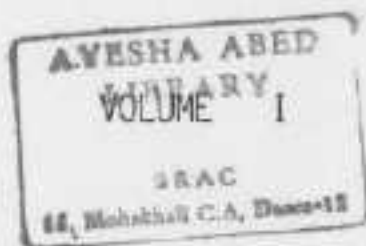


BRAC DONORS' CONSORTIUM

FINAL APPRAISAL REPORT
ON
BRAC'S RURAL DEVELOPMENT PROGRAMME
(1990 - 1992)
AND
THE BRAC BANK PROJECT



APRIL, 1989

CONTENTS

	Page
ACKNOWLEDGEMENTS	iii
BRAC ACRONYMS AND ABBREVIATIONS	iv
1. EXECUTIVE SUMMARY	1
2. INTRODUCTION	4
2.1 Background to Appraisal Mission	4
2.2 Methodology	4
2.3 Programme of Work	5
3. BRAC IN PERSPECTIVE	6
3.1 Fundamental Objectives	6
3.2 BRAC's Progression	6
3.3 BRAC's Overall Programme Expenditure (1985 - 92)	8
4. SOCIAL CHANGE AND INSTITUTIONAL DEVELOPMENT	10
4.1 BRAC's Strategy and Objectives	10
4.2 Past Performance - RDP 1	10
4.3 Future Plans - RDP 2 and BRAC Bank	11
4.4 Gender Issues	13
5. RDP 2 (CORE)	15
5.1 Geographic, Institutional and Human Resource Development	15
5.2 Savings and Credit	16
5.3 Technical Support and Training	18
5.4 Rural Enterprise Programme (REP)	19
5.5 Financial Requirements	21
6. BRAC BANK	23
6.1 From RDP to Bank - The Transformation	23
6.2 Credit Demand and Income Forecasts	23
6.3 The Delivery of Credit and Expense Forecasts	24
6.4 Consolidating Accounting	25
6.5 General Financial Structure and Funding Requirement	26
6.6 Legal Issues	27

7.	OTHER PROGRAMMES	28
7.1	Non-formal Primary Education (NFPE)	28
7.2	Income - Generation for Vulnerable Group Development (IGVGD)	29
7.3	Management Development Programme (MDP)	30
8.	MANAGEMENT	32
8.1	Organisation Structure and Management Capacity	32
8.2	Staff Expansion Requirements	34
8.3	Training Capacity	34
8.4	Personnel Policy	36
8.5	Monitoring and Evaluation	37
9.	BRAC's ENVIRONMENT	39
9.1	Government	39
9.2	NGO's	40
10.	FUNDING AND DONOR REQUIREMENTS	42
10.1	Funding	42
10.2	Financial Control and Disbursements	44
10.3	Donor Monitoring, Reviews and Evaluation	45
10.4	Donor Liaison Office	47
	ANNEX 1: Terms of Reference	48

ACKNOWLEDGEMENTS

This Appraisal Report has been undertaken on behalf of, and funded by, a consortium of donors comprising:

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 Inter. Dev. Coop. (NOVIB)
Royal Norwegian Embassy Development Co-operation (NORAD)
Overseas Development Administration (ODA)
Swedish International Development Agency (SIDA)
Swiss Development Corporation (SDC)

The Appraisal Team wishes to record their appreciation to the local representatives of these agencies in Dhaka for all the help given to the Team - in information, advice, insights, hospitality, and transport - especially Susan Davis of the Ford Foundation who played a key role in making the arrangements for the whole appraisal. Also to be noted is the contribution of UNIFEM in freely making available the services of one of their senior advisers as a member of the Team.

BRAC's staff without exception gave their cooperation and time unstintingly. The Team is well aware of the demands we imposed especially on the Executive Director and his senior colleagues, over long hours and often, seven days a week. The field visits so efficiently organised for the Team contributed substantially to our understanding of BRAC's work. We are grateful to all the staff we met who so patiently answered our stream of questions.

Finally, the Team would also like to thank all the staff at the Executive Centre who produced our report. Without their efficiency, skill and friendly patience over long hours, it would have been quite impossible to meet our deadlines.

David Wright (Team Leader)
Jeffrey Ashe
Kamrunnessa Begum
Marilyn Carr
Marty Chen

George D'Souza
Fred Howarth
Doug Salloum
Ton Schutte
Dulan de Silva

BRAC ACRONYMS AND ABBREVIATIONS

AO	-	Area Office
BB	-	BRAC Bank
BM	-	Branch Manager (BB)
CSP	-	Child Survival Programme
DA	-	Director Administration
DP	-	Director Programme
DT	-	Director Training
DTW	-	Deep Tubewell
DVM	-	Doctor of Veterinary Medicine
FDR	-	Fixed Deposit Reserve
FEC	-	Functional Education Centre
FHH	-	Female Headed Household
FRP	-	Flood Relief Programme
GS	-	Gram Sebika
GM	-	General Manager (BB)
HRD	-	Human Resource Development
HO	-	Head Office (BB)
HTW	-	Hand Tubewell
IGA	-	Income Generating Activities
IGVGD	-	Income Generating Vulnerable Group Development Programme
JWP	-	Jamalpur Women's Programme
LLP	-	Low Lift Pump
MC	-	Management Committee
MDP	-	Management Development Programme

MIP	-	Manikganj Integrated (Development) Programme
NFPE	-	Non-Formal Primary Education
PFRP	-	Post Flood Relief Programme
PO	-	Programme Organizer
PS	-	Polli Sebok
PT	-	Power Tiller
RCT	-	Rural Credit and Training Programme
RDP	-	Rural Development Programme
RED	-	Research and Evaluation Division
REP	-	Rural Enterprise Programme
RLF	-	Revolving Loan Fund
RM	-	Regional Manager
RO	-	Regional Office (BB)
RVW	-	(Ward-based) Rural Veterinary Worker
STW	-	Shallow Tubewell
TARC	-	Training and Resource Centre
VO	-	Village Organisation
VVW	-	Village-based Veterinary Worker

1. EXECUTIVE SUMMARY

1) The ten person Appraisal Team spent four weeks in Bangladesh. During this period, we investigated BRAC's operations in depth - including visits to 18 of the 60 Area Offices, meetings with many Village Organisations, talking with the Management Committees of a great variety of field projects. The Team were unanimously impressed by BRAC as an organisation and by its achievements. Over the years, it has shown a unique ability to be effective, innovative and able to replicate success on a large scale.

2) Whilst the basic objectives, methodology and operating procedures of the RDP 2 and BRAC Bank projects are unchanged from the January proposals, there have been numerous changes in the details. Considerable time and effort was therefore spent to ensure that the Team fully understood these changes and to validate the original and modified assumptions. The calculations and projections, notably for the BRAC Bank, constantly had to be reworked and the resulting scenarios re-examined, especially the financial implications.

3) The concept of RDP withdrawing from an area and handing over responsibility to BRAC Bank has caused apprehension and misunderstanding. In fact, the transition from an area office of RDP to a BRAC Bank branch will hardly be noticeable to the VOs or to the landless they both serve. There is virtually no change in the level of BRAC staffing or in the nature of the activities undertaken-except in the continuing increase in loans. In no way does BRAC itself withdraw - it is the external grant financing from donors that is withdrawn over time as the branch becomes self-financing. Other programmes such as NFPE and IGVGD continue to require grant funding quite independent of the BRAC Bank branch. Similarly, grant funding from donors will continue to be required for a number of years to meet the start-up costs of new RDP area offices.

4) The major change recommended by the Team, and subsequently accepted by BRAC, concerned the timing of the transformation from RDP to the Bank. The Team felt strongly that three years was too short a period for both financial and social development reasons. On the revised assumptions, financial breakeven will not occur until after four years of operation of RDP operation. By shifting the takeover date to the fifth year, the Bank will have to finance less losses and less will be required from donors-for the Bank.

5) In the original RDP 2 proposal, BRAC projected that most VOs would develop sufficient strength to carry on without BRAC assistance after the third year. The Team was not comfortable with this assertion. By shifting the takeover date to the fifth

year, the Team felt substantially reassured. In addition, RDP will maintain a staff capacity in the Bank branches during the first two years of Bank operations to play a continuing role in institution building; and take other measures relating to Bank staff responsibilities and training.

5) BRAC has also recognised the need to introduce a reporting and monitoring system to ensure staff of the BRAC Bank remain committed to social change and institution building. Such a system must include not only targets relating to inputs, e.g. so many members enrolled, but also to outputs such as the social actions taken by the VOs. To assist in this process, the Team proposed a list of social indicators, each representing a type of social change that has been attempted with some success by BRAC organised VOs.

7) In addressing the questions relating to economic impact, several of the assumptions behind BRAC's original forecasts for loans disbursed were revised by the Team. It is now felt that the new income forecasts represent a reasonable scenario for the future. Moreover, the Team's analysis concluded that the kind of loans now being made can grow to produce the forecast income and that there will be the necessary demand for the goods and services produced.

8) The Team feels that the technical support services available from BRAC will meet the demands of borrowers wishing to undertake new, higher productivity activities, providing the planned expansion of technical personnel includes female technical officers and staff with training in mechanical engineering and with business skills. The role of the Rural Enterprise Programme is crucial and the Team has made a number of recommendations to strengthen this important unit.

9) The Team reviewed the current organisational structure of BRAC. It also examined in depth the management, staffing and training capacities of BRAC to achieve the substantial expansion of activities planned under RDP 2 and the BRAC Bank (requiring an increase of staff from the current 3485 to an estimated 4399 in 1992). The Team broadly concluded that BRAC did have the management capacity to achieve the expansion and to train all the required staff: 1990 is the most critical year. Staff motivation and morale is high and attitudes towards the creation of the BRAC Bank and associated changes are generally very positive.

10) The Team commends BRAC for its special emphasis on women in its target group and its performance to date in terms of involving women in its rural development programmes. In view of this emphasis, the Team also urges BRAC to follow through on its commitment to recruit more women to higher levels in the organisation.

11) The planned expansion of the successful Non-Formal Primary Education (NFPE) and Income Generation for Vulnerable Development Group (IGVGD) programmes is realistic and strongly endorsed. BRAC will be continuing to look to external donors to fund these programmes, but in the long term believes that Government must take the major financial responsibility. The Team also appreciates the importance of some elements of the Management Development Programme (MDP) in support of national-level initiatives and it recommends that this should receive favourable attention in its abbreviated form.

12) BRAC has submitted the Project Proposals to Government for formal clearance, both for RDP 2 and the BRAC Bank. (On advice from the Bangladesh Bank, neither registration of nor a special charter for the Bank is being sought at the present time). Despite the very serious delays many NGOs have suffered in obtaining clearance, BRAC is quietly confident it will receive clearance for RDP 2 and the "BRAC Bank Project" within six months. Certainly, BRAC has had more success recently in this regard than any other major NGO.

13) As indicated in 2) above, the estimates of the funds required for RDP 2 and the BRAC Bank have been refined several times. The revised estimates (Tk. 31.7 = US\$ 1) are:

	RDP 2		BRAC Bank		Total	
	Tk.	US\$	Tk.	US\$	Lakh Tk.	US\$ m
1990	308	9.4	250	7.9	558	17.3
1991	217	7.1	400	12.6	617	19.7
1992	231	7.3	280	8.8	511	16.1
1993	RDP3*		80	2.5	80	2.5
	756	23.8	1010	31.8	1766	55.6

* From January 1993, donor funding will be required for the next phase of RDP - RDP3.

14) A summary document -- Consolidated Revised Proposals for RDP2 and the BRAC Bank Projects -- incorporating the Team's recommendations and the changes since the January 1989 proposals is in preparation. The Team unanimously supports BRAC's request to the donor consortium for US \$ 55.6 million to implement these projects.

2. INTRODUCTION

2.1 Background to the Appraisal Mission

On January 16/17th, 1989, a number of interested donors met in Dhaka at BRAC's invitation to consider proposals for a major expansion of BRAC's activities in Bangladesh. The donor agencies represented included:

Aga Khan Foundation (AKF)
Canadian International Development Agency (CIDA)
Danish International Development Agency (DANIDA)
Evangelische Zentralstelle für Entwicklungshilfe (EZE)
Ford Foundation (FF)
Intermediate Technology Development Group (ITDG)
Japanese Embassy
Netherlands Organisation for Inter. Dev. Coop. (NOVIB)
Royal Norwegian Embassy Development Co-operation (NORAD)
Overseas Development Administration (ODA)
Swedish International Development Agency (SIDA)
Swiss Development Corporation (SDC)
World Bank (WB)

At the meeting, BRAC presented two proposals. The first, covering ongoing and expanded operations of BRAC's Rural Development Programme (RDP 2), contained a three year plan for the years 1989-90 with a budget of Tk 596m (US\$19.2m). The second, for a BRAC Bank (BB), sought Tk 941m (US\$30.4m) over a four year period (1989-92) to establish 300 BB branches over twelve years beginning 1989. (The thinking behind these two proposals is graphically summarised in a recent paper written by Ian Smillie; see Section A, Vol II)

Because of the complexity of the two proposals, and because of the desirability of a coordinated donor approach, no unanimous agreement could be reached. Consequently, a further meeting was held on January 19th between the donors and BRAC. At this second meeting, recognising the differences between the various organisations and BRAC's needs, the donor agency representatives agreed to mount a joint appraisal mission in April.

A subsequent meeting in late February finalised the terms of reference for the mission (see Annex 1) and invited eight persons to form the Appraisal Team. The donors also agreed to invite three resource persons to participate in the mission. In the event, one member of the Appraisal Team had to drop out and all ten persons took an active role in the appraisal.

2.2 Methodology

The Team soon discovered that the proposals for RDP 2 and the BRAC Bank as presented to the January meeting could not be

used as the basis for the appraisal. At least six months had elapsed between the preparation of the original proposals and numerous changes had been instituted by BRAC, most recently on April 1st, 1989. Particular attention therefore had to be given to the earlier assumptions and projections made in those original proposals. Extensive discussions were necessary with BRAC staff in order to ensure that the Team fully understood BRAC's latest intentions. Indeed, the appraisal became a significantly more difficult exercise than anticipated as further changes were repeatedly being made. The calculations and projections had to be constantly reworked and alternative scenarios re-examined, especially in respect of financing of projects.

In order to satisfy the comprehensive terms of reference and to make full use of the available expertise, the mission divided into five working pairs with primary responsibility for:

- institution building, empowerment and social change
- savings and credit under both RDP and the BRAC Bank
- employment & income generation and technical services
- non-formal primary education
- BRAC's management; Government, NGO and donor relations

Each pair generally concentrated on the particular areas allocated to it but there was also a considerable, and valuable, degree of cross-over. For example, two of the female members of the mission gave particular attention to the impact of RDP and BB on the situation of women; and all five pairs gave special attention to the crucial transition from RDP to the BRAC Bank.

The appraisal report is presented in two volumes. Volume I is a summary of the Team's findings and recommendations. Volume II contains the supporting information, assumptions, detailed analyses and discussion of the issues presented in Volume I.

2.3 Programme of Work

The whole team, with one initial exception, assembled in Dhaka on Sunday April 2nd. The programme thereafter comprised five elements: three days of briefing by and discussions with BRAC staff in Dhaka; seven days of field visits; further detailed discussions and negotiations with BRAC staff in Dhaka; meetings with Government officials and NGOs; and discussions with the local donor representatives.

During the field visits, members of the mission visited 19 Area Offices (out the total of 60), four of the (TARCs) Training and Resource Centres, attended nine meetings of different Village Organisations, met with members of the management committees of numerous different projects, inspected some of the initiatives of the Rural Enterprise Project and the work of the Ayesha Abed Foundation, and met a number of local government officials.

3. BRAC IN PERSPECTIVE

3.1 Fundamental Objectives

BRAC has two fundamental inter-related objectives: the alleviation of poverty and empowerment of 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. The Team's visits to BRAC's field operations and interviews with BRAC staff confirm that these two objectives are, and will remain, the cornerstone of BRAC's activities.

By any standard, national or international, BRAC is one of the largest and most innovative NGOs. In terms of coverage, BRAC's integrated rural development programmes have reached about 300,000 landless men and women, its large-scale non-formal primary education and women's income-generating programme have reached 25,000 children and 30,000 women respectively, and its national-level health programme has reached over ten million households.

In terms of innovation, BRAC is widely recognized both for its specialized programmes and its rural development strategies generally. Underlying its capacity for expansion and innovation are two characteristics of BRAC which has been widely commented upon, the fact that BRAC continually redefines its programmes on the basis of past experience and the fact that BRAC is professionally managed.

3.2 BRAC's Progression

BRAC has progressed through two major stages and is now entering a third. In the first stage, on the basis of lessons learned 1972-75 in Sulla, BRAC took three significant decisions. One, to target all its programmes at the landless poor, with a special emphasis on women. Two, to introduce all programmes through organised groups of the landless, thereby integrating the programmes. Three, to open new project areas where the lessons learned in Sulla could be further tested and redefined. Despite its rapid growth and continuing evolution over the past 15 years, the BRAC of today was significantly shaped by those decisions in 1975.

1979 marked another turning-point in BRAC's history. By that time, BRAC managers felt confident that they could expand their area of operation and replicate programmes developed in the field projects. But BRAC staff could not agree on which programme to replicate. Some felt that BRAC should continue organising the poor into cohesive groups without providing them

any economic assistance. Others felt that BRAC must provide credit to the poor, given the chronic shortages they face, while continuing to build local institutions of the poor. BRAC managers resolved the debate by expanding through two separate programmes.

The Outreach Programme was established to test the limits of what the landless could accomplish using only their own resources or whatever local and government resources they could tap. The Rural Credit and Training Programme was established to test whether credit services and self-employment activities, together with local organising, would enable the poor to become less dependent on local elites for loans, employment, and resolving local conflicts.

Both programmes developed at a roughly equal pace over the next five years: 1980-85. During that time, BRAC recognised that the two approaches complemented each other and were both equally essential. In 1986, therefore, the two programmes were merged into what BRAC called its Rural Development Programme (RDP). The RDP programme features an institutional development component modelled on Outreach and a credit component modelled on RCTP. By the end of 1989, a total of about 380,000 landless men and women will have been organised under RDP 1 into over 6,500 Village Organisations in about 3,500 villages in Bangladesh.

BRAC is now proposing to embark on the third stage which has two basic operational objectives. The first is to transform its core rural development programme into a self-financing "banking" institution to reduce long-term dependency on donor monies. The second is to develop selected programmes on a sufficient scale, and through coordination with government, in order to convince the government and the NGO community alike that national-level programmes can be effectively designed and managed in the interests of the poor.

During RDP 2 (1990-92), therefore, the strategy is that each RDP 2 Area Office will graduate to become a BRAC Bank branch after a number of years. The transition is intended to take place when the loan portfolio is sufficiently large that the interest generated will cover the ongoing operating costs of the Bank branch. By this time, the local Village Organisations should also have matured to a stage when they can continue without intensive supervision. Sections 5 and 6 below discuss the key elements of RDP 2 and the BRAC Bank, together with the changes which have been made since the submission of the original proposals.

BRAC's other programmes may, or may not, be undertaken in RDP areas. They will however continue to require ongoing donor support, at least in the medium term; they will not be financed by the BRAC Bank even if they are carried out in an area where the Bank is operating.

Of these other programmes, there are three major sectoral programmes which address BRAC's second long term operational objective. The three programmes are: Non-Formal Primary Education (NFPE); Income-Generation for Vulnerable Groups Development (IGVGD); and BRAC's ongoing health programme now called the Child Support Programme (CSP). NFPE and IGVGD, for which BRAC is seeking funds under RDP 2, are discussed in Section 7 below. The CSP, for which BRAC is already funded, is described briefly in Volume II.

3.3 BRAC's Overall Programme Expenditure (1985-92)

In order to put RDP 2 and the BRAC Bank in perspective, the Appraisal Team has assembled a summary schedule of BRAC's overall programme expenditure. The table overleaf, prepared from data provided by BRAC, and adjusted to put the figures on a similar basis, gives the historic and anticipated or possible expenditure on development programmes from 1985 to 1992.

The figures should not be taken as being completely accurate but they do serve to illustrate a number of useful points and indicators for the future:

- (1) BRAC's level of activity, as measured by total programme expenditure, has quintupled between 1985 and 1989 and is expected at least to double between 1989 and 1992.
- (2) Full time staff however have risen at a significantly slower rate, by approximately 50% from 1985-89 and according to plan, by some 25% from 1989-92.
- (3) The expected rate of overall growth 1989-1992 is high but not dramatically out of line with what BRAC has managed to achieve in the past. In monetary terms however it does represent a massive increase and would seem likely to impose considerable strains on the organisation.
- (4) 1990 will see the greatest strains on BRAC's organisational, management and training capacity. In that year RDP 2 and the BRAC Bank are expected to constitute 85% of total Programme expenditure.

The lower table shows the increase in BRAC's full time staff over the same period, and the number of VOs and VO members.

BRAC PROGRAMME EXPENDITURE 1985 - 1992

(Taka Million)

Description	Expenditure				Budgeted Expenditure			
	85	86	87	88	89	90	91	92
RDP Core	24	48	89	131	122	215	120	133
Other RDP Programmes								
- NFPE	1	3	1	4	34	51	65	68
IGVGD	-	-	-	-	15	17	17	20
MDP	-	-	-	-	-	14	24	12
RDP 2-Equivalent	25	51	90	135	171	297	226	233
BRAC Bank	-	-	-	-	-	219	281	320
Total	25	51	90	135	171	516	507	553
Other Programs -								
CSP	38	40	48	62	92	85	85	85
FRP	-	1	7	41	107	-	-	-
NFPE (World Bank)	-	-	-	-	-	-	95	95
Other	13	6	4	7	7	8	9	10
BRAC Total	76	98	149	245	377	609	696	743
Annual Growth	-	29%	52%	64%	54%	61%	14%	7%

STAFF, VILLAGE ORGANISATIONS AND VO MEMBERS 1985 - 1992

Description	85	86	87	88	89	90	91	92
Staff*	2268	2202	2575	3040	3485 **	3684	4032	4399
Village Organisations	1800	2750	3700	4650	6650	8650	10650	13150
VO Members (000)	96	148	200	252	352	452	552	677

* Include only those working more than 30 hours/week, i.e. it excludes NFPE teachers (1,500 in 1989)

** Breakdown as:

RDP, BB, FRP and Other	2291
CSP	1194
	<hr/>
	3485

4. SOCIAL CHANGE AND INSTITUTIONAL DEVELOPMENT

4.1 BRAC's Strategy and Objectives

The current proposals represent a critical juncture in BRAC's thinking and reflect BRAC's strategic vision for its long-term role as an NGO. As described in Section 3.2, this strategic vision has two operational objectives. The first is to transform its core development programme into a self-financing bank institution. The second is to develop selected programmes on a sufficient scale to convince the government that national-level programmes can be effectively designed and managed in the interests of the poor. In addition, the proposals reflect BRAC's continued commitment to its fundamental objectives of poverty alleviation and empowerment of the poor.

The central issue addressed below is whether BRAC's commitment to building local institutions to empower the poor will be compromised by the rapid expansion and focus on credit necessitated by BRAC's two operational objectives.

4.2 Past Performance - RDP 1

Since 1976, when BRAC first decided to target its development activities on the rural poor, BRAC has developed, field-tested, and redefined significant methodologies to this end: a functional education curriculum; training in human resource development; strategies for building village-level organisations and inter-village federations of landless men and women. Using these strategies, BRAC has organised nearly 300,000 men and women into over 5,000 VOs.

There is no doubt that these VOs have initiated and experienced significant social change. At the individual level, women testify that they now enjoy greater freedom of movement, increased self-confidence and respect. Both men and women are more aware of their rights as citizens and their exploitation at the hands of the economic and political elite. In terms of family and marriage patterns, organised groups of women have tackled countless cases of wife-beating, divorce, and polygamy.

Many VOs have developed into well-managed democratic institutions which have been able to resolve local conflicts, undertake joint economic schemes, and lobby for government services. By being strong in number and unified in purpose, they have also been able to decrease their dependence on local elites for advice and resolving conflicts and to reduce exploitation by local elites in money-lending, land, and labor transactions. Over 750 VOs have been federated into 25 union-level Central Committees through which they have increased their political representation by voting collectively and/or electing their own candidates.

Although it cannot be disputed that the local institution building by BRAC has led to significant social change, this change is difficult to measure. In the past, therefore, BRAC has relied on routine input statistics (eg. how many VOs organised, how many members trained) and periodic research studies to measure progress in this regard. In systematising its work in preparation for expansion under RDP 2 and the BRAC Bank, BRAC plans to review its experience to date in regard to institution building and social change. As a first step, BRAC's monitoring staff have developed a tentative list of criteria for what constitutes a strong village organisation (eg. regular rotation of leadership, number of social actions taken) which they plan to incorporate into a Village Organisation Monitoring Form.

4.3 Future Plans - RDP 2 and BRAC Bank

According to BRAC plans under RDP 2, Year 1 of institution building will be spent establishing the VO, conducting a functional education course for founding members, introducing savings-and-loan activities, and initiating a variety of small-scale economic and social activities. By the beginning of Year 2, a minimum of 50 to 60 percent of the landless in most villages should have become regular participants in village organisations. During Years 2 and 3, the enterprise development and credit operations of BRAC should serve to strengthen the solidarity of individual VOs and workshops of representatives from different VOs will be conducted to start the process of federation.

In the original RDP 2 proposal BRAC projected that most VOs would develop sufficient strength to "carry on without BRAC assistance" after Year 3. However, on the urging of the Appraisal Team, BRAC reconsidered whether this goal was realistic. It is now proposed to provide a fourth year of institution building under RDP 2, and to maintain two Programme Officers (POs) covering 10 branches during the first two years of the BRAC Bank. Their responsibility will be to further strengthen, and promote the federation of the VOs. Further, all staff recruited to Bank branches will have worked at least one year in an RDP area office. In addition, 20-25% of the time of each PO under the BRAC Bank is committed to provide continuing support to the VOs.

The Appraisal Team recommends that BRAC regularly review the process of institution building to determine whether in practice even this increased amount of staff time is sufficient. Unlike credit operations, increased staff efficiency cannot greatly reduce the time required for effective institution building. Without adequate follow-up for at least four to five years, even strong local institutions can weaken. Moreover, the federation process cannot be initiated until individual VOs have matured for at least three years.

BRAC is currently reviewing how to further institutionalize its commitment to institution building and social change. One area of expressed need is additional staff training and orientation to the issues and strategies involved. We would endorse BRAC's intent to develop additional staff training in this area, including training on: the diagnosis of the rural power structure and local labour, tenancy, and credit markets; appropriate strategies for each stage of institution building; and guidelines for the management of large collective enterprises. In addition, we would recommend that new field staff are oriented to BRAC's social change objectives and strategies during their induction training and that all field staff participate in periodic refresher trainings/workshops on social change.

BRAC also expressed the need to develop a reporting and monitoring system to ensure that staff remain committed to and accountable for institution building and social change. While recognising both the difficulty of measuring social change and the risk that an insistence on targets could undermine the basically organic, and sensitive, process of institution building, the Appraisal Team endorses BRAC's efforts to develop a reporting and monitoring system.

To date, all the staff targets for institutional building have been input targets: so many members enrolled or trained, so many meetings or workshops held. Output targets should also be developed: these might include the indicators for strong versus weak VOs; number of social actions taken (whether initiated by the VOs themselves or by BRAC staff); factors which facilitate or obstruct social action; and indices to measure the impact of social action.¹ BRAC's monitoring staff intend to add a few of these indicators, after careful field-testing, to the Village Organisation Monitoring Form they are developing.

To evaluate and analyse the actual impact of social actions taken, the Appraisal Team recommends that BRAC's RED staff research a number of cases of social action to analyse the factors that promote or obstruct social change. Similarly, we recommend that RED staff research the factors that strengthen or weaken collective management of large collective enterprises.

¹ Based on its interviews with BRAC field staff and BRAC-organised village groups, the Appraisal Team developed a tentative list of such indicators. Each indicator listed represents a type of social change that has been attempted with some degree of success by BRAC-organised village groups (refer to Volume II).

These analyses should be translated into guidelines for field staff and discussed in terms of its policy implications. In this regard, we suggest BRAC management consider mechanisms to ensure on-going policy discussions and overall monitoring of the institution building and social change component of its work.

In summary, we would recommend that during 1989 BRAC reviews and systematises its approach to institution building and social change in much the way as it has recently reviewed and systematised its credit operations. Further, we suggest that significant amounts of staff time, explicit staff targets and guidelines, continuing evaluation and policy dialogue, as detailed above, are required to sustain BRAC's commitment to empowering the poor.

4.4 Gender Issues

The Appraisal Team commends BRAC for its special emphasis on women in its target group and its performance to date in terms of involving women in its rural development programmes. 55% of all VOs formed and 59% of total membership of VOs are accounted for by women: of the nearly 300,000 landless poor that BRAC has organised, over 170,000 are women. Of those who received training and of those who attended functional education courses, women account for 52% and 53% respectively. Seventy percent of children enrolled in NFPE schools are female as planned, and thousands of the poorest women are being assisted through BRAC's special IGVGD programme.

There is no doubt that the BRAC programme has helped increase the mobility and autonomy of village women. Until as recently as the early-1970's, most women were confined to the "private sphere" of the homestead. Few village women worked in the fields or at construction sites; fewer still were to be found in the markets as either buyers or sellers. Under BRAC's programme, women have been supported or trained to lease and cultivate land; trade in a local market; own and manage a rice mill; become shareholders in a variety of collective schemes; participate in local judicials (shalish) to resolve conflicts; engage in a wide variety of new occupations; and, even, run for local elections.

To carry out its village-level work, BRAC has recruited, trained, and deployed nearly 10,000 female para-professionals and paid workers: over 1600 women as non-formal adult and primary education teachers; nearly 700 as village-level health workers; over 450 to assist in BRAC's savings-and-loan programme; and nearly 7,000 as para-medics, para-vets, and para-legals. These women have not only provided a valuable range of services to the local women's organisations but have also proved important role models to local women (and to villagers at large).

We feel, however, that two issues related to gender need to be addressed as a matter of urgency. First, although women VO members are actively involved in economic activities, they tend to predominate in those such as paddy husking which require relatively small loans for working capital and yield relatively low returns. There is little evidence of women moving in significant number from low productivity activities to those which offer greater rates of return on their labour and investment, even though this is stated as one of BRAC's major objectives and is supposed to be the focus of special projects such as the Rural Enterprise Programme.

Second, in view of its commitment to women at the village level, the Team urges BRAC to follow through on its commitment to recruit more women to higher levels in the organisation. BRAC proposes to recruit two male and two female Programme Organisers (POs) for each new RDP and BRAC Bank branch and to recruit more women as trainers, accountants, and cashiers. Of a total current staff of 3485, women account for just less than half. Of these, however, well over 90 percent are in jobs "without grade". Management is almost totally staffed by men, as are the skills training and rural enterprise sections of RDP which are the ones most relevant to women in terms of increased productivity. Most notably, BRAC has very few full-time women field staff.

In this respect, BRAC should be encouraged in its intention to try to recruit two women POs for each RDP area office, to recruit women POs for the IGVD programme, to recruit women as accountants and cashiers for Area Offices, and to expand its training section by recruiting female trainers. Both REP and RED should also be encouraged to recruit female staff. Given the important effect of women as role models, BRAC should also consider ways and means of recruiting a woman manager for one of the earlier established branches of the Bank. Finally, BRAC senior management should take the lead in establishing an institutional culture which treats women staff as co-equals.

Proposed NFPE
1990-93

1. Introduction
2. ~~Background of NFPE~~ : Background
3. The NFPE : Open Mode & Open
4. Program for NFPE 1st phase.

5. RDP 2 (CORE)

5.1 Geographic, Institutional, and Human Resource Development

During RDP 2 (1990-92), BRAC proposes to open 65 new Area Offices, each covering 50 villages: a total of 3,250 new villages to be covered.¹ BRAC's preferred strategy for its geographic expansion is to extend to contiguous area before moving on to new areas. However, BRAC acknowledged that its preference for clustering its areas of operation is constrained by a second operating principle: to cover areas not yet served by other NGOs or the Grameen Bank. The broadly accepted, but unwritten, agreement is that one institution should not begin operations in a village where another institution already operates. By and large, this principle has been upheld in the past. However, as both BRAC and Grameen Bank plan to expand rapidly in the future, a more explicit agreement may be required.

In each of the new villages, two Village Organisations will be developed, one male and one female: a total of 6,500 new VOs to be organised over three years. As noted in Section 4 above, the new four-year cycle of RDP 2 allows time for each VO to mature and strengthen and for VOs to be federated. BRAC's inputs into the VOs will include an initial functional education course: weekly meetings on savings and credit operations; monthly meetings on social change issues; periodic inter-VO workshops; various technical trainings (including, accounts training for VO leaders); and regular Human Resource Development (HRD) training. The Appraisal Team recommends BRAC monitors these inputs to ensure each VO, and its members, receives or participates in its requisite share of meetings, trainings, and workshops.

Human Resource Development (HRD) training has been an essential input into both staff training and VO membership training since the early days of BRAC. Under RDP 2, HRD training for VO members will consist mainly of TARC-based courses of six or seven days in three subject areas: social awareness (1,200 trainees per year), consciousness raising and leadership training (2,000 trainees per year), and project planning and management (4,400 trainees per year). In addition, three-day refresher courses will be held in the field for 1,000 trainees per year. Each Polli Shebok/Shebika, the village-level staff who work closely with the VOs, will be trained in two six-day courses: one on basic accountant, the other on social awareness.

¹ As projected, 20 to 40 new RDP Area Offices will be added each year until 1997 and 20-40 of four year-old Area Offices will be graduated into BRAC Bank Branches until the year 2001. By the end of 1997, BRAC plans to have organised over 1.2 million landless poor in 300 areas. By 2001, all the Area Offices will have graduated in Bank Branches.

Given that the projected expansion under RDP 2 involves an increase of 2,000 VOs per year (with an average membership of 50), the projected volume of HRD training allows for only two members per new VO (presumably Management Committee members) to receive project planning and management training; one member per new VO to receive consciousness training; and less than one member per new VO to receive social awareness training. These projections make no allowance for two other VO training requirements. One, given that the members of the Management Committees of VOs are supposed to rotate each year, new Committee members of old VOs will require training. Two, given that the membership of existing VOs are supposed to increase each year to enroll all of the target group, new general members of old VOs will also require training. The projected volume of HRD training falls far short of this demand.

To develop strong VOs, a minimum of two members of the Management Committee of each VO (old and new) should receive project planning and management training each year and more than one general member of each VO should receive HRD training, preferably of more than one type. The Appraisal Team recommends BRAC review its norms for training VO membership and leadership. We detect that these norms have been diluted in the process of recent expansion and would be further diluted if the norms are not made explicit and enforced. On the basis of newly-defined norms, BRAC should revise its projected training requirements and consider alternatives for meeting these requirements (eg. more field-based trainings by either TARC trainers or RDP staff).

5.2 Savings and Credit

As a basic technique in building Village Organisations, BRAC has always insisted on individual savings. At weekly VO meetings, members contribute individual savings to a collective savings fund, which in the past was deposited in a commercial bank but in the future will be deposited with BRAC. Members are encouraged to undertake collective or individual income generating schemes using the VO fund. The process of collectively deciding how to invest the funds helps strengthen the VO.

After testing whether VOs could generate enough savings to meet the credit demands of their members (through its Outreach programme described in Section 3 above), BRAC decided that the landless needed additional inputs of capital. BRAC evolved procedures for lending, both under its RCTP and later its RDP 1 programmes. These procedures, recently revised and standardized, will be used during RDP 2 and the BRAC Bank.

The Appraisal Team reviewed these procedures, which were revised in order largely to loosen restrictions on the flow of credit (eg. by changing staff discretionary approval levels) and to reduce paper work. For the credit operations under RDP 2, these procedures appear to be sensible and realistic. In order to prepare RDP Area Offices (AOs) for graduation into a Bank Branch, the Team recommends a number of further changes are introduced (detailed in Volume II).

The process of lending to the landless starts first-practically and philosophically - with organizing them into Village Organisations. Individual VOs are eligible for BRAC credit only after their members have completed the functional education course and begun saving regularly. Under its revised lending norms, BRAC has ruled that female VOs may become eligible within three months after being formed, and male VOs only after six months. In its lending, BRAC uses the same group support/pressure technique that has been used by Grameen and other successful micro-credit programs around the world. However, it should be noted, the BRAC VOs are not organised exclusively, or even primarily, for credit and not all members expect to be borrowers at any one time.

The Appraisal Team reviewed the lending activity of 28 RDP Area Offices (out of 51 established as of late 1988) and met with lending staff at all levels in the field and at head office. The Team reached three basic conclusions with respect to BRAC's RDP lending activity:

- the quality of the loans is very good and is improving. Most loan losses occurred in the early years of BRAC's lending experience and BRAC has learned from those losses. Of the total loan volume made as of Dec. 31, 1988 only 2.5% can be classified as bad loans (on which principal will not be recovered and interest is no longer being paid). Late payments were at 3% of the loans portfolio outstanding at Dec. 31, 1988.
- BRAC field staff are competent at lending and understand that a lender must balance at all times the risk/return nature of their loan portfolio. In addition, BRAC staff have what appears to be a sincere commitment to social change. They are development bankers.
- BRAC is providing loans for an impressive array of purposes with a good mix of short/medium/long term structures. The loans are having an economic impact on the members as measured by an increase in member savings (and as further substantiated by BRAC's own research on members' income before and after RDP involvement in their community)

The financial and managerial aspects of BRAC's proposed expansion of its credit programme are discussed under Sections 6 and 8 below.

Under RDP currently, loans are being given to finance two basic types of income generating activities: individual and collective. These basic types can be further categorised according to whether or not the loans require training or technical support from BRAC. Individual loans requiring no training or technical support from BRAC - eg. paddy husking, traditional agriculture, small trading, and rickshaws - account for approximately 70 percent of current lending by volume. Individual loans requiring training or technical support from BRAC - eg. poultry, cow rearing, and sericulture - account for another 20 percent. Collective loans which require technical training, as well as significant organisational and management inputs - eg. deep tube wells, rice mills, and brick fields - account for only five percent of current lending.

5.3 Technical Support and Training

During field visits and discussions, the Team became aware of the important role that technical advice, assistance and training have to play in BRAC's rural development programmes. With expansion of activities planned in RDP 2 and the creation of the BRAC Bank, it is expected that the demands made on technical staff are likely to increase and diversify.

In general, we were impressed by the range and quality of technical support services and skills training opportunities available to group members feel that the recent decision to move technical staff out of TARC Centres and into the Area Office under the direction of Regional Offices will add to their efficiency by increasing the relevance and timeliness of their services.

The Team considered existing and planned capacity in terms of numbers of group members who will require training and support during the proposal period. In general, given BRAC's policy of augmenting the capacity of its own technical experts through extensive use of para-professionals and government extension staff, we feel that supply of services will be in line with requirements.

There are, however, a number of issues we feel should be addressed. First, with regard to the technical staff themselves, the absence of mechanical engineers and of women experts is thought to be a problem, given the increasing number of loans being given to rural industry projects and the large number of

women borrowers. In addition, it is felt that 'technical' is being used in too narrow a sense, and that business skills should also be given some attention. The Team recommends, therefore, that plans for increased staffing be reviewed in an attempt to respond to the above comments.

Second, while re-location of technical officers from the TARC's to Area Office is beneficial, some further changes will be necessary following the establishment of the Bank to ensure that Bank branches and their clients also have access to technical expertise and skills trainers. The most promising of the options suggested is to make the technical officers responsible to a Technical Co-ordinator within the Training Section at Head Office. In this way, their time could be allocated both to RDP and Bank branches according to need.

The Team also considered plans for payment of technical services and skills training following transition to the Bank. We agree with the suggestion that first time borrowers in Bank branches should receive free skills training (subsidized from a training fund in RDP) if required. It seems to us, however, that VO members, even in RDP branches, should pay for technical support services (especially those provided by para-professionals) when able to do so. This recommendation is made in light of our finding that large numbers of borrowers are already paying for technical services either directly or as part of the loan repayment.

5.4 Rural Enterprise Programme (REP)

In view of BRAC's increasing needs to extend the range of economic activities in which group members can invest, and to identify activities which produce more than a subsistence level of income, REP, which was established in 1986 specifically to address these needs, has a crucial role to play in future developments.

During our field visits, we were able to assess the use which is made of REP by RDP staff and the value they put on its services. In general, Regional and Area Managers tend to use REP as planned, to undertake feasibility studies, supply information on enterprises and to assist in testing out new technologies. RDP staff feel that their need for REP services is greater than its ability to respond. We feel, however, that this is as much due to a misunderstanding of REP's research-oriented and catalytic role as to actual shortfall of resources. Although some increased capacity is required, the effectiveness of REP could be greatly improved by taking measures which have few or no resource implications.

The Appraisal Team was fortunate to have access to recent external evaluation of REP. On the basis of information contained in this and discussions both at the Head Office and in the field, we feel that continued support of REP at the higher level requested is essential to the success of both RDP 2 and the BRAC Bank. There are, however, a number of issues which need to be addressed before embarking on REP 2.

First, the objectives of REP needs to be sorted out at the highest policy level, and a clear mandate given to staff so that priorities can be established. In particular, guidance is needed on the required emphasis which should be placed on enterprises and management systems which result in significant gains in income for a few, as against enterprises and systems which result in negligible short-term gains in income for many. Guidance is also needed on the degree of emphasis to be placed on identification and transfer of existing profitable enterprises versus research on new and innovative enterprises. It is our belief that BRAC's aim of moving an increasing proportion of its group members from subsistence level activities to those yielding higher income levels would be best served by concentration on enterprises which lend themselves to ownership and management by large numbers of small groups or by individuals. We also believe that group members are more likely to benefit from concentration on identification and transfer of existing enterprises (combined, when necessary, with experimentation on management systems).

Second, some changes are needed in REP's method of work. While we have no major problems with the strategy used by REP during the experimental and pilot demonstration phases of technology transfer, and consider the documentation already produced as a result of action research during these phases to be a valuable resource for BRAC staff and others, we feel that REP does not follow through sufficiently in the early stages of replication. Devoting more time to following through on promising enterprises already identified in Phase I, is more likely to result in significant benefits for the landless than is continued identification of new ideas which cannot be adequately replicated because of defects in the transfer mechanism. The transfer mechanism and the respective roles of REP and RDP staff, as well as roles of staff in the Training Section need to be reviewed at high level.

Third, it is obviously an advantage for REP to be an integral unit of RDP while an effective transfer mechanism is being worked out. However, REP also has important inputs to make to Bank branches and needs to work closely with the Training Section. Given the close linkages it has with these various

parts of BRAC and given also its catalytic and crucial role in BRAC's future development, it is recommended that REP should eventually become a Technology and Enterprise Advisory Unit reporting directly to the Executive Director and having close linkages with RDP, BRAC Bank and the training section.

Finally, although we believe that REP should continue to be a small catalytic unit, we feel that it will be able to perform its role more effectively if planned recruitment of additional senior level staff is put into effect as soon as possible. In particular, we agree with the REP evaluation team that one, if not two, female socio-economists should be recruited as a matter of urgency. Increasing the number of staff with an economics background would allow existing headquarters staff (MBAs) to devote more attention to business and entrepreneurship development.

5.5 Financial Requirements

The revised estimated financial requirements are summarised in the table overleaf. The major differences from the original budget summary (as presented to the January donor meeting) are largely due to the following factors:

- increase in the RDP loan fund requirement stemming from the revised assumptions and calculations of loans disbursed;
- increase in branch operating costs due to the retention of Area Offices under RDP for four years instead of three;
- increase in training costs due to provision for inputs funded by RDP to the first two years of operation of the BRAC Bank branches; and a major expansion of sericulture activities;
- provision for operating and capital cost items in the Regional Offices and Headquarters omitted from the January budget; and
- including the interest income to the RDP Area Offices from the loans disbursed.

All of these changes have been incorporated by BRAC in the revised proposal.

RDP 2 BUDGET

<u>CORE</u>	(Taka in Million)			
	<u>1990</u>	<u>1991</u>	<u>1992</u>	Total
<u>Village</u>				
Institutional Building and Hum. Res. Dev. (Tng)	12	14	16	42
Employ & Inc. Gen. (Tng)	14	19	23	56
Revolving Loan Fund	110	-	3	113
Total	136	33	42	211
<u>Branch</u>				
Operating Costs	50	54	66	170
Staff Training	2	2	2	6
Infrastructure (Capital)	18	8	10	36
Total	70	64	78	212
<u>Regional/Central Support</u>				
Operating cost (Regional)	3	4	4	11
Infrastructure (capital)	4	1	1	6
TARCs (Capital only)	8	10	3	21
Rural Enterprise Prog.	5	5	5	15
Research & Evaluation	3	4	4	11
Total	23	24	17	64
CORE TOTAL	229	121	137	487
<u>SPECIAL PROGRAMMES</u>				
Non Formal Primary Education	51	65	69	185
Vulnerable Group Dev.	17	17	20	54
Management Development: Operating	5	7	9	21
: Capital	10	17	3	30
Total	83	106	101	290
TOTAL	312	227	238	777
LESS: Interest Income (Net of Provision)	4	10	7	21
GRAND TOTAL	308	217	231	756

6. BRAC BANK

6.1 From RDP to Bank - The Transformation

Since October 1988, BRAC has introduced a number of changes which have transformed RDP savings and credit activity into one that is almost indistinguishable from a bank in terms of what work is done. The most important of these was the decision that as from April 1, 1989, BRAC begin collecting and keeping members' savings rather than have the savings held by a commercial bank.

As a result of these changes BRAC's proposal to create a bank is, in operational and financial terms, not a major departure from what it is now doing with respect to savings and credit under RDP. Although there is a significant expansion proposed at all levels of activity the transformation from RDP to BB will not require significant changes in procedures or tasks nor should the transition affect the financial quality of BRAC's lending.

However, during the Appraisal period several assumptions and methods of calculation relating to the financial forecasts were changed, some at the request of the Appraisal Team, others suggested by BRAC. After discussion with the Team several of these were agreed to. These related to:-

- the rate of borrower build up
- the average loan size
- the term structure of the loan portfolio
- provision for possible loan losses
- the number of years of RDP operations
- the number of RDP AO's developed each year
- salary levels for staff

In addition to the above changes, there was an important technical calculation change to year end rather than average values on the consolidated Bank balance sheet. This increased the amount of financing required.

6.2 Credit Demand and Income Forecasts:

The basic logic involved in forecasting the income of RDP and then the Bank is :-

- how many members can BRAC organize at each AO?
- how many members will borrow money and at what times
- what will be the amounts and the terms of the average loans?
- what is the interest rate that BRAC will receive on the outstanding loans?

The Team reviewed in detail the assumptions and the logic of BRAC's income forecast and compared the forecasts with current operating characteristics. Several assumptions were revised at the Team's request and new income forecasts were prepared. After conducting sensitivity analyses, the Team now feels that they represent a realistic and reasonable scenario for the future. Moreover our analysis concluded that it is not necessary for BRAC to significantly change the kind of lending that it is now doing. The types of loans that BRAC's more experienced AOs are now making are, on average, large enough to produce the forecast income. So BRAC need not, on financial viability grounds, assume any more risk than it is now handling.

The Team also examined the question of whether there is an infinite demand for the kind of loans that BRAC is currently making. Of the current loan portfolio approximately 50% is going to individuals for non-asset activities - such as paddy husking and small trading (non-asset since when the loan is repaid the borrower has additional income but no productive asset). We feel that it is reasonable to assume that non-asset loans should always be safe loans in Bangladesh, i.e. that there will always be a demand for rice and small trade goods.

For a second kind of loans, ones that are made to individuals to purchase an income earning asset (approx. 45% of loans), we believe that the members themselves know when the market for a particular type of activity is saturated. All the evidence that we were able to collect suggested strongly that the risk of market saturation or oversupply of simple goods is likely to be a short term one which can be controlled at the VO level.

A third type of loan, the relatively large collective loans for deep tubewells and power tillers, for example (5% of loans), do represent more risk because they are subject to the vagaries of weather and technical failure for a long period of time. These loans also require major organizational strength and technical support from BRAC. BRAC has to date managed this kind of loan without major problems but is motivated to do more in this area because these loans represent a real opportunity for the poor to obtain large income earning assets. Senior management is aware of the need to be cautious with these higher risk loans and since approval for them must come from the highest levels the activity can be controlled.

6.3 The Delivery of Credit and Expense Forecasts

The Team reviewed the three major components of cost involved in lending all of which apply both during RDP and under the Bank - the cost of capital, operating costs (of which salaries is the most significant), and fixed asset costs.

BRAC Bank will receive funding for the loan portfolio from savings deposited by the members (which cost 9% per annum) and loans from BRAC (which previously were charged at 2% but now are intended to be provided at no interest charge to BRAC Bank). The Appraisal Team has reviewed the forecast for the level of savings that the members can be expected to deposit and considers them reasonable in that they are based on actual savings patterns. The cost of capital calculations are therefore acceptable.

Salary levels and staffing forecasts were also reviewed and were found to relate reasonably well with actual levels and rates. At the AO level the forecast staffing level is basically what we observed in the field. In many cases AO's will have to be more productive in order to meet both the social and financial objectives of the Bank. Some requests for increased staffing in certain areas relating to organizing the members and in other cases with respect to training were requested by the Team and were incorporated by BRAC in the revised forecasts.

Capital costs were reviewed in terms of whether all items required were included but a detailed review of current and forecast costs for buildings and other fixed assets was not carried out. Spot checks of major item costs as compared with historic costs shown on BRAC's statements were performed and the forecasts were found to correspond reasonably with these figures.

In summary the cost forecasts as agreed and now contained in the proposal were considered reasonable and acceptable.

6.4 Consolidating Accounting

The forecasts discussed up to this point were forecasts for individual AO operating costs and income. In addition there are the costs for regional management and head office management. These were discussed with BRAC staff and changes mutually agreed. In general the forecasts as now presented were found to be acceptable and reasonable.

The most important change which was first recommended by the Appraisal Team and subsequently agreed to by BRAC concerned the timing the transformation from RDP to Bank. The Team felt strongly that the originally proposed period of three years was too short a period for both financial and social development reasons. According to the revised plan an AO is not likely to break even before the fourth year of operation. If an AO is taken over after only three years, for example, the Bank on a consolidated basis will have to finance the operating losses for at least one year. By shifting the takeover date to the end of four years of RDP operation the Bank will have to finance less losses and less will be required from the donors - for the Bank.

It was considered to be more appropriate for RDP which is clearly a subsidized operation, to carry these costs than for the Bank. Moreover, the extra year allows further group development and education to take place, there is therefore an important social spin off from this change.

With these revisions, the Team was satisfied with the accuracy and appropriateness of the method of consolidating the individual operating cost forecasts and the procedures and timing of the transfer of Area offices to the Bank.

6.5 General Financial Structure and Funding Requirement

The major issue with respect to financial structure was the request by BRAC for front-end loading of the funds required from the donors. The arguments in favour of this structure are the following:-

- the upfront money allows BRAC Bank to be independent of donors after the four year commitment of funding. This benefits both BRAC and the donors.
- the upfront funding structure provides the Bank with significant financial protection from potential shortfalls in loan portfolio income. The investment income is a secure source of income for the future.
- it is very difficult for an organization 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 demands for funding in the future.

The only other option with respect to financing the Bank is to provide a subsidy each year to cover the consolidated losses, plus funds for the purchase of the RDP AO's but to provide no financing for BRAC Bank to invest and earn income and offset the losses. This option would require twice as much funding in total and would extend at least until 2001.

In the opinion of the Appraisal Team the up-front financing structure is the most effective and economical way to finance the proposed Bank.

The final estimate of the funds required for the BRAC Bank on this basis area:

	RDP 2		BRAC Bank		Total	
	Tk.	US\$	Tk.	US\$	Lakh Tk.	US\$ m
1990	308	9.4	250	7.9	558	17.3
1991	217	7.1	400	12.6	617	19.7
1992	231	7.3	280	8.8	511	16.1
1993	RDP3*		80	2.5	80	2.5
	756	23.8	1010	31.8	1766	55.6

* From January 1993, donor funding will be required for the next phase of RDP - RDP3.

6.6 Legal Issues

On the advise of senior officials in the Bangladesh Bank, the Government's central bank, BRAC has decided to follow a two step process in forming the Bank. It will initially begin as a "project" of BRAC and after two to three years of operating experience, it would request a special charter from the Government to establish a separate legal entity similar to Grameen Bank. A project pro-forma has already been submitted to official GOB channels for a "BRAC Bank project".

As an NGO project, BRAC Bank cannot be owned so there is no equity structure in the revised forecasts. Plans for the borrowers to become shareholders have therefore been delayed. The only other significant difference between the Bank "project" and a registered bank is in the management structure. BRAC Bank would require a new Board of Directors. The "BRAC Bank project" will be controlled by BRAC's existing Board.

7. OTHER PROGRAMMES

Complementary to, but essentially separate from the core RDP 2 activities outlined in Section 5, are three major programmes:

- Non-formal Primary Education
- Vulnerable Group Development
- Development of Rural Managers

The first two of these address BRAC's long-term objective of developing selected programmes on a sufficient scale and through co-ordination with government, to convince government that national-level programmes can be effectively designed and managed in the interest of the poor. The third addresses the capacity side of this objective in terms of increasing the pool of management expertise available to respond to the needs of the poor.

Together, these programmes account for 40 percent (Tk. 298 million) of the total budget of Tk. 755 million requested by BRAC for the RDP 2 Programme.

7.1 Non-formal Primary Education (NFPE) Programme

Through NFPE, BRAC aims to provide appropriate education to rural poor children (70 percent 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. Younger children receive three years of education as opposed to two years for the older age group. On completion of the 3-year NFPE course, students are eligible for admission to Class IV in formal primary schools.

Starting from 22 NFPE centres and 676 students in 1985, the programme has expanded rapidly, with a total of 2031 centres expected by the end of 1989 and a total of 60,930 students enrolled or graduated. Of the first batch of students who graduated in 1988, 95 percent have gained admission to formal primary school in Class IV and are continuing their studies.

BRAC is requesting a total of Tk. 184.6 million with which to expand this successful programme. This is a significantly higher budget than given in the original proposal (Tk. 146.5 million). The major factors causing this increase in budget are:

- in the January proposal, it was planned that 3,500 new classes or schools would be starting in the three years 1989-1991. The new proposal increases this number to 3,905 schools.

- the number of student/years in the actual plan will therefore be higher than it was in the original proposal (286,950 instead of 241,560). This arises because of the increase in centres opened in 1989. By the end of this year, a total of 1,805 new centres will have been started.
- change of supervisors status from PS to PO level, with corresponding increase in salaries.

The Appraisal Team feels that all changes are justified. We agree with BRAC that the 11-14 year age group is a high priority category and that BRAC should be able to continue with the education of this group after current UNICEF funds come to an end in 1989. We also feel that the upgrading of supervisors to PO level is justified given the greater needs for supervision under the expanded system.

It was made clear to the Team during our field visits that the demand for this service among members of VO's is certainly great enough to merit an expansion of even greater proportions than that being proposed. We feel however, that while BRAC can cope with the rate of growth envisaged in the revised proposal, it would need to exercise some caution in considering any further expansion.

Proposals such as that being discussed with the Government of Bangladesh and the World Bank for 8,000 centres could put strain on BRAC's management and training capacity, unless the operational plan for the World Bank project adequately provides for staff increases and training capacity. This subject should also be an item in the mid-term review of this current project. Meanwhile, the Team endorses BRAC's continued efforts to agree upon the proposed project. It has proved to be able to implement expansions of such size. NFPE certainly would be consistent and compatible with BRAC's policy and strategic considerations.

7.2 Income-Generation for Vulnerable Group Development (IGVGD)

In our view, IGVGD is one of the most valuable and successful programmes to be undertaken by BRAC. The value lies in targetting specifically at destitute women who form the poorest three percent of Bangladesh's population. The success is measured in terms of the 30,000 to 40,000 women in 32 upazilas who have already benefitted from the programme through skills training and provision of credit to establish poultry enterprises. A further measure of success is the extent to which BRAC has been able to secure the collaboration of the government in providing the services needed to ensure the continued viability of the poultry enterprises after BRAC staff withdraw.

BRAC is requesting Tk. 54.4 million with which to complete its current 2-year programme and to repeat the experiment in a further 36 upazilas. Since the original proposal was submitted, the purchase of an incubator and generator have been included. Given the importance of an assured supply of day-old chicks to the programme, the Team feels this is a useful addition, and, as savings have been made elsewhere in the budget, the total increase is only Tk. 0.36 million.

There is no doubt in our minds that the funds requested by BRAC to expand its IGVGD programme should be approved. Given its proven ability to bring short-term, sustained increases in income to this extremely poor group of women, we had queries as to why the programme could not be implemented on an even larger scale than proposed. We accept that BRAC's explanation that the government's ability to supply day-old chicks in sufficient quantities is a major factor limiting the size of the programme.

We are aware of three things that could affect the success of the programme. First, in some of the areas we visited, there was an excess of eggs with a resulting fall in prices. As the coverage of the programme increases, BRAC should ensure that markets for eggs do not become saturated and should proceed with plans to develop market channels between villages, towns and cities.

Second, there is a possibility that the services received from government following the withdrawal of BRAC staff from programme areas may fall in quality and quantity. BRAC should monitor this carefully and build lessons into the next phase.

Third, a poultry rearing programme (not specifically geared at VGD) to be implemented on a larger-scale is being discussed with IFAD. Given constraints relating to supply of day-old chicks, BRAC has suggested that the number of Upazilas to be covered in this project should be reduced from 200 to 80, unless adequate provision is made to enable the government to respond to such a massive increase in demand for its services. However, even at the more limited level being proposed, we would ask BRAC to ensure that, if any conflicts arise, the IGVGD programme receives priority because of the special needs of its target group.

7.3 Management Development Programme (MDP)

While BRAC's collaborative efforts with government in programmes such as NFFE and IGVGD have been successful to date, it feels there is a need to press home the lessons of experience among senior government officials in an attempt to achieve even more. 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).

In the original proposal, MDP had a dual focus:

- develop and teach ways and means by which managers of rural development projects - both government officials and staff of BRAC and other NGOs - can operate more efficiently and be more responsive to the needs of the poor; and
- inform and orient senior government officials to the benefits arising from and the methods of achieving a more equitable distribution of government services, and to indicate the role they themselves can play.

In both cases, the training materials were to be prepared through an exhaustive process of action-oriented research based on BRAC's existing collaborative, national-level programmes.

The Team felt that this original proposal was rather ambitious and that, in any case, rural development managers are less likely to learn from the BRAC experience in the classroom than through continued and intensified practical collaborative work at the upazila and village level. We did, however, agree with the logic of targetting senior government policy makers whose support is necessary in enabling field-based officials to work effectively for the rural poor. We also recognise the importance of researching and documenting BRAC's methodology and experiences in managing rural development for incorporation in training materials.

After discussions on reservations, BRAC agreed that the original proposal should be substantially reduced, and that for the moment, field-based work could be undertaken without the need for a field-based research/training laboratory. As a consequence, the proposed field management training centre has been removed from the request, and related budget items have been scaled down accordingly. This results in a reduction in the proposed cost from Tk 79.2 million to Tk 58.4 million.

The Team is confident that this revised proposal, combined with intensified practical collaboration with field-based government officials, will be sufficient for the moment to fulfill BRAC's objectives.

8. MANAGEMENT

8.1 Organisation Structure and Management Capacity.

BRAC is a large undertaking by any standards. As of April 1989, it employs nearly 3,500 full time, of whom only 192 are located at Head Office in Dhaka. It is, therefore, very much a field-based organisation with the great majority of staff working at village or area level.

At Head Office (HO), there are nine programme managers each one of whom reports directly to the Executive Director. These are:

- Director of Administration
- Director of Programmes
- Programme Coordinator, RDP
- Programme Coordinator, BRAC Bank
- Programme Head, Research Evaluation Department
- Programme Manager, NFPE and Publications
- Chief Accountant
- General Manager, BRAC Printers
- Programme Head, Para-legal

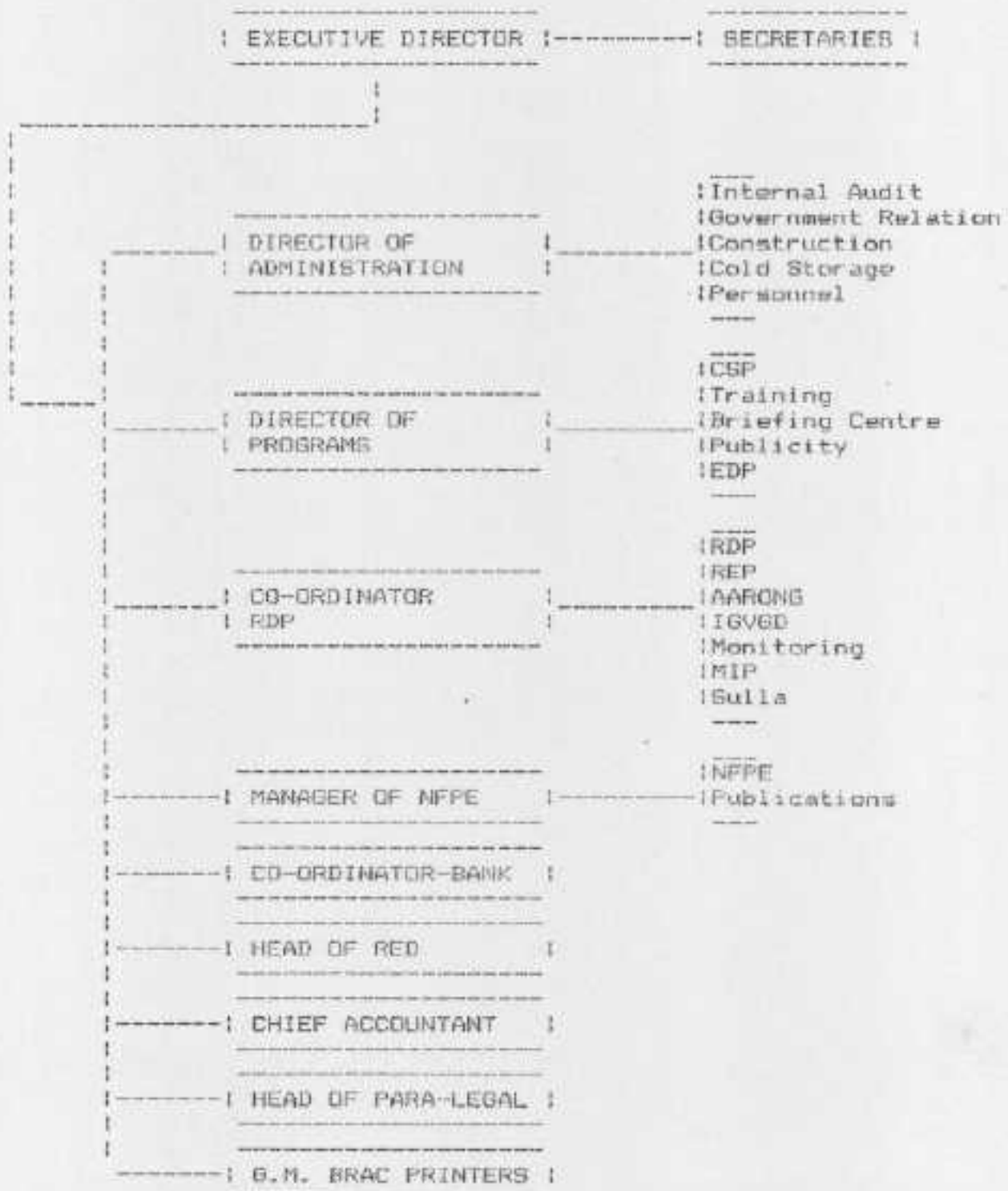
An organisation chart is given overleaf.

It is unlikely that there will be any major changes in this structure during the proposal period, although as a Division for the BRAC Bank project does not yet exist, this will obviously need to be created when transfer of RDP branches to the Bank commences. The intention is that Regional and Head Office staff for the Bank will be appointed as required and that when the number of branches warrants it, a full management structure will be created with the necessary supporting services, e.g. audit, monitoring.

Should any unforeseen problems arise which seem to require further changes in BRAC's organizational structure, these will be fully discussed by both middle and upper management, and workshops and training courses will be held for all relevant staff to explain what changes are deemed to be necessary. This is the usual procedure adopted by BRAC to ensure that everyone understands what is about to happen and to enable changes to be introduced without disruption to current activities.

Although pressures will no doubt increase as a result of expansion and transition, the Team feels confident that the staff and their supervisors will be able to cope with the tasks ahead. We found that staff motivation and morale is high and that attitudes towards the creation of the Bank and associated changes

BRAC - HEAD OFFICE (April 1989)



Note: As BRAC Bank is established, it will develop a similar internal management structure to that of RDP with Regional Manager, Branch Managers and POs.

are generally very positive. Continuation of present recruitment and promotion policies, combined with a continued emphasis on the on-the-job training backed up by short job-oriented training courses should help to make expansion and change take place reasonably smoothly.

One of the areas in which we have some reservations about BRAC's management capacity is that of taking on additional national programmes over and above those currently being implemented, planned and funded. We have been given assurances that a sufficiently large pool of trained POs exist to meet the needs of such programmes. Nevertheless, we recommend that the subject of management capacity should be an important item in any mid-term review of the project. Our reservations do not in any way arise from misgivings about BRAC's ability to do what is proposed in this project. They arise, instead, from the size, the variety and possibility of early implementation of large national programmes that BRAC could be implementing during the next three years. BRAC has become an attractive executing agency, as a result of the success it has had in reaching and mobilising the rural poor. It has justifiably earned an excellent reputation but we would urge some caution in taking on much more, particularly during the first two implementing years of this project.

8.2 Staff Expansion Requirements

Total staff numbers (excluding BRAC Printers and NFPE teachers) have been increasing at a rapid rate in recent years. From a total of 2,268 staff in 1985, the number increased to 2,575 in 1987; 3,040 in 1988 and currently is 3,485. The Team was concerned to note that whereas a significant proportion of total staff is women, less than 3% of those in graded positions are women.

During the proposal period, it is estimated that the staff requirements will increase from 3,684 in 1990 to 4,399 in 1992. The Team endorses BRAC's plan to recruit more women in the higher levels of the staff structure in the course of this expansion.

8.3 Training Capacity

Consideration was given to the capacity available within BRAC to meet the planned demand for training courses during the proposal period. Skills training has recently become the responsibility of the RDP Programme Co-ordinator and is largely field-based. This was already discussed in Section 5.3. Other training (mainly human resource and institutional development) is the responsibility of the Training Section (which reports to the Director of Programmes) and takes place mainly in BRAC's six Training and Resource Centres (TARCS).

As far as physical capacity is concerned, the demand for TARC training places is likely to be met providing that:

- the proposed extensions at Pabna and Rangpur are brought into use by January 1, 1991;
- the proposed extensions at Jessore and Madhupur and the proposed new TARC at Comilla are brought into use by January 1, 1992; and
- additional proposed projects such as the World Bank NFPE Project and the IFAD Poultry Project are not approved for implementation before 1991.

As far as trainers are concerned, the Team feels that there is an adequate pool of potential trainers available amongst POs and AMs to allow the selection of people with the right aptitudes to develop as good trainers for the current level of RDP, Bank and NFPE expansions.

The problems which do need to be tackled urgently are:

- curriculum development
- some degree of specialisation
- a more sensitive response to under-staffing.
- the training of trainers

The last two years of rapid growth have put so much pressure on TARC's that very little time has been available for discussion of, and improvement in, the existing training modules. The content and methodology have not been closely scrutinised or fundamentally reviewed for some years. The same pressures have prevented a structured approach in the development of new courses and course modules to meet the needs of credit expansion, collectively owned enterprises and other aspects of improved technology and its management.

The introduction of some degree of specialisation amongst trainers, although clearly recognised as desirable for adequate staff training has not yet taken place. All trainers are still expected to teach all aspects of all the regular courses, of which there are now 17, and there should be more. This arrangement is perhaps acceptable for some group training but is unlikely to be satisfactory for the training staff themselves.

The Team recommends that the existing plans to make individual trainers act as "co-ordinators" of an individual course be activated as soon as possible. The plan allocates each of the main courses to one of the more experienced trainers with

the idea that they collate comments and suggestions for change, new course material, etc. for the particular course they are responsible for and then lead discussions of required changes. The same techniques could be used to develop new course modules.

We also recommend that consideration be given to the introduction of some degree of subject specialisation amongst trainers for all staff training courses. Trainers will find difficulty in maintaining credibility amongst staff attending specialised courses unless they are given the opportunity to develop expertise and specialised knowledge. This is hardly possible with the existing arrangements.

During our visits to TARC's, the transfer of additional trainers from the field was clearly necessary. In fact, seven people were transferred from the field during the appraisal period and we were told that a further 10 would be transferred later. We recommend that the procedures for transferring staff to the TARC's be reviewed by BRAC so as to yield a quicker reaction by management to shortages. Also, although there are currently only three female trainers in the TARC's, we strongly urge BRAC to make every effort to follow through on its plan to increase their numbers during the proposal period.

Training of trainers (TOT) has, up to now, been mainly handled by HO senior training staff. These arrangements are likely to be untenable as the pace of growth increases and the need for more specialisation is felt. We recommend that a specialist TOT trainer be engaged on a three month assignment in the first instance to work with HO trainers on the development of the systematic TOT modules and methodology to deal with the upgrading of existing trainers and to deal with staff newly posted as trainers.

8.4 Personnel Policy

Since BRAC was established, all matters of personnel policy have been dealt with by the ED. This includes recruitment, terms and conditions of service, discipline, career development and termination. No change in these arrangements is contemplated during the project period. Whilst we see no reason to recommend changes in the immediate future we think that this subject should be considered during the first mid-term review, by which time the possibility and desirability of creating a Personnel Division could be discussed again.

We recommend that consideration be given by BRAC to the documentation and publication (amongst PO's) of a career structure for PO. As the organisation gets bigger, it will be more necessary for staff in this critically important grade to get a feel for where they may go within BRAC as their career

develops. Knowledge of what factors are taken as vital for promotion, together with a clear statement of what training courses inside and perhaps overseas could be necessary, would be an incentive to PO's who plan to build their future as a BRAC employee.

In recent years, there has been a relatively high drop-out rate amongst new PO recruits during the first six months of service. We therefore recommend that a much more rigorous pre-selection process is adopted in an attempt to reject people who are thought to be unlikely to settle to the way of life and work demanded of BRAC field staff.

8.5 Monitoring and Evaluation.

We have reviewed the current forms and procedures used to monitor and control the activities carried out by the various programmes. The numeric data on savings and loan operations are computerised at Head Office so that a wealth of tables and analysis are therefore available to management. Although there does seem to be some redundant material, the current systems are, in our opinion, adequate for the management of both the human resource training and the savings and credit operations and reports available to BRAC management should meet the majority, if not all, of donor routine monitoring requirements.

Work is well underway on the development of a fully integrated and computerised Management Information System (MIS). When fully developed the new system will operate under three broad headings:

- The Savings and Credit Activities
- Economic Indicators
- Social Development Indicators

Most work has been done on the Savings and Credit operations, but work is also underway on developing indicators which will measure the performance of RDP's work in economic terms, and in regards to institution building and social change.

The RDP Monitoring Cell is assisted by the Research and Evaluation Department (RED) in designing its monitoring system. RED is also collaborating with 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 measuring change and impact, i.e. a strategy of continuous evaluation.

RED may initiate evaluation studies in its own right, but we were pleased to note that most of the evaluation work is done at the request of programme managers or the ED. The results are then put to practical use in guiding programmes and policies. ED's action research results have also been able to influence government policies on occasion (particularly in the health field). This strategy should be pursued in relation to the implementation of decentralised rural industrialisation policies.

Although well over 50 percent of RED's time has recently been devoted to ERAC's health programmes, we feel confident that it will be able to respond to the monitoring and evaluation needs of the expanded RDP and Bank. The proposed addition of economists, MBA's and financial analysts to the staff should allow a greater concentration on the activities to be carried out by these two programmes.

9. BRAC'S ENVIRONMENT

9.1 Government

One of the major issues, for BRAC and donors alike is the question of Government clearance of RDP 2 and the BRAC Bank. Together budgeted at over US\$ 50m, they constitute the largest request from an NGO ever submitted to the Government. Whatever the virtues of the two projects, and however well respected BRAC is by the Government, it is inevitable that the two projects will be the subject of particular scrutiny. Not least this is because of the nine possible donors, eight expect to derive all or a major part of their funding from government sources. The Bangladesh Government's concern that any such official bilateral funds for an NGO project must be additional to the country allocation is well known.

There is another factor, already touched on in section 6.6. When the proposal for the BRAC Bank was originally conceived, the intention was that it would be set up as a separate legal institution with a special charter of a similar nature to that granted to the Grameen Bank in 1983. However, senior authorities of the Bangladesh Bank have recommended that BRAC follow a two-step process, similar to the development of the Grameen Bank, which began as a project in 1979 and initially submit a formal Project Proposal for a "BRAC Bank project" to the Cabinet Division. After two to three years, BRAC should then seek registration as a special charter development bank for the poor with the Bangladesh Bank. Unlike Grameen, BRAC will have no government participation in the Bank project.

Despite these possible problems, BRAC is quietly confident that Government clearance will be given for the two projects. Certainly, BRAC has had more success in obtaining clearance than almost any other NGO. Whilst the majority of NGOs have suffered serious if not disastrous delays, reportedly of eleven projects which recently received clearance five of these were BRAC's. This is due to a number of factors, not least to the excellent contacts BRAC maintains with senior Government officials and the increasing collaboration between BRAC and the line Ministries in the field.

The required Project Proposals were formally submitted to the Government in early April. It must first get approved by the Ministry of Agriculture, BRAC's line ministry and then the Cabinet Division before the External Resources Division may issue letter of no objection or approval to donor agencies. The Executive Director believes that clearance should be obtained in not more than six months. This is BRAC's responsibility and there is probably little that any outside party such as the donor consortium can do to facilitate the process, except in one

respect. This is to confirm, repeatedly if necessary, that all the funds to be deployed by any bilateral donor in support of the projects are additional to the official bilateral allocation for Bangladesh.

The terms of reference for this appraisal called for consideration of the relationship between the BRAC proposals and the priorities and plans of the Government. All the evidence assembled by the team leaves very little doubt that BRAC's efforts are wholly in line with the Government's oft-stated concern with poverty alleviation. At national level BRAC is certainly seen as a significant and effective institution in this field. Discussions with Government district and upazila officers confirmed that they saw no conflict of interest or duplication of activities at village level. On the contrary, they welcomed and valued BRAC's efforts.

Unlike some NGOs in Bangladesh, BRAC has adopted a deliberate policy of working with specific line Ministries to complement their activities and enhance their effectiveness. Behind this is BRAC's recognition that it will never have the resources in the long term to expand and sustain programmes such as NFPE over an ever increasing geographical area. BRAC seeks to develop the methodology, the delivery system and the appropriate materials so that in the long term the Government, with the local community, can take over responsibility. Such a vision amongst the NGO community is unusual but not uncommon. Turning that vision into a practical reality, as BRAC is beginning to do, is rare indeed.

9.2 NGOs

There are two primary questions on the issue of BRAC and other NGOs in Bangladesh: collaboration & competition; and comparative cost effectiveness. The former is discussed briefly below: both are covered in Section E, Volume II. From the limited contacts the mission had with the NGO community, the general attitude towards BRAC was one of respect if not admiration. This was occasionally coloured with some envy of BRAC's successes, high profile and ability to attract donor support.

BRAC's working principles in relation to other NGOs are twofold. Where another NGO is working in a village to build up landless organisations and to introduce a savings and credit programme, BRAC does not attempt to compete but goes elsewhere. In specialist activities such as oral rehydration or non-formal primary education, BRAC may at the request of government and/or other NGOs provide more extensive coverage. Certainly the team found no indication that BRAC was wasting resources duplicating what other NGOs were seeking to do. There is acute recognition that the scale of the problems and the needs of tens of thousands of villages are too vast for deliberate overlap.

BRAC also takes active steps to deploy its resources to benefit other members of the NGO community both individually and as a whole. For example, it has a policy of offering its training facilities at the TARCs to the staff of other NGOs. Similarly, BRAC's Executive Director has been playing a leading role in lobbying the Government on behalf of the NGO community at large in the intense efforts to speed up the clearance procedures.

10. FUNDING AND DONOR REQUIREMENTS

10.1 Funding

BRAC's original plan was to initiate RDP 2 and the BRAC Bank on July 1st, 1989. The January donor meeting, with its decision to mount an appraisal mission in April, 1989, confirmed that this was not feasible. It was accepted that the start date would have to be put back to January 1st, 1990. For calendar year 1989, BRAC is looking to existing donors to the current programmes to provide the necessary 'bridging' funds. In some cases, however, the sums requested have not yet been firmly committed (in part it is understood because donors are waiting on the findings of the appraisal report). BRAC's funding for 1989 is not, therefore, totally certain at this time and needs clarification at the earliest opportunity.

However, it is the funding of the overall budget for RDP 2 (1990-92) and the BRAC Bank (1990-93) which is now the primary concern. Provisional agreement on a balanced budget is clearly the most immediate issue after which each donor will have to pursue its own internal procedures to secure the necessary formal approval(s) and agreement(s). Only then can the procedures for disbursement be initiated - and January 1990 is less than seven months away.

The approval procedures of each donor agency are obviously different but broadly follow the same basic pattern. In this case, the following stages are foreseen:

- (1) Consideration of the appraisal report by the local donor representative in Dhaka leading to a recommendation to regional and/or head office (a) on whether to participate in the consortium and (b) in what amount.
- (2) Initial discussions in regional and/or head office between the relevant geographical and technical departments leading to a decision in principle whether to participate in the consortium, the proposed financial contribution, and within what constraints, eg rate/phasing of disbursement.
- (3) Communication of this preliminary decision to the other donors (through some 'mechanism' to be decided) in order to arrive at a collective decision, with BRAC, on a balanced budget.

- (4) Preparation/finalisation of the required internal documentation, eg Project Document, Project Memorandum, (now including the balanced budget showing the contributions from each member of the donor consortium) for submission to the required Project Approvals Committee, Director-General, Minister, etc.
- (5) Formal approval by the Committee, Minister, etc. of the donor's participation in the project, the financial contribution to be made and the phasing of disbursements.
- (6) Completion of a formal agreement between the donor and BRAC.
- (7) Initiation of disbursement procedures and first disbursement to BRAC.

The Team suggested that three issues required immediate consideration by the local representatives of the donor agencies and BRAC: the balancing of the budget; the coordinating 'mechanism' referred to in stage 3) above; and the timing of agreements, commitments and disbursements. These items were discussed at the meeting with the Appraisal Team on April 27th.

On the basis of the revised budgets presented for RDP 2 and the BRAC Bank, individual discussions with members of the donor consortium, and the discussions with donors and the Appraisal Team on April 26th and April 27th, BRAC is formally requesting donors to consider making the following contributions (US\$):

	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
FF	.1	.1	.1	.1	.4
NORAD	1.0	1.3	1.0	.1	3.4
NOVIB	3.7	4.2	3.5	.6	12.0
ODA	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 US\$	17.3	19.7	16.1	2.5	55.6

All donors indicated their interest and intention to contribute collectively to the RDP 2 and BRAC Bank projects, i.e. not to earmark funds for specific items in the budgets. Further, BRAC requested that the disbursements be phased to match the cash flow requirements of the two projects as summarised above.

Each donors will now need to consider BRAC's request, ie stage 1) and 2) above. In order to facilitate this process, it was agreed that: the Team Leader and Executive Director of BRAC would prepare the summary document referred to above, "Consolidated Revised Proposals for RDP 2 and BRAC Bank Projects" by mid May for immediate distribution to all donors; and that the ED would be available for discussion with head office personnel of any donor in Europe or Canada, together with one or more members of the Appraisal Team, if required.

The meeting of April 27th further agreed that the Ford Foundation would continue to play the role of local coordinator for the donors in Dhaka. As and when, therefore, individual donors responded to BRAC's request for funds as indicated above, 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 disbursement of funds to meet BRAC's cash flow requirements.

10.2 Financial Control and Disbursements

It is important that the arrangements for financial disbursements, reporting to donors and external auditing are rigorous and acceptable to all donors. The following broad arrangements are therefore proposed for consideration by donors and BRAC:

- 1) Financial accounts, in a format to be agreed, to be prepared and sent quarterly to donors
- 2) Disbursements to be made twice a year, in January and July. These might be on the same basis as those recently agreed for the Grameen Bank donor consortium, ie:
 - BRAC would prepare and forward withdrawal applications to the donors (possibly through a local donor liaison office - see below) 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

3) 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 (through the donor liaison office) would retain an independent qualified chartered accountant acceptable to BRAC who would carry out six monthly audits to terms of reference determined by the donors. Such audits should include visits to the field to review accounting procedures in the different areas and regions of BRAC's operations.

10.3 Donor Monitoring, Reviews and Evaluation

One of the objectives of establishing a consortium of donors is to standardise the various reporting, review, etc requirements different donors impose on BRAC. It is important to realise this objective and to reach the lowest (ie simplest) common denominator in respect of such requirements, rather than the highest (ie most comprehensive and burdensome) denominator.

10.3.1 Activity Reports

In addition to the quarterly financial reports, it is proposed that 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 suggested that they should broadly follow current practices. For example, the donors to the current RDP (RDP 1) receive the same comprehensive reports twice a year - to end June and end December. (Similarly, the three donors to the Child Survival Programme all receive the same six monthly reports)

There are a number of options in respect of activity reports to donors for RDP 2 and the BRAC Bank. One is to have a single report which covers the BRAC Bank as well as all the various heterogeneous elements of RDP 2. The second is to have one for RDP 2 and a separate one for the Bank. The third, preferred, option is to have three separate but complementary reports for: RDP 2 'Core'; the special programmes, ie NFPE, IGVGD and the Management Development Programme; and the BRAC Bank.

Donors need to consider and agree which would be the most acceptable and simplest option.

10.3.2 External Monitoring, Reviews and Evaluation

Given the volume of funds required for RDP 2 and the BRAC Bank, and the new ground the Bank is breaking, donors are concerned to monitor progress closely, especially in the early years. Agreeing to a framework for such monitoring is complicated by the fact that although the two projects are very closely linked, they have different time frames - RDP 2, three years, and the BRAC Bank, four years. Further, whereas BRAC will be looking for funds for RDP 3 from 1993 to 1995 (or '96), the BRAC Bank is intended to be self-sufficient until into the next century.

A number of donors are concerned to review progress at an early stage, especially of BRAC Bank. This would mean approximately 15 months after the start of the Projects, is between March-May, 1991. Others feel that this would be premature and that it would be better to wait for two years. By this time, it is argued, the Projects would have 24 months of hard data. It would then be possible to examine the experiences, and impact, of the Projects in different districts in some depth. Further, since the funding for RDP 2 covers only three years, a review in the period January-March, 1992, would serve as a valuable input to the design of RDP 3 which should start in January, 1993.

One solution might be for the donor consortium to agree on the appointment of a two or three person monitoring/review team. This team could review BRAC on an annual basis (similar to the proposed arrangement for Grameen Bank and that in operation for Sarvodaya donor consortium in Sri Lanka). The members should be familiar with BRAC and therefore require no time-consuming induction into its programmes and complexities. Each visit could therefore be of short, eg two weeks, duration.

On each visit, they would work to specific terms of reference determined by the donor consortium. In the first year, for example, they could:

- examine the operations of the BRAC Bank and especially the rate of increase, and the nature of the loans made by the Bank branches
- review 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
- 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 during the continuing rapid expansion.

In the second visit, they would have a different task. They could examine the impact and cost effectiveness of selected programmes, for example, REP and NFPE, as well as a further examination of the BRAC Bank and its relation with RDP.

10.4 Donor Liaison Office

If all 10 of the donor agencies presently interested in the BRAC proposals join the final consortium, there will be a need for some focus for ongoing liaison between donors and with BRAC. This would in no way preclude or inhibit contact between individual donors, especially their local representatives, and BRAC. There are, however, various tasks, such as those carried out by the Ford Foundation in recent months, for which there will be a continuing need. For example, there is a need 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
- monitoring and coordinating ongoing disbursements according to the requirements and constraints of individual donors
- coordinating any changes in BRAC's reporting procedures if requested by different donors
- ensuring that all donors are kept informed of any unforeseen changes in BRAC's plans and agree to any significant budgetary amendments
- assisting the preparation, scheduling and conduct of annual donor reviews
- recommending and coordinating measures for donor consideration based on the review findings.

Donors need to consider who or which agency might play this role of donor liaison in the long term. In the short term, the Ford Foundation is willing to continue, at least until the final membership of the consortium is known.

Terms of Reference

A first draft of the terms of reference (ToR) for the Appraisal Mission was submitted to the meeting of donors and BRAC on January 19th. At the February 23rd meeting of donors in Dhaka, however, substantially revised ToR were proposed and agreed. These were circulated to donor agency head offices for comment and approval. A number of minor amendments were proposed by various donors during March. On April 3rd, at the first meeting of local donor representatives with the members of the Appraisal Mission in Dhaka, the ToR were reviewed once again and a final version agreed upon (Appendix 1, Vol II).

It is not surprising therefore that this final version of the ToR is somewhat repetitious if not confusing. The Mission feel that for those who are perhaps not overly familiar with BRAC and the proposals, it would be useful to present a summary of the key questions donors required the Mission to address:

- 1) Social Change and Empowerment - As the RDP is expanded to new areas and the RDP area offices are translated into BB branches, will BRAC lessen its commitment to achieve its primary objectives: social change and empowerment of the landless poor? Are these objectives mainly "collective" (i.e. geared towards collective, social goals) or "individualistic" (i.e. geared towards the individual's improvement)? Is a mix compatible with BRAC's overall goal?
- 2) Social Impact - Is the social impact of BRAC's programmes significant for the landless poor and will the impact be sustained under the BRAC Bank? How effective are the village organisations? What is needed to develop and strengthen the union and upazila federations of VO's, especially when the BRAC Bank takes over responsibility for an area?
- 3) Economic Impact - Will BRAC continue to have significant and cost-effective economic impact on its target group both under RDP 2 and the BRAC Bank? Will the pressure on the BRAC Bank to be self-financing, and if possible, to generate a surplus, have an adverse effect on the social cohesiveness of the VO? Is there sufficient demand for the goods and services proposed to be provided by the landless with the benefit of the credit to be made available by RDP and the BRAC Bank?

- 4) Inputs and Outputs - Are the basic assumptions in respect of the inputs and outputs for both RDP 2 and the BRAC Bank realistic in the light of experience and the current environment? Are the subsequent calculations correct? Is the expectation valid that it will generally be possible to make the transition from RDP to the BRAC Bank after three years?
- 5) Management and Technical Capacity - Does BRAC have the necessary management, technical and training capacity to expand at the rate projected, not only for RDP 2 and the BRAC Bank but also all the other programmes proposed to be carried out over the next few years? Is the proposed management and organisation structure appropriate for the planned rapid and continuous expansion?
- 6) Primary Education - How realistic are the expansion plans for the Non-Formal Primary Education programme? How will NFPE continue under the BRAC Bank? How are the schools to be funded in the long term?
- 7) Impact on Women - What will be the impact of RDP 2 and the BRAC Bank on the situation of women and their participation in the two programmes?
- 8) Government and Other NGOs - What is the effectiveness of BRAC within the context of the other poverty alleviation efforts in Bangladesh, both by the Government and other NGOs, and their relationship with BRAC's proposals?
- 9) Donor Relations and Funding - Are the different members of the donor consortium prepared to accept a single system for reporting, monitoring and evaluation of RDP 2 and the BRAC Bank? What are the levels and timing of the funds required by BRAC, and the best means of coordinating disbursements?

Curiously, there is no explicit mention of two major items in the RDP 2 Budget Summary - the proposed Management Development Programme (Tk 80m) and the Vulnerable Group Development Programme (Tk 54m). Both are however covered in this appraisal.