK was able to hold 60.5% of the planned weekly meetings in 1996. The particular

performance even worsen in 1999 (18% achievement on target). None of the POs maintained record at HO on the weekly meeting held. But at the VO level the SDP and the SUSS maintained resolution book of weekly meetings.

Work plan and supervision - Although all the POs asserted to have written work and supervision plans in 1999, the DCPUK could not show copies physically. However, the area offices of SUSS prepare plans and forward copies to the HO. The HO supervisors routinely visit area offices and field sites, and thereby follow the respective field workers. Thus they perform the supervision of fieldwork. Although not practiced before receiving BRAC cooperation, the SDP now prepares and follows plan on fieldwork and supervision each month. The DCPUK, indeed, had no structured plan to follow for effective supervision in reality.

Loan discipline - BRAC encourages the POs to stick to some agreed loan disciplines in terms of record keeping in various registers. Before BRAC cooperation started, the DCPUK never maintained ledger and subsidiary ledger books. All the POs, however, had begun to maintaining all the recommended registers/ledgers regularly since after receiving BRAC cooperation. But the verified result confirmed that the DCPUK's records were neither updated nor complete in many cases. Even, no savings and loan collection sheets as well as staff attendance and movement registers were found at DCPUK. In contrast, all the necessary registers, vouchers and documents of SDP and SUSS were found to be updated and complete.

Funds flow - The funds flow of the POs from different sources accelerated during 1997-1999 compared to the previous years. The DCPUK acquired over Tk. 1.9 million during 1997-1999 as opposed to 1.4 million in 1996 (increased by 25%). The SDP obtained over Tk. 2.3 million as opposed to Tk. 52,000 during the same points of time (increased by 97.8%), and the SUSS got over Tk. 1.9 million compared to 0.4 million for the same periods (increased by 78.5%). During 1997-1999 the number of donors for all the three POs increased substantially (Table 2). They (SUSS and SDP) noted that their participation with BRAC immensely increased their reliability and image to other donors. Thus, attachment with BRAC was one of the important motivating factors in mobilising funds easily.

Table 2: Amount of funds received from any source by period of time

Name of PO	Amount in Taka by year		Remarks
	Upto 1996	1997-99	
Samannita Unnayan Seba Sangathan (SUSS)	426,844	1,988,425	79% increase
Social Development Project (SDP)	52,000	2,336,737	98% increase
Debi Chowdhurani Palli Unnayan Kendra (DCPUK)	14,140,000	19,547,400	25% increase

Credit disbursement procedures - Each PO follows specific procedures for credit disbursement. One commonality between the POs about sanctioning loan was that the issue was discussed in the VO meeting and thereby resolution was adopted. Thus, based on the group decision the concerned members were selected for loan disbursement. The SUSS and the SDP continued to follow their previous procedures. Conversely, the DCPUK tailored some of its 1996 terms and conditions for the purpose. Before BRAC attachment, it approved the first loan to the new members after 6 months of membership. The members were to apply in prescribed form for loan. Signing of a bond was obligatory for each applicant. One could draw loan by giving

impression of the thumb finger too. However, the modified procedures emphasised on the following issues: a member must attend the weekly VO meetings regularly and deposit savings. S/he must be 3 months old from the date of registration for membership, and sign the loan documents instead of giving the impression of the thumb finger. The SDP gave priority on the regularity in depositing weekly saving for 12 weeks equivalent to Tk. 200 for entitlement of the first loan. The DCPUK's loan disbursement conditions like bond seemingly were stricter while monitoring and supervision were weaker. This could be one of the underlying factors to its poor performance of micro-finance activity. Furthermore, it never maintained MIS on credit operations which is considered a vital for effective credit programme. The SDP, however, started maintaining MIS first in 1997. On the contrary, SUSS always maintained MIS and as a result of BRAC assistance it became more focused and complete during 1997-1999. More importantly, the SUSS often used the MIS for quality management function.

Reporting system - Each PO had its own reporting system. It was common for all the POs that their peripheral staff collected service statistics weekly/monthly from the VOs and as a general rule, compiled monthly to submit to the HO. The field offices of DCPUK submitted reports to the HO monthly. The SDP prepared only the VO reports weekly and remainder reports monthly. All the reports of the SUSS at area office level or below were prepared weekly. The area offices sent the credit and the savings reports to HO weekly, while receipts and expenditures monthly. The HO submitted reports to BRAC and other donors monthly. The SUSS maintained a strict mechanism to provide feedback on the routine reports through meetings.

Provision of money for loan loss and amount of weekly savings - The POs started keeping provisions for loan loss at the rate of 2% on disbursement since BRAC cooperation, which they never did earlier. Each PO continued to raise weekly savings from the members during VO meetings and deposit in bank accounts. The DCPUK augmented per head amount of savings to Tk. 5-10 in 1997 from Tk. 2 in 1996, SDP to Tk. 10 from Tk. 5, and SUSS to Tk. 5-10 from Tk. 2. The information of the collected amount of savings was recorded in passbooks. When crosschecked with two VOs of SDP and SUSS these were found appropriate. All the POs used the accumulated savings as loan portfolio. The SDP and SUSS reported that any interested member could take away savings at any time. Such a democratic norm inspires the poor to join the VOs.

Increased activity since BRAC cooperation - Both SDP and SUSS asserted that their activities improved since receiving BRAC support (the DCPUK was not asked about it). Different donors for example, CARE, NGO Forum, etc. extended funds to work on water and sanitation, and agriculture. In response to a question as to how would they rationalize the increase in their work occurred because of BRAC support. The SUSS said, "*As a consequence of BRAC cooperation our trustworthiness and image favourably improved and different donors entrusted us more. Consequently, they extended funds to us for implementing other development activities. Before BRAC cooperation it was arduous to attract donors' attention and faith. Participation in BRAC ventures opened up the windows for other donors to support us.*"

Both the SDP and SUSS claimed that their capability improved significantly as a result of BRAC cooperation. The specific areas where improvement taken place for SUSS were credit operations and management, quality and quantity of human resources, and capital. While for SDP these

were management, supervision, motivational skills and dynamism of VOs. They confirmed that BRAC training, supportive supervision, and monitoring contributed to the improvement in those particular areas. Besides, income of SDP and SUSS increased by 15% and 100% respectively. The SDP's assets increased to worth of Tk. 750,000 in 1999 from Tk. 10,000 in 1996 (increased by 98.7%) and the SUSS's assets increased to Tk. 1,000,000 from Tk. 61,000 (increased by 93.9%). The POs had overlapping of work neither with BRAC nor with other NGOs. Neither of the study POs encountered any conflict with BRAC during project implementation (except DCPUK in the case of loan installment repayment). The SDP's and SUSS's linkage with other NGOs in terms of partnership, coordination meeting, joint celebration of national special days and training enormously augmented. Both the SDP and SUSS had a pleasant relation with BRAC. The SUSS narrated, *"We have a very friendly and functional relation with BRAC. For example, whenever we approach the BRAC local offices, they extend necessary cooperation. We follow all the procedures, which we think logical and beneficial to us. As a general rule, BRAC usually does not impose anything. In essence, our relation is not one of master-servant."* The SDP cites, *"BRAC workers come to SDP time to time for supervision. During their supervision they provide us useful feedback to improve the quality of work."* Both the POs further said that their relation was improving over time.

BRAC loan repayment - All the three POs reimbursed BRAC loan. Unlike SDP and SUSS, DCPUK confronted problem in repaying BRAC loan. Since some of DCPUK's field staff did not deposit money to the office that they realised from the beneficiaries, it had to repay from its general fund. For this, DCPUK could not complete the construction of its office building.

Opinion about repayment of BRAC loan - A diverse opinion was expressed on the repayment issue of BRAC loan. The DCPUK superficially viewed the repayment system as unenthusiastic. This PO defaulted in repaying the 5th installment of loan. As a rule, BRAC closed deal with DCPUK. The SDP and SUSS gave different views. They believed that there should be repayment system in place, otherwise one might be reluctant in realising loan from the beneficiaries entailing interruption in the smooth micro-finance programming. The leaders of the POs were asked as to how their agencies would be benefited if BRAC decided to write-off loan. The DCPUK said, *"There will be no fund crisis, and income of the PO will increase."* The SDP cited, *"It will help increase capital leading to further expansion of credit activity."* The SUSS narrates, *"It can use the money as revolving fund."* The leaders were also asked, "How will their agencies use the amount if donated?" The DCPUK said that it would use the amount for income generation activities e.g., fish culture, horticulture and sanitation. The SDP explained that it would use the money for further intensification of the credit programme while the SUSS thought that it would use the money as revolving fund for credit. SUSS also added that it would pay service charges to BRAC if the provision was enforced.

Opinion about the terms and conditions of BRAC loan - The DCPUK and SUSS viewed that the amount of loan was small to produce enough revenue through service charges. The DCPUK further told the credit staff of the incumbent PO should be given training before releasing funds for credit activity. While both the SDP and SUSS remarked about the too small space between the repayment installment. The SUSS recommended a 6-monthly or annual installment for BRAC loan repayment. This would give them scope of longer use of loan leading to higher income of the participating POs. The DCPUK considered the management information system as

one of the good conditions for loan. While SDP and SUSS viewed almost all the procedures were favourable and educative to them. But the SDP commented that the existing provision of seven-day notice for termination of contract was not justified. One common observation was that none of the POs precisely calculated the cost of lending, which is crucial to understand the level of efficiency and effectiveness of micro-finance programme. But they typically did accounts on overall income and expenditure of the credit activity.

BRAC policies for NGO cooperation - All the study POs particularly the SDP and the SUSS highly praised relevant BRAC policies for NGO cooperation. In contrast, the DCPUK made some remarks on the policies. These were: i) BRAC should monitor and supervise at district and lower levels, ii) arrange regular meeting with the POs, iii) provide management training for chief executives, and iv) reduce interest rates.

Opinion on BRAC package on NGO cooperation - Despite all the POs were very happy with the present package in the project but the DCPUK suggested to incorporate more programmes such as fishery and horticulture. Although the SDP and SUSS highly ranked the training and finance components of the package, they recommended a higher amount of loan to enable them to generate ample revenues to sustain the activities. The SUSS, however, further suggested, "For operational ease, BRAC may grade the POs into A, B, and C according to their capacity and performance. Based on the grade BRAC should give loan at varied amount. This will help BRAC to have best use of the potential agencies."

Lessons learned by the POs from NGO cooperation project - The DCPUK learned two issues, i) usefulness and importance of maintaining documents on credit e.g., collection sheets, and ii) making provision for loan loss at the rate of 2% on disbursement. The SDP learned five issues which were, i) more clarity on credit management, ii) accounting system, iii) effective supervision, iv) MIS system and v) techniques of social mobilisation and motivation. Conversely, the learning gained by SUSS were, i) needs and modalities of cost-control, ii) concept of portfolio, iii) credit operations and human behaviour, and iv) functional management skill.

Expectations of further cooperation from BRAC - The DCPUK and SUSS expected more training of staff in credit operation and management. While the DCPUK and SDP were in the opinion of adding more sectoral programmes e.g., fishery, horticulture and sericulture. Besides, the SUSS strongly sought cooperation in extending credit for hire purchase of motorbikes and land. They said that such an initiative might help increase the efficiency of the organisation in carrying out programmes and promote the way of assets accumulation for the POs.

Continuation of the NGO cooperation project - All the study POs undisputedly articulated that BRAC should continue and expand the project with increased funds for inclusive impact of poverty alleviation interventions. The SUSS said, "*Our organisation reached a critical stage with BRAC support. We need support until we become self-reliant. Otherwise we will fail to move further.*"

One discernible finding was that the study POs wanted to see BRAC as an alternative to PKSF (BRAC should turn into a PKSF). To rationalize this one PO said, "*The present PKSF is like the*

military. It unilaterally makes policy, asks the POs to follow its own prescribed monitoring system, papers, and documents. In contrast, BRAC does not impose anything without convincing the POs. It does not ask to abruptly alter the respective POs' existing formats/papers and basic procedures."

DCPUK's reason for default - As mentioned elsewhere that the DCPUK was a defaulter that necessitated asking some additional questions to it. Firstly, "Why did your organisation terminate cooperation with BRAC?" They replied, "We failed to repay the 5th installment of loan. For this BRAC clogged credit disbursement." "Why did your organisation fail to repay the installment?" There was no spontaneous answer. After probing, however, they said, "The field workers did not deposit the amount of loan already realised from the VOs." In essence this was a kind of misuse of money although they tended to label it otherwise. "What measures did you take to continue the work?" They said, "We paid BRAC amount of loan from the general fund of DCPUK. Moreover, we terminated the staff who embezzled the money."

Outcome of group discussion with the VO members - We visited two women VOs of SUSS and SDP, and had informal talks with the members on benefits of joining the VOs, weekly savings, loan and its use, and supervision by the staff. This also helped crosscheck some of the statements made by the staff on the above issues.

The discussions revealed that both the VOs (*Samity*) were formed two years back. The SDP VO members could not mention much about the benefits they gained by joining the VOs. Contrarily the SUSS VO members gave an account of benefits they obtained. They cited, "We did not assemble for loss. We, of course gained substantially by joining the *samity*. For example, we installed hygienic latrines, raised vegetable gardens, bought cows, sold milk and repaid loan out of our income from the schemes. We grew paddy crops and made profit. Our families now turned into relatively better-off. We could afford at least foods daily." They also attained social awareness including their role in the family decision-making. They asserted, "Now our husbands consult us for any familial decision e.g., what should be procured from the market, how and when the children be sent to school."

Each VO member of SUSS deposited saving of Tk. 10 per week, while it was Tk. 5 for SDP. But some of the SDP members deposited Tk. 10 per head per week. These statements were consistent with those made by the respective officials. However, the savings were deposited in bank (the SDP members were unaware of it). Each SUSS member had savings passbook. None of the VO members confronted any problem in raising/depositing weekly savings. The SUSS members also said that they could take out a part of the savings in need while on the *samity*, and could draw the entire amount on membership termination. But some of the SUSS members were unable to mention the cumulative amount of their savings.

Within 2 weeks of application the SUSS members received loan while it was 2-3 days for the SDP (the latter need further verification). The members of both the POs could take loan individually. The NGO loan facilitated to increase their income and assets. The members faced no problem in loan repayment. The SUSS members had loan passbooks with updated records.

The POs' staff visited the VOs weekly. During their visit, they sat with the members, realised loan, savings, updated passbooks and finally discussed the VO problems for solutions. The SUSS members maintained resolution of the meeting.

Thus, the above facts confirmed most of the information given by the NGO staff/leaders. But on the whole, the VO members of SUSS appeared to be more disciplined, articulate and aware of their role and activities compared to those were associated with SDP.

4. Discussion and conclusion

There was apprehension of some formidable risk factors that could if not properly tackled potentially endanger the implementation and eventual output of the NGO Cooperation Project. The factors sensitive in this regard were: the lapses in loan repayment by the POs, misuse of money, conflict surrounding duplication of work between BRAC and the POs, and between the POs and other NGOs, provoking unfriendly relation between BRAC and POs owing to variable aims and interest of NGOs, and ambiguity about the attainment of benefits by the POs. Through this exploratory study some critical issues came out that require proper attention for effective programme. This section attempts to discuss the implications of those issues.

To start with the ambiguity about the benefits of the participating agencies, the study ascertained that except for a few cases, all the study POs particularly the SUSS and SDP witnessed a considerable improvement in the area of geographical coverage, human resources, savings and credit, and annual budget after joining the BRAC NGO Cooperation initiative between 1997 and 1999. Although the DCPUK's geographical coverage was apparently higher, its coverage of population and village was rather sporadic or the figures pertaining to geographical coverage were reported in prolific or it might have other activities like health and family planning. On the contrary, being younger, the SUSS formed more VOs (122) than that of the SDP (40). This could be accredited to the intensive coverage of population by the SUSS and quality of its work. During 1997-1999 the number of donors for all the three POs increased considerably. In response to a question as to how would they rationalize the increase in their work occurred because of BRAC support. One PO cited, *"As a consequence of BRAC cooperation our trustworthiness and image favourably improved and different donors entrusted us more. Consequently, they extended funds to us for implementing other development activities. Before BRAC cooperation it was arduous to attract donors' attention and faith. Participation in BRAC ventures opened up the windows for other donors to support us."*

Both the SDP and the SUSS, however, asserted that their activities increased since receiving BRAC support (the DCPUK was not asked about it). Different donors for example, CARE, NGO Forum, etc. extended funds to work on water and sanitation, and agriculture. In reality, attachment with BRAC opened up a new horizon, helped build the trust of other donors, and thus, they got involved in multiple income and employment generation activities.

The DCPUK's loan disbursement conditions like bond, etc. appeared to be stricter, whilst supervision and monitoring were weaker. This could be one of the causal factors for its poor performance of micro-finance activity. Furthermore, it never maintained MIS on credit operations that is considered to be essential for effective credit programme. The SDP, however,

started maintaining MIS first in 1997. On the contrary, SUSS always maintained MIS and as a result of BRAC assistance it became more focused and complete during 1997-1999. More importantly, the SUSS often used the MIS for quality management function leading to effective programme management.

The POs learned and thereby began to make provision of money for loan loss at the rate of 2% on disbursement since BRAC cooperation but they never did it earlier. They mentioned that BRAC training, supportive supervision, and monitoring contributed to the improvement in those particular areas. The POs had overlapping of work neither with BRAC nor with other NGOs. Neither of the study POs encountered any conflict with BRAC during the project implementation period. In fact, BRAC's strict pre-cooperation assessment of the incumbent NGOs helped overcome many limitations.

Both the SDP and SUSS had a cordial relation with BRAC. The SUSS described, *"We have a very friendly and functional relation with BRAC. Usually, BRAC does not impose anything. Basically, our relation is not one of master-servant."* The SDP cites, *"During their (BRAC staff) supervision they provide us useful feedback to improve the quality of our work."* Indeed, BRAC is committed to develop and sustain functional relations with the POs. Because it believes that friendly relation could be one of the crucial factors to ensure enabling environment for effective programme implementation.

BRAC closed the deal with DCPUK as it failed to repay an installment of loan. But the discernible issue was that despite the problem, BRAC successfully got back the total amount of money from it. This was possible because of BRAC's vigilance, constant monitoring and strong MIS. However, more feasible mechanism need to be developed to track and prevent such lapses at all levels.

The leaders of the POs were asked as to how their agencies would be benefited if BRAC decided to write-off loan. They replied that there would be no fund crisis, and their income would increase. This would also help retain the money as revolving fund leading to increased capital for further expansion of credit activity. The leaders were also asked, "How will their agencies use the amount if donated?" The DCPUK said that it would use the amount for income generation activities e.g., fish culture, horticulture and sanitation. The SDP opined that it would use the money for scaling up the credit programme while the SUSS said that it would use the money as revolving fund for credit expansion. The SUSS also added that it would pay service charges to BRAC if the provision was enforced. BRAC may examine the issue.

The DCPUK and SUSS viewed that the amount of loan was small to generate sufficient revenue through service charges implying that the amount of loan need to be increased. The SUSS recommended a 6-monthly or annual installment for BRAC loan repayment. This would give them scope of longer use of loan leading to higher income of the POs. On the other hand, the SDP commented that the existing seven-day notice for termination of contract was not justified. Thus the issue needs to be reconsidered further. One common observation was that none of the POs precisely calculated the cost of lending, which is crucial to understand and monitor the level of efficiency and effectiveness of micro-finance programme. But they did accounts on overall

income and expenditure of the credit activity. BRAC may train up the POs in calculating the cost of lending.

All the POs regardless of their performance status were happy with the present package in the project. But DCPUK suggested to include fishery and horticulture in the package. The SDP and SUSS highly ranked the training and finance components of the package. But they recommended a higher amount of loan to enable them to generate ample revenues to sustain their activities. The SUSS, however, further suggested, *“For operational ease, BRAC may grade the POs into A, B, and C according to their capacity and performance. Based on the grade BRAC should give loan at varied amount. This will help BRAC to have best use of the potential agencies.”* To this end, BRAC may develop appropriate yardsticks to rank the POs through meeting with them.

The DCPUK and SUSS expected more training of staff in credit operation and management. While the DCPUK and SDP were in opinion of inclusion of more sectoral programmes e.g. fishery, horticulture and sericulture. Besides, the SUSS sought cooperation in extending credit for hire purchase of motorbikes and land. They said that such an initiative might help increase the efficiency of the organisation in expanding the programmes and promote the way of assets accumulation for the POs.

The POs unanimously expressed that BRAC should continue and expand the project in future with increased amount of funding otherwise they would be unable to advance further. One PO rightly commented, *“Our organisation reached a critical stage with BRAC support. We need support until we become self-reliant. Otherwise we will fail to move further.”*

One important finding was that the study POs wanted to see BRAC as an alternative to PKSf (BRAC should turn into a PKSf). To rationalize this one of them said, *“The present PKSf is like the military. It unilaterally makes policy, asks the POs to follow its own prescribed monitoring system, papers, and documents. In contrast, BRAC does not impose anything without convincing the POs. It does not ask to abruptly alter the respective POs’ existing formats/papers and basic procedures.”* One may, however, argue that on a larger expansion BRAC may need to formalise the whole operational procedures to easily track the quality of the programme. Consequently, it is not unlikely that particular POs will reproach BRAC as the present PKSf. A common belief is that more formalisation, indeed, leads to unproductive bureaucracy that often tends to delay work. We believe that BRAC bureaucracy will never turn to dysfunctional rather active and supportive. BRAC may consider the issue.

In line with the brilliant comment of Richard Kovacevich¹, Chairman of Wells Fargo, a bank with a huge internet operation we intend to draw the conclusion of the study findings. He said, *“Banks will be the trusted gateway for customer’s on-line financial transactions”* (The Economist, September 4th 1999). Refer to this we can say that BRAC will be the trusted gateway for developing and strengthening the capacity of the small NGOs in micro-finance management and augmentation.

¹ Cited in “History: transition from paper money to plastic money,” The Bangladesh Observer Magazine, 21 July 2000, Friday, p. 5, Dhaka

5. Suggestions

The study POs especially the SDP and SUSS articulated precise expectations as well as provided many valuable suggestions. We mentioned here some of the suggestions contained in the main text; as the sample size was small one should be careful in interpreting these.

1. The study POs clearly expressed their needs of financial support. BRAC, therefore, should carry on and expand the project. But the amount of support should be increased to an extent that will facilitate generation of significant revenue to sustain the organisation.
2. BRAC may incorporate sectoral programmes such as fishery, horticulture, and sanitation for boosting the income and employment generation.
3. The existing seven-day notice for termination of contract needs reconsideration i.e., the period may be extended.
4. The POs expressed their intention to use BRAC money as revolving fund. They may be charged for nominal service charge, if BRAC implements the system.
5. If BRAC contribution, however, remains as loan, BRAC may increase the space between the installments of repayment (e.g., 6-monthly or annual installment). This will help the POs to use the money for a longer time leading to an increased income.
6. For effective micro-finance programming, BRAC may grade the POs into A, B, and C according to their capacity and performance. To this end, BRAC should develop yardsticks to rank the POs through meeting with them. Depending on the grade BRAC should give loan at varied amount. This not only will facilitate to have best use of the potential agencies, but also will reduce risks.
7. Prior to providing credit to the POs, necessary training need to be arranged for the staff including the executives of the potential NGOs.
8. BRAC may think about sanctioning loan for hire purchase of motorbikes, land and other significant assets.
9. BRAC may choose 464 NGOs representing all the thanas of the country through in-depth study and thereby develop their capacity in credit operations and management first, and then entrust them with credit support in phases. This may help strengthen the micro-finance network throughout the country.
10. BRAC may identify the potential local NGOs having dedicated leadership capacity and then finance them to develop small enterprises that will ultimately employ the extreme poor of the locality. Such an initiative will promote the BRAC goals too.
11. BRAC should carry out in-depth monitoring of the POs and provide more support to those, which have proven to be potentially good.

Annex 1: Profile of DCPUK (Debi Chowdhurani Palli Unnayan Kendra), SDP (Social Development Project), and SUSS (Samannita Unnayan Seba Sangathan)

Particulars	Before BRAC (Upto 1996)			After BRAC (1997-99)		
	DCPUK	SDP	SUSS	DCPUK	SDP	SUSS
Thana covered	2	1	1	10 (80.0)	2 (50.0)	2 (50.0)
Union covered	21	2	4	72 (71.0)	7 (71.0)	10 (60.0)
Village covered	345	10	24	927 (63.0)	65 (85.0)	59 (54.0)
VOs covered						
a) Male	-	-	-	-	1	8
b) Female	19	18	43	19 (0.0)	39 (54.0)	114 (62.0)
Average member per VO						
a) Male	-	-	-	-	20	18
b) Female	15	19	13	20	25	16
Staff position						
a) No. of permanent staff	4	6	9	4 (0.0)	20 (70.0)	23 (61.0)
b) No. of temporary staff/project staff	29	-	-	73 (60.0)	-	53 (100.0)
c) Total	33	6	9	77 (57.0)	20 (70.0)	76 (88.0)
Savings and credit programmes						
a) Date of starting credit programme	3/4/94	25/2/92	1/2/95	-	-	-
b) Total number of male borrowers	-	-	-	-	20	35
c) Total number of female borrowers	120	340	392	222 (46.0)	834 (59.0)	795 (51.0)
d) Total savings (Tk)	53,732	98,900	238,596	102,499 (48.0)	534,218 (82.0)	1,116,744 (79.0)
e) Total disbursement (Tk)	2,100	250,000	1,049,000	631,000 (100.0)	4,302,160 (94.0)	9,998,500 (90.0)
f) Amount disbursed per female VO member	1,000 – 2,000	1,000	2,500	3,000 – 4,000	3,000	10,000
g) Amount disbursed per male VO member	-	-	-	-	3,000	2,000
h) Amount realised (%)	100	98	60	58	98	75
i) Total outstanding (Tk)	2,500	78,186	421,058	263,270 (99.0)	1,912,600 (96.0)	2,468,108 (83.0)
j) Total overdue (Tk)	nil	1560	nil	100%	37506	nil
k) Types of installment for loan collection	weekly	weekly	weekly	weekly	weekly	weekly
l) Interest rate on savings	5%	5%	5%	5%	6%	5%
m) Rate interest on credit	15%	15%	15%	15%	15%	15%
Annual budget (Tk)	-	5,400	1,000,000	*	5,748,688 (99.0)	4,500,000 (78.0)

Note: Figures in parentheses indicate cell frequency. * Not reported