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BANGLADESH RURAL ADVANCEMENT COMMITTEE

RURAL DEVELOPMENT PROGRAMME 1990-92

AND

BRAC BANK PROJECT

SUMMARY OF REVISED PROJECTS

May, 1969

BANGLADESH RURAL ADVANCEMENT COMMITTEERURAL DEVELOPMENT PROGRAMME (1990-2) AND BRAC BANK PROJECTSUMMARY OF REVISED PROJECTS**A. BACKGROUND**

1. A consortium of donors has been requested to provide the Bangladesh Rural Advancement Committee (BRAC) with financial assistance to expand its activities. There are presently ten members of the consortium: Aga Khan Foundation (AKF); Canadian International Development Agency (CIDA); Danish International Development Agency (DANIDA); Evangelische Zentralstelle für Entwicklungshilfe (EZE); Ford Foundation (FF); Netherlands Organisation for International Development Cooperation (NOVIB); Royal Norwegian Embassy Development Cooperation (NORAD); Overseas Development Administration (ODA); Swedish International Development Agency (SIDA); and the Swiss Development Corporation (SDC).

2. BRAC is a non-government organisation registered under the Societies Act of 1860 and also under the Foreign Donation Regulation Act, 1978. First established in 1972, BRAC is by any national or international standard one of the largest, most innovative and successful non-government organisations. It has two fundamental inter-related objectives: the alleviation of poverty and empowerment of its target group, the landless poor. On the basis of its experience, BRAC believes that neither objective can be reached without the other and that it must therefore address the basic needs of the poor while building local institutions to empower the poor.

3. BRAC's core programme, the Rural Development Programme, reaches landless men and women through a network of Area Offices (AOs). At end 1988, there were 60 such AOs which had succeeded in developing some 5200 Village Organisations (VOs), 2850 for women and 2350 for men, with a total of over 280,000 members in 2750 villages. Through these VOs, supported by the BRAC Area Offices, large numbers of members have received training and developed the skills and confidence to manage their own affairs. At end 1988, the VOs had mobilised some Tk.60m in savings and received over Tk.275m credit for individual and collective activities from the RDP's revolving loan fund for income generating activities. At 31st Dec.1988, late payments were at 3% of the loans portfolio outstanding at that date.

4. In addition to the core Rural Development Programme, BRAC also manages a number of large Sectoral Programmes. With these programmes, BRAC has a particular operational objective which is to develop the programmes on a sufficient scale, and through coordination with

government, in order to convince both government and the NGO community alike that national level programmes can be effectively designed and managed in the interests of the poor. For example, BRAC's principal health programme, oral rehydration therapy, has reached over 10 million households and has now been expanded into a more comprehensive Child Survival Programme (CSP). Its large-scale Non-Formal Primary Education (NFPE) programme has opened over 700 schools and reached 22,000 children. BRAC's Income-Generation for Vulnerable Group Development (IGVD) programme has already benefited over 30,000 destitute women who form the poorest 3% of Bangladesh's population.

5. BRAC is seeking funding from the donor consortium for two projects: a three year (1990-92) composite Rural Development Programme (RDP 2); and the establishment of a new self-supporting credit institution, the BRAC Bank Project (BBP). BRAC's original proposals for RDP 2 and the BRAC Bank were drawn up in late 1988 and submitted to a meeting of interested donors in January, 1989. The donors expressed interest in the proposals but decided to commission a comprehensive appraisal of both projects. By the time the appraisal took place, in April, 1989, BRAC had already made numerous changes of detail in the proposals. The appraisal recommended a number of further changes (described in detail in the two volume report published on 30th April, 1989): these changes were accepted by BRAC. On this basis, the appraisal team recommended donor support for the revised projects in the sum of US\$ 55.6m. In view of all the changes that had occurred since the two proposals were first drawn up, however, it was agreed by the donors consortium and BRAC that a consolidated summary of the revised proposals for RDP 2 and the BRAC Bank Project was required. This document is that summary.

B. GENERAL DESCRIPTION

6. The two projects for which BRAC is seeking funding, RDP 2 and the BRAC Bank Project, share the same objectives and target group: alleviation of poverty and empowerment of the landless poor. RDP 2 comprises two primary components: Core and Sectoral Programmes. RDP 2 Core is the logical continuation of the ongoing Rural Development Programme BRAC initiated in 1986. The basic and now proven methodology for the RDP starts with the establishment of Area Offices, each of which covers 50 villages - 20 such Area Offices are planned to be set up both in 1990 and 1991, increasing to 25 in 1992. Operating over a four year cycle, the Area Office initially concentrates on social conscientisation, human resource development and institution building to establish the Village Organisations, one for men, one for women in each village. (Second, working through the VO's, BRAC establishes the discipline of regular savings and then, by making credit and skills training available, helps to establish the economic base for a better life by enabling the landless to become engaged in employment creating and income generating activities.

7. One of BRAC's two major operational objectives during RDP 2 is to reduce BRAC's long term dependency on donor funds - hence the BRAC Bank Project. The strategy is that after four years under RDP, the costs of which are largely born by donor grant funds, the mature Area Offices transfer to become branches of the BRAC Bank Project. The transition is designed to take place when the outstanding loans made to VO members are sufficiently large that the income generated (the present interest rate is 16%) will cover the ongoing operating costs of the BRAC Bank branch. By this time, too, the local VOs should also have matured to the stage where they can continue to grow, as increasingly influential institutions, without intensive supervision. Under RDP 2, the following transitions are planned:

	1990	1991	1992
Total RDP AOs @ Yr.Start	80	80	80
AOs to BRAC Bank Branches	20	20	20
New RDP AOs opened	20	20	25
Total RDP AOs @ Yr.End	80	80	85
Total BB Branches @ Yr.End	20	40	60

At the point of transition, the BRAC Bank Project "buys out" RDP's investment in the mature AOs, including the VO members outstanding loans, net of savings, the physical infrastructure of the AOs and the staff complement. The change in no way affects the VOs or their members - except in the continuing increase in credit available for loans.

8. BRAC's preferred strategy for the geographic expansion of its RDP is to extend to contiguous areas before moving into new areas. This not only has administrative and logistical advantages but also increases the opportunities for setting up effective federations of VOs within unions and upazilas. BRAC acknowledges, however, that this preference for clustering its areas of operation is constrained by the need not to duplicate the efforts of other NGOs and the Grameen Bank, and to serve new areas. An unwritten agreement with Grameen Bank not to compete in the same villages exists but this will be formalised in more explicit terms.

9. As indicated above, the second component of the RDP 2 project is a number of Sectoral Programmes. There are three such programmes all of which are complementary to RDP 2 Core but essentially separate from the core activities (described below). First, there is a major expansion of the Non-Formal Primary Education programme which plans to open up schools

in areas where RDP is operating. Second, it is planned to expand the IGVED programme into a further 36 upazilas, in many of which the RDP is not operating. Third it is planned to establish a Management Development Programme for managers and decision makers involved in rural development. These programmes are summarised in Section C below.

C. PROJECT COMPONENTS

RDP 2 - Core

(a) Institutional and Human Resource Development (US\$ 1.3m)

10. In each new village, BRAC will develop two Village Organisations (VOs), one male and one female: a total of 6,500 new VOs to be organised over the three years. BRAC's inputs into the VOs will include functional educational (social awareness) courses in each village - for which a total 3250 teachers will be trained, equipped with education materials and salaried by BRAC; weekly meetings on savings and credit operations; monthly meetings on social change issues; periodic inter-VO workshops trainings; and specific Human Resource Development (HRD) Training.

11. This HRD training for VO members will consist mainly of courses organised by the staff of one of BRAC's Training and Resource Centres (TARCs) either at the Centres or in the field. These courses, which are targeted at the those VOs in their first, second and third years, are of five to six days duration and primarily cover three subject areas: consciousness raising and leadership development (6500 trainees); project planning and management (14,300 trainees); accounting (14,300 trainees). In addition, BRAC has made financial provision (Tk 5m) for additional training in institutional building and HRD primarily for VOs in their fourth year

(b) Savings and Credit (US\$ 3.5m)

12. As a basic technique in building the VOs, BRAC has always insisted on individual savings. These, on which BRAC currently pays 9% pa, are a necessary requirement for obtaining credit for which new ground rules have recently been introduced applicable to RDP 2 including that: the savings requirement for obtaining a loan has been reduced from 10% to 5%; individuals may have two loans at a time but if so one of these has to be an asset loan (ie on repayment of which a physical asset remains); and ceilings have been placed on the amount that an individual and a family can borrow for first, second and subsequent loans. The necessary collateral for loans is provided by peer group pressure. Each VO is divided into sub-groups of 5-7 members. Each member's request for a loan must be unanimously approved by the sub-group to which he or she belongs before it is presented to the VO as a whole. The VO in turn can approve the loan only if 75% of the members agree.

13. The new rules for the provision of credit, and the availability of additional funds, are expected to lead to a substantial increase in lending for which there is good evidence of strong and continuing demand. At December, 31st, 1989, the total value of the loans outstanding for the 80 Area Offices under RDP 1 is expected to be Tk. 145m (compared with just over Tk 100m at end 1988). The table below shows how this is built up and also gives the expected figures for the loans outstanding at end 1990, 1991 and 1992 for the AOs and Bank branches as they mature.

Area Office/ Branch Type	Year End Loans Outstanding (Tk.m)			
	1989	1990	1991	1992
1st Year (RDP)	10	12	12	15
2nd Year (RDP)	20	37	37	37
3rd Year (RDP)	35	77	77	77
4th Year (RDP)	80	129	129	129
Total	145	255	255	258
5th Year (BBP)	-	181	181	181
6th Year (BBP)	-	-	219	219
7th Year (BBP)	-	-	-	244

Consequently budgetary provision has been made in RDP 2 for Tk. 113m (Tk.258-145m) required for the additional credit in RDP 2.

(c) Employment and Income Generation Support(US\$ 1.8m)

14. One of BRAC's primary objectives is to improve the economic wellbeing of VO members. In order to realise this, technical training is provided for a variety of activities using proven training techniques. During the first three years of development of a VO, this training is provided free to members. In the fourth year, the Area Office will institute the practice of charging for training (by adding the cost to the loan taken) except for new members who may still receive first time training free.

15. The skills training for group members is mainly conducted by BRAC's own technical experts and para-professional staff. The former are now located at different Area Offices reporting to the Regional Managers. A coordinating adviser for each technical sector is based at BRAC headquarters. The para-professionals are trained and supervised by the BRAC experts. They live in or near the communities they serve, some being employed by BRAC, others paid by those communities. The estimated number of VO members to be provided skills training during the three years of RDP 2 is planned to be as follows:

Activity	Number of Trainees		
	1990	1991	1992
Poultry workers	1,000 per year		
Poultry rearers	20,000 per year		
Para-vets	200 per year		
Cow rearers	4,500 per year		
Horticulture nursery	320 per year		
Horticulture crop	4,000 per year		
Fish nursery	200 per year		
Fish culture	500 per year		
Irrigation mechanic	25	25	50
Irrigation management	100	200	-
Apiculture	200 per year		
Seri/eri culture			
- workers	20	-	-
- rearers	700	1000	1700
- operators	46	106	181
Other skills	500	700	1000

16. In addition to this substantial training assistance, BRAC also helps groups and individuals involved in poultry, fishery, sericulture, etc in a number of other ways. For example, day-old chicks are supplied to chick rearers in the villages who then sell two month old chicks to poultry rearers. Fish fingerlings are available from two BRAC fish hatcheries and BRAC helps some village groups to develop and maintain fish nurseries from which other groups are supplied. Fifteen sericulture centres are to be established by BRAC to produce eggs for distribution to village rearing centres from where they are to be made available to women borrowers to raise them to maturity.

(d) Area and Regional Office Costs (US\$ 6.6m)

17. Each Area Office is staffed by a team comprising: one Area Manager, three general Programme Organisers (POs), one accountant and a cashier, nine village level workers, and support staff. Their total costs, including transportation, for 80 such AOs in 1990 and 1991 and 85 in AOs amount to Tk.170m. To this must be added the costs of regular staff training and development for all levels of staff, both induction and in-service training, totalling almost Tk.6m. In addition, there are the operating costs of the Regional Offices (one for 10 AOs), essentially the Regional Manager and an Auditor. In total all these costs amount to Tk.

166m net over the three years of RDP 2, after taking into account the interest income from loans to VO members (less a loan loss provision of 10% on yearend loans outstanding). The costs of BRAC's head office, ie senior management and logistical support, are covered by a 10% charge on all the primary budget components.

18. There are also the initial capital costs involved in establishing each new Area Office. This requires an investment of almost Tk 1m in land, buildings and fixtures, with an additional provision in 1990 for a motor cycle for each PO in each of the 80 AOs to facilitate contact with VO members. The total cost to RDP 2 is reduced by the proceeds of the sale of the Area Offices graduating to the BRAC Bank Project in their fifth year. Nonetheless, the total net investment cost over the three years of RDP 2, including the capital costs of certain items in the regional and head offices, eg a telephone installation and computer extension, amounts to Tk.42m.

(e) Support Services (US\$ 1.5m)

19. The figures given above for the costs of training both VO members and BRAC staff cover only the operating costs of training. Capital costs are not included but BRAC plans to construct one new TARC in 1990, and also to expand four of the existing TARCS during the period of RDP 2. This expansion of the training facilities is necessary in order to accommodate the substantial expansion of training needs for VO members summarised in (c) above. Total costs are estimated at Tk.21m.

20. In 1986, BRAC established an important new unit, the Rural Enterprise Programme. The function of REP is to enhance the income derived from the economic activities in which VO members can invest by improving the profitability of existing traditional activities and identifying profitable new activities. Special attention has been given to expanding profitable activities for women. Business activities identified by REP to date have included: freshwater shrimp and catfish culture in the fisheries sector; improved dyeing, block printing, sericulture in the textiles sector; milk marketing and duck hatchery in livestock; and in the agriculture sector, vegetable growing and marketing, and power tilling custom ploughing. While some of these technologies/techniques are relatively new to Bangladesh, others such as the power tillers and brickfield production are already in widespread use. The innovative element in such cases is the introduction of ownership and management of such technologies by landless groups rather than by private entrepreneurs.

21. Although REP's budget is small within the whole context of RDP 2 Core, its role is regarded as crucial. As the markets for produce from traditional enterprises become saturated and the demand for employment opportunities among BRAC's landless groups increases, new economic activities must be introduced. The methodology for identifying, testing and introducing such new opportunities is now established. REP takes responsibility for the initial project identification and feasibility study, for the experimental field projects and, if the technology/technique is successful, for providing finance and technical support to pilot projects undertaken by the landless groups. REP especially seeks to ensure that appropriate systems for effective business management of collectively owned projects are developed and introduced. During RDP 2, REP's staff will be increased from the present 12 to 25 to include not only additional technical personnel but also business management professionals. The total budget for the three years is Tk. 15m

22. Another small but crucial support service for RDP 2 is the Research and Evaluation Department (RED). This is responsible for carrying out ongoing studies, largely at the request of the programme managers, to evaluate the effectiveness and impact of BRAC's activities and to recommend changes in design and policy. RED works closely with RDP's Monitoring Cell which is presently developing an improved fully integrated and computerised management information system. When fully developed, the new system will operate under three broad headings: savings and credit activities; economic indicators; and social development indicators. RED is also collaborating with the RDP on the design, implementation and analysis of a new system for collecting baseline data from all loan applicants. This information will be computerised and used as the basis for continuous evaluation. The total budgeted cost of RED over RDP 2 is Tk.11m.

23. The annual costs of these major components of RDP 2 Core over the three years 1990-92 can be summarised as follows:

	1990	1991	1992	Total
	(Tk.m)			
Instit. and HRD Dev.	12	14	16	42 (US\$ 1.3m)
Savings and Credit	110	-	3	113 (US\$ 3.5m)
Employ. and Inc. Gen.	14	19	23	56 (US\$ 1.8m)
Area & Reg. Offices	73	59	76	208 (US\$ 6.6m)
Support Services	16	19	12	47 (US\$ 1.5m)
TOTAL	225	111	130	466 (US\$14.7m)

BRAC Bank Project

24. As described in Section B. above, after four years under RDP the mature Area Offices are bought out by the BRAC Bank Project (BBP) and become branches of the Bank. The costs so incurred during the first four years of the BBP and the additional loans made by these branches, together with BBP's investments for the later purchase of the planned total of 300 Area Offices by 2001, are summarised in the table below. Paragraph 29 shows the sources of the funds to meet these costs and Annex 1 provides a more detailed financial analysis of the Project's assets and liabilities to 2009.

BRAC Bank Project - Funds Required

	<u>1990</u>		<u>1991</u>		<u>1992</u>		<u>1993</u>	
	Year	Cum.	Year	Cum.	Year	Cum.	Year	Cum.
VO Members Loans								
- Purchase ex RDP	129	129	129	258	129	387	129	516
- Increase from BB	<u>52</u>	<u>52</u>	<u>90</u>	<u>142</u>	<u>115</u>	<u>257</u>	<u>129</u>	<u>386</u>
Total	181	181	219	400	244	644	258	902
Fixed Assets	26	26	21	47	22	69	21	90
Investments & Cash	<u>118</u>	<u>118</u>	<u>265</u>	<u>383</u>	<u>172</u>	<u>555</u>	<u>0</u>	<u>555</u>
TOTAL	325	325	505	830	438	1268	279	1547

(a) Funds Required - VO Members Loans (\$US 28.5m)

25. The purchase sum paid by the BRAC Bank Project for VO members' loans outstanding at the time of transition from RDP to the BBP is broadly expected to be the same in each year. (In the first two years, 1990 and 1991, it is possible that the BBP may not reach the loan targets indicated above. For this reason, the appraisal team did consider a downside scenario in which the BBP achieved only 80% of the target for 1990 and 90% for 1991. This scenario has been taken into account in determining the funds required from donors - ref para 30 below) In addition, during the course of each year, the BBP will be financing the further growth of loans to members, for an increasing number of branches - 20 by end 1990, 40 by 1991, 60 by end 1992, etc. By the end of the fourth year, the total loans by the BBP to VO members will account for 58% of the total funds available. Thereafter the Bank will continue to acquire the loan portfolios of mature AOs from RDP but this assumes BRAC secures continued donor grant funding for its Rural Development Programme after 1992 (REP 3).

26. The outstanding loans made to members by an Area Office or a branch are a function of many factors - ref para 13, above. These include the total number of borrowers, the average size of loan, and the term structure of loans (short, medium or long). All such factors were closely examined by the appraisal team and the figures used in the final projections were jointly agreed by the team and BRAC. For example, by the time of transition from an AO to a Bank branch, the total number of group members is expected to be between 6-7,000 (ie 60-70 per VO) and on the basis of BRAC's experience 55-60% of these members will be borrowers. Similarly, increases in the average loan size occur as members gain experience in using credit, repaying one loan and then taking out another. By the time of transition from an AO to a branch, the average loan size is expected to have risen from Tk. 1600 at the end of the first year to Tk.3500 at the fifth year. Finally, the assumed term structure of the loans under the BRAC Bank Project is conservative being the same as the present structure of RDP lending - approx: 60%:37%:3% for short:medium: long term loans.

(b) Funds Required - Fixed Assets (US\$ 2.8m)

27. The fixed assets acquired by the BRAC Bank Project - 20 AOs in each of the first four years - are shown at the gross purchase price, ie without deduction of subsequent depreciation. The AO complex includes land, office and staff accommodation, motor cycles, together with all office equipment and records. The annual figure varies because there are the occasional additional costs of establishing the regional offices of BBP. The accumulated figure at the end of the fourth year is Tk.90m or 6% of the total funds available.

(c) Funds Required - Investments (US\$ 17.5m)

28. The remaining funds, ie those not invested in either loans or fixed assets, will be held on deposit with one of the commercial banks. The existence of these investments will start the Bank with a satisfactory asset mix: 58% in loans, 6% in fixed assets; and 36% in investments and cash. The investments perform two functions. In the early years they will produce a significant income (bank deposits presently yield 12%) in order to achieve the small projected annual operating profit - see Annex 2. By the end of the fourth year, total investments will be Tk.555m, again 36% of the total funds available. After 1993, they will be available to be drawn down each year to purchase additional AOs until the full planned complement of 300 is reached in the year 2001. After that date, the investments will build up again from accumulated profits, allowing repayment of the BRAC loan to the BBP to begin in 2004.

(d) Sources of Funds - Donors (US\$ 31.9m)

29. The following table shows the sources of funds for the first four years of the BRAC Bank Project:

BRAC Bank Project - Planned Sources of Funds

	1990		1991		1992		1993	
	Year	Cum.	Year	Cum.	Year	Cum.	Year	Cum.
Donors Equity	250	250	400	650	280	930	80	1010
Members Funds	69	69	85	154	105	259	128	387
Operations Surplus	6	6	20	26	53	79	71	150
TOTAL	325	325	505	830	438	1268	279	1547

30. All the Donor Funds required to establish the BRAC Bank Project on a self-sustaining basis are deposited during the first four years as shown. The primary arguments in favour of this front-end loading structure are:

- the upfront money allows BBP to be independent of donors after the four year commitment of funding. This benefits both BRAC and the donors, not least in the demonstration effect of self-sustainability for other NGOs and governments.
- the upfront funding structure provides the BBP with significant financial protection from potential shortfalls in loan portfolio income. The investment income (for which no loan loss provision is required) is a secure source of income for the future.
- it is difficult for an organisation to plan its expansion in an environment of uncertain funding. BRAC's rate of growth would have to be much less in order to avoid the risk associated with the possibility of funding being held up or not provided, as donors try to juggle competing demand for funding in the future.

In calculating the total donor funds required, consideration was given to the possibility that loans to VD members may not reach the targets indicated in paragraph 24 above, especially in the early years 1990 and 1991. The downside scenario described in paragraph 24 - a reduction of 20% in the target for 1990 and 10% for 1991 indicated a requirement for an additional Tk.10m of donor funds in 1993. This has therefore been included in the figure shown above. By the end of the fourth year, when all the donors funds will have been invested (US\$ 31.9m), they will constitute 65% of the total funds available to BBP at that time.

(e) Sources of Funds - Members Savings and Tax (US\$ 12.2m)

31. The Members Funds are made up of individual members savings together with the 5% group tax (which each borrower is required to pay on the value of every loan taken). The discipline of regular saving is an essential part of RDP's human resource development training and the projected levels of savings are based on the past experience of existing RDP Area Offices. By the end of the fourth year, these funds will account for Tk. 387m or 25% of the funds available to BHP.

(f) Sources of Funds - Operations Surplus (US\$ 4.7m)

32. The Operations Surplus or Net Operating Profit (ref Annex 2) is the interest income received by BHP from loans to VO members plus the income from investments, less the interest paid on members' savings/deposits and less branch/regional/head office operating expenses. There is also a loan loss provision @ 2% of disbursements. (NB Depreciation of the fixed assets has been added back - ref para 26.) The financing structure for BHP is designed to ensure that this surplus is positive every year (but one-2001). By the end of the fourth year, this operations surplus is projected to be providing Tk.150m or some 10% of the total funds.

(g) Legal Status of the BRAC Bank

33. On the advice from senior officials in the Bangladesh Bank, the government's central bank, BRAC has decided to follow a two step process in forming the BRAC Bank. It will initially begin as a project of BRAC (similar to any other NGO project, such as RDP 2) for which formal approval by the government has already been requested. After two-three years of operating experience, depending on developments, it will request a special charter from the government to establish a separate legal entity similar to that of Grameen Bank. As an NGO project, the Bank is simply an operating unit of BRAC without its own equity structure. As such it will be under the overall control of BRAC's existing Board of Directors.

RDP 2 - Sectoral Programmes

(a) Non-Formal Primary Education (US\$ 5.8m)

34. BRAC's NFPE programme provides appropriate education to rural poor children (70% girls) between the ages of 8-10 and 11-14, who have either never enrolled in, or who have dropped out of formal primary schools. The younger children receive three years of education whilst the same curriculum is compressed into two years for the older children. Since the programme was first started with 22 centres and 676 students in 1985, it has expanded rapidly with a total of over 2000 centres expected to be in operation by the end of 1989 and a total of over 60,000 students enrolled or graduated. Of the first batch of students who graduated in 1988, 95% have gained admission to formal primary schools in Class IV and are continuing their studies.

35. Under the umbrella of RDP 2, BRAC will be starting a total of 1955 new classes for the younger children in the three years 1990-92, and 1950 classes for the older children in the same period, a total of 3,905. The total number of schools then in operation will be: 2,905 (1990); 3,405 (1991); and 3,255 (1992). In terms of geographical location, priority will be given to achieving a major coverage of all areas where either the RDP or the BRAC Bank is or will be in operation. Given the popularity of the NFPE programme with parents, this will facilitate more coherent integration with BRAC's other activities, increasing the opportunities for awareness raising, community participation and solidarity.

36. The total cost of the NFPE over the three years is estimated at Tk.184.6m (US\$ 5.8m) of which Tk.100m is for the 8-10 year old classes. The major costs components are: teachers salaries, all of whom are trained by BRAC at the TARCs; teaching aids and equipment; books, charts and supplies; and supervision by BRAC's specially trained NFPE Programme Organisers each of whom looks after 15-20 schools. Taking all costs into account, including the rental of classrooms, the average annual cost per 8-10 old child is Tk.506 and for the 11-14 year old Tk.561.

(b) Income Generation for Vulnerable Group Development (US\$1.7m)

37. BRAC's IGVD programme is a special component of the multi-donor assisted nationwide Vulnerable Group Development programme targeted at the destitute women in rural Bangladesh - those with no land, minimal income, and living without a husband's support. BRAC's IGVD is a cooperative effort with the Department of Relief & Rehabilitation, the Department of Livestock, and the World Food Programme operating in 32 upazilas. The initial, ongoing, programme launched in 1987 provides skills training in poultry rearing to 1500 destitute women in each upazila and the subsequent opportunity, assisted by credit from BRAC, to earn between 150-400 Tk./month. BRAC is seeking a total of Tk. 54.4m with which: (a) to complete its current two year programme in the

original 32 upazilas by mid 1990; and (b) to repeat the highly successful programme in a further 36 upazilas. BRAC's RDP is in operation in a few of the initial group of upazilas - and some of the IGVD women are also members of BRAC's VOs - but while there is close collaboration between the IGVD staff and RDP staff, each have separate offices.

38. The Department of Livestock's active collaboration in the IGVD programme comprises supplying free vaccines to poultry workers and supplying chick rearers with improved breed of day old chicks at cost price. BRAC regards this collaboration as an important achievement in its own right since a major objective of the IGVD programme is to facilitate the access of poor women to existing government services which will continue to function after the BRAC project has come to an end.

(c) Management Development Programme (US\$ 1.6m)

39. While BRAC's collaborative efforts with government on programmes such as oral rehydration therapy, NFPE and IGVD have been successful to date, BRAC feels there is a need to extend the lessons of such experience, especially among senior government officials, in an attempt to achieve even more and not least when BRAC's inputs are concluded. This is a logical extension of BRAC's attempts to promote programmes which reach the landless poor in the massive numbers required, and it forms the rationale behind the Management Development Programme (MDP). The twin objectives of the MDP are therefore to:

- develop and teach ways by which managers of rural development activities and projects, especially local government officials but also staff of BRAC and other NGOs, can operate more efficiently, notably in the delivery of goods and services to the landless poor, through intensified practical collaboration work at upazila, union and village level.
- inform and orient senior government officials to the benefits arising from and the methods of achieving a more equitable distribution of government services, especially to reach the landless poor, and to indicate the role they themselves can play in enabling field based officials to work effectively for the rural poor

40. Following discussions with the appraisal team, BRAC's original proposals for the MDP have been scaled down. The planned programme will still include: research and documentation of BRAC's experiences and methodology in managing rural development for incorporation in training materials; field workshops and laboratories; and in-service education and training courses. However, the field training activities will utilise existing facilities such as the TARCs and only in Dhaka will there be an additional facility, a management training centre. The capital cost of

the MDP is therefore reduced to Tk. 29.8m, largely in 1990 and 1991, and there is a similar reduction in operational costs to a net total of Tk. 20.8m.

41. The annual costs of these three sectoral programmes under RDP 2 over the three years 1990-92 can be summarised as follows:

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
		(Tk.m)		
Non-Formal Prim.Educ.	51	65	69	185 (US\$ 5.8m)
Inc.Gen. for VGD	17	17	20	54 (US\$ 1.7m)
Management Dev.Prog.	15	24	12	51 (US\$ 1.6m)
TOTAL	83	106	101	290 (US\$ 9.1m)

D. METHOD OF FUNDING

(a) Requested Contributions.

42. The revised budgets for RDP 2 and the BRAC Bank Project can be summarised as follows:

	<u>RDP 2</u>		<u>BRAC Bank</u>		<u>Total</u>	
	<u>Cur.</u> Tk.m	<u>Sec.Prog.</u> US\$m	Tk.m	US\$m	Tk.m	US\$m
1990	225	7.1	83	2.6	250	7.9
1991	111	3.5	106	3.3	400	12.6
1992	<u>130</u>	<u>4.1</u>	<u>101</u>	<u>3.2</u>	280	8.8
1993		RDP 3*			<u>80</u>	<u>2.5</u>
TOTAL	466	14.7	290	9.1	1010	31.8

* From January, 1993, donor funding will be required for the next phase of RDP - RDP 3.

43. Against these budgets, and in the light of individual discussions with members of the donor consortium, BRAC has formally requested donors to make the following contributions:

	1990	1991	1992	1993	TOTAL
AKF/CIDA	2.5	2.9	2.3	.3	8.0
DANIDA	1.3	1.4	1.2	.1	4.0
EZE	1.2	1.4	1.1	.1	3.8
FP	.1	.1	.1	.1	0.4
NORAD	1.1	1.3	1.0	.1	3.5
NOVIB	3.7	4.2	3.5	.6	12.0
COA	3.7	4.2	3.5	.6	12.0
SDC	1.9	2.1	1.7	.3	6.0
SIDA	1.9	2.1	1.7	.3	6.0
TOTAL	17.4	19.7	16.1	2.5	55.7

All donors have indicated their unanimous preference to contribute collectively to the RDP 2 and BRAC Bank projects, ie not to earmark funds for specific items in the budgets. BRAC has requested that the disbursements be phased to match the cash flow requirements of the two projects as summarised above.

44. Each donor will now consider BRAC's request - locally and in regional/head offices. In order to facilitate the process of securing a balanced budget, the Ford Foundation has agreed to continue to act for the time being as the local liaison office in Dhaka on behalf of donors. As and when individual donor head offices indicate their likely response to BRAC's request for funds, this information will be communicated to the FF, together with advice on any constraints such as the timing of formal commitments and disbursements. FF, together with BRAC, can therefore coordinate with the local donor representatives to secure the final balancing of the budget and to ensure disbursements of funds to meet BRAC's cash flow requirements.

(b) Financial Disbursements, Auditing and Reporting

45. The arrangements for financial disbursements, reporting to donors and external auditing must be rigorous, and the procedures common to and acceptable by all donors. The following have therefore been proposed for consideration by donors and BRAC:

(a) Disbursements to be made twice a year, in January and July, in three stages:

- BRAC would prepare and forward withdrawal applications to the donors based on the previously agreed disbursement schedule
- donors would disburse funds by transfer to the BRAC account at a commercial bank which would be credited with the taka equivalent of donor fund remittances. Donors would forward a notice of disbursement to BRAC and the donor liaison office
- within five days, BRAC would confirm the receipt of funds to the donor and the donor liaison office

(b) Financial accounts, in a format to be agreed, to be prepared and sent quarterly to donors

(c) Independent external auditing of BRAC's accounts will continue to be carried out annually as required by the laws of Bangladesh, by chartered accountants appointed by BRAC and acceptable to the donors. In addition, the donors would retain an independent qualified chartered accountant who would on request carry out six monthly audits to terms of reference determined by the donors in consultation with BRAC. Such audits should include visits to the field to review accounting procedures in the different areas of BRAC's operations.

46. In addition to quarterly financial reports, BRAC will send donors six monthly activity reports. The detailed contents and number of such reports will need to be reviewed and agreed but it is proposed that they should broadly follow current BRAC practices with all donors receiving the same document(s).

(c) Donor Monitoring, Reviews and Evaluation

47. Given the volume of funds required for RDP 2 and the BRAC Bank Project, and the innovative nature of the latter, donors will be concerned to monitor progress closely especially in the early years. Securing agreement amongst all the donors to a jointly acceptable framework for such monitoring is complicated by the fact that although RDP 2 and the BRAC Bank Project are very closely linked, they have different time frames - the former being three years, the latter four. Further whereas BRAC will be looking to donors for funds for RDP 3 from 1993, the BRAC Bank Project is intended to be self-sufficient into the next century.

48. The appraisal report discusses various possible solutions, one being that the donor consortium appoints a two or three person monitoring/review team. This team, comprising individuals familiar with but independent of BRAC, could carry out annual reviews and on each visit work to specific terms of reference determined by the donor consortium, addressing matters of current concern, for example in early 1991 to:

- examine the operations of the BRAC Bank Project, especially the demand for, nature and rate of increase of loans made by the Bank branches
- consider the performance of REP, notably the transfer of "new" project activities to RDP Area Offices and especially in respect of business management
- review the new Management Information System, including the arrangements that have been set up to monitor continued social change and empowerment of the village organisations, especially those which are the responsibility of the BRAC Bank Project
- review the progress made in increasing the training capacity of BRAC, especially at the TARCs, and whether the quality of management and staff is being maintained especially during the rapid expansion of 1990

The second annual review by the monitoring team, early in 1992, could be extended to include impact assessment and evaluation of certain specified activities, drawing on work previously agreed with BRAC's Research and Evaluation Department and/or an outside body such as the Bangladesh Institute of Development Studies. This would provide valuable input to the later project proposal required for RDP 3.

(d) Donor Liaison

49. If all of the donor agencies presently interested in the two projects join the final consortium, there will be a need for some facility to ensure ongoing liaison between donors and with BRAC. This will in no way inhibit contact between individual donors, especially their local representatives, and BRAC but there are various tasks to be carried out for which there will be a continuing need, for example to:

- ensure that all donors are kept informed on the continued formation of the consortium, especially in relation to achieving a balanced budget and making initial disbursements
- monitor and coordinate ongoing disbursements according to BRAC requirements and the constraints of individual donors

- secure agreement from the different donors on common reporting procedures and ensure that ERAC's reports are distributed to time
- ensure that all donors are kept informed of any unforeseen changes in ERAC's plans and agree to any significant budgetary amendments
- assisting in the preparation, scheduling, execution and follow-up of the annual monitoring/review missions

51. At the meeting of donor consortium members which has been proposed for October/November, 1989, donors will need to decide who or which agency will play this role of donor liaison in the long term, and what the exact functions of the liaison office(r) will be. In the short term, the Ford Foundation is willing to continue, at least until the final composition of the consortium is known.

52. At this meeting, or earlier, donors will also need to consider the costs of donor auditing, monitoring, reviews, evaluation and liaison-what they are likely to be and how to be met. No provision for such costs, which might be in the order of one per cent of the total project costs, have been included in the figures in para 43 above.

BFC Bal. At BNYC BFC Loan As Per Requirement

File Name: BFC17

In millions of Lira
05/25/2001

	Forward Distances																			
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
ASSETS																				
Cash	3.2	8.2	12.5	15.2	17.4	19.7	22.4	25.2	28.4	31.7	35.3	39.4	42.6	46.4	49.4	58.5	53.4	56.4	59.4	62.4
Investments	114.4	214.7	342.8	529.5	478.9	620.9	385.0	312.6	235.9	175.8	130.1	30.4	261.3	587.3	382.8	881.3	1752.8	1445.5	1761.8	2941.2
One Year Loans	128.7	281.0	458.8	621.4	814.8	995.2	1213.8	1452.7	1694.9	1951.4	2233.7	2571.8	2876.5	2725.8	2798.9	2722.9	2727.3	2728.0	2728.0	2728.0
Medium/Long Term Loans	54.3	126.0	193.7	278.6	349.2	427.8	520.2	615.3	736.9	840.6	957.5	1102.2	1144.5	1168.2	1178.1	1181.1	1181.7	1182.0	1182.0	1182.0
Total Loans	181	407	652	900	1164	1423	1734	2068	2432	2802	3191	3674	3821	3894	3977	3907	3909	3910	3910	3910
Less Loan Reserve	8.0	6.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Net Loans	181.0	401.0	644.0	892.0	1156.0	1415.0	1726.0	2060.0	2424.0	2802.0	3183.0	3666.0	3813.0	3886.0	3969.0	3909.0	3901.0	3902.0	3902.0	3902.0
Fixed Assets	25.9	47.3	88.7	99.1	111.7	143.7	177.8	212.2	251.7	291.2	331.1	382.5	382.5	382.5	382.5	382.5	382.5	382.5	382.5	382.5
Less Depreciation	-3.0	-6.0	-15.0	-24.1	-35.2	-48.5	-63.9	-82.1	-101.3	-127.5	-154.8	-186.2	-186.2	-186.2	-186.2	-186.2	-186.2	-186.2	-186.2	-186.2
Net Fixed Assets	22.9	41.3	73.7	75.0	76.5	95.2	113.9	130.1	150.4	163.7	176.3	196.3	196.3	196.3	196.3	196.3	196.3	196.3	196.3	196.3
TOTAL ASSETS	215.5	622.2	1253.0	1522.8	1736.8	1990.0	2251.1	2519.2	2833.7	3173.2	3522.7	3946.1	4362.2	4644.1	4925.5	5245.0	5348.8	5638.2	5917.5	6238.9
LIABILITIES																				
Net Reser Savings Deposits	47.6	97.2	154.0	226.4	296.4	382.0	488.9	646.2	746.6	899.7	1066.5	1271.2	1386.0	1224.6	1448.0	1631.0	1781.0	1921.0	2061.0	2211.0
Net Group Tax Deposits	22.0	56.6	104.7	166.8	242.9	333.0	442.7	569.4	719.1	889.3	1086.5	1301.7	1526.9	1720.8	1915.3	2196.5	2419.7	2642.9	2864.1	3089.3
Total Deposits	69.6	153.8	258.7	393.2	539.3	715.0	931.6	1175.6	1465.7	1789.0	2147.0	2572.9	2912.9	2945.4	3363.3	3827.5	4200.7	4575.9	4945.1	5300.3
BFC Loan	230.0	400.0	620.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0
Total Loans	230.0	400.0	620.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0	1010.0
TOTAL LIABILITIES	319.6	853.8	1188.7	1397.2	1549.3	1725.0	1961.6	2185.6	2475.7	2799.0	3157.0	3584.9	3924.9	4274.8	4581.3	4827.5	4988.7	5173.9	5467.1	5726.3
Retained earning	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Cap. Net Profit/Loss	8.0	2.5	18.4	64.3	125.4	187.5	265.0	355.5	446.0	536.4	626.9	717.4	807.9	898.4	988.9	1079.4	1169.9	1260.4	1350.9	1441.4
Current Net Profit/Loss	2.0	15.9	65.8	81.2	81.9	57.5	48.4	40.0	26.5	14.1	1.5	-39.4	9.8	14.8	76.1	23.4	22.5	74.2	26.1	28.2
TOTAL CAPITAL	2.5	18.4	64.3	125.4	187.5	265.0	355.5	446.0	536.4	626.9	717.4	807.9	898.4	988.9	1079.4	1169.9	1260.4	1350.9	1441.4	1531.9
TOTAL LIABILITIES AND CAPITAL	215.5	622.2	1253.0	1522.8	1736.8	1990.0	2251.1	2519.2	2833.7	3173.2	3522.7	3946.1	4362.2	4644.1	4925.5	5245.0	5348.8	5638.2	5917.5	6238.9

