



NFPE PHASE III



FUNDING STATUS

November 2000

NFPE Phase III Funding Status

1. Funding Status

BRAC's NFPE Phase III Project Proposal budgeted for US\$ 118.4 million (September 1998)¹. According to the Proposal the total number of schools to be run by BRAC was 34,000 (including NFPE, BEOC). BRAC expected the following donors to fund the NFPE phase III, as per proposal: EC, DFID (UK), AKF/CIDA, Royal Netherlands Embassy (RNE), Novib, UNICEF and BMZ (German Government). Of these the EC, DFID, AKF/CIDA, RNE Novib and UNICEF formally committed their contributions for a total of US\$ 76.5 million (September 2000)². By September 2000 there were strong indications that funds would not be earmarked by BMZ for BRAC NFPE III despite earlier suggestions.

Table 1 below shows the expected commitment by donors (in individual currencies and US dollars), the actual formal commitments, and the funding shortfall, divided into devaluation effect and lower than expected commitments.

Table 1: Commitment and Devaluation Impact

Donors	Expected Commitment as per BRAC proposal		Actual Commitment by contracts		Shortfall		
	FC	US \$	FC	US \$	Devaluation	Lower Commitment	Total
					US \$	US \$	US \$
BRAC Contribution *	Taka 145 m	3.02	Taka 96.8 m	2.02	-	1.0	1.00
AKF/CIDA	CAN\$ 8.45 m	5.80	CAN\$ 8.45 m	5.55	0.15	-	0.15
DFID	GBP 13.50 m	21.00	GBP 13.50 m	20.04	0.96	-	0.96
NOVIB	Dfl 7.50 m	3.60	Dfl 7.50 m	3.07	0.53	-	0.53
E C	EUR 36.00 m	40.00	EUR 36.00 m	32.00	8.00	-	8.00
Royal Netherlands Embassy	Dfl 40.00 m	20.00	Dfl 35.00 m	14.28	3.22	2.50	5.72
UNICEF	US\$ 2.00 m	2.00	US\$ 1.50 m	1.50	-	0.50	0.50
BMZ	DM 50.0 m	26.00	N/A	-	-	26.00	26.00
Total Funds		121.42		78.56	12.86	30.00	42.86
Less: Taka devaluation against US\$*							(10.30)
Less: BRAC Additional Commitment to compensate for lower BRAC Program Income			Taka 53.50 m	1.00			(1.00)
Net requirement / Shortfall							31.56

* BRAC Project income

** 3% devaluation in November 1999 and 6% in August 2000
Current exchange rate US \$ 1 = Taka 53.5

¹ The exchange rate with the dollar then was Tk. 48

² The exchange rate with the dollar then was Tk. 53.5

BRAC contribution is also included to complete the whole funding picture. This contribution derives from the income from the programme, i.e. school fees. The school fees are paid only by the NFPE schools and not by the BEOC, and is TK5 per month which is 6.7% of the monthly cost per pupil. The fees are not charged to the very poor (as per proposal). The expected programme income for 34,000 schools is Tk. 145 million (US\$3.02 million). Due to the funding shortfall, a reduction in the number of schools would result in a decrease in programme income to US\$2.02 million. BRAC intends to fully compensate the difference of US\$1 million to keep programme income at US\$ 3.02 million.

The table also shows the devaluation of the Taka against the US\$ (US\$ 10 million) which almost compensates for the devaluation of the other currencies against the US\$ (of US\$12.86 million).

The lower than expected commitment is the main cause of the programme funding shortfall, which amount to a total of US\$ 31.56 million (of which US\$ 30 million due to lower than expected commitment; US\$ 1.56 million remaining from the devaluation difference and BRAC intervention). Please note that the net project cost based on the current exchange rate is US \$108.1 million (US \$110.1 million - US \$2.02 million BRAC contribution). The actual commitment by contracts US \$78.56 million along with the net requirement of US \$31.56 million amounts to a total project cost of US \$ 110.1 million.

With this report BRAC intends to inform donor partners of the situation and requests donors to mobilise additional funding required and to front load committed funds.

2. Strategic Option

School cost is 91.33 per cent of the budget (NFPE III proposal budget pg.1). Given the present funding situation the most realistic and pragmatic option open to BRAC is to reduce the number of schools operating. Cost cuts have been made in the allocations for continuing education, and the EDU. US\$78.56 million will allow BRAC to operate 23,000 schools up to June 2004 (see annex 1). However, BRAC would only exercise this option as the last resort.

Options have been developed bearing in mind that the impact of the shortfall in funding cannot harm any pupil already enrolled in a BRAC school. Equally important is the fact that BRAC has to be realistic as to how much additional funds the donors can mobilise to bridge the funding gap. BRAC see two possible options at this stage:

- To scale down the programme to 23,000 schools since this is the number that the current funds permit or *Option 1* Or

To scale down the programme gradually considering the impact at community level or *Option 2*.

Table 2: Options related to school operations

	Jan. 1999– Dec. 1999	Jan. 2000– Dec. 2000	Jan. 2001– Dec. 2001	Jan. 2002– Dec. 2002	Jan. 2003– Dec. 2003	Jan. 2004– May 2004	Total Schools Reduced
Initial Projection Number of Schools	34,000	34,000	34,000	34,000	34,000	34,000	-
Option 1 No. of Schools Operating No. of Schools Reduced	34,000	31,000 3,000	23,000 8,000	23,000 0	23,000 0	23,000 0	11,000
Option 2 No. of Schools Operating No. of Schools Reduced	34,000	31,000 3,000	28,000 3,000	25,000 3,000	25,000 0	25,000 0	9,000

Comparative Analysis of options:

An analysis of the two alternatives indicate that with *option 1* the number of schools operating would fall drastically by 11,000 starting January 2001. Under *option 2*, however, the reduction is more gradual.

Table 3: Programme Impact related to options

	Number of Schools	Students Enrolled	Teachers	Staff	Funds	
					Total Requirement	Shortfall
Initial Projection of Schools	34,000	1.1 million	34,000	3,570	US\$ 108 million	US\$ 31.56 million
Option 1 <i>Reduction from Projection</i>	23,000 11,000	733,700 366,300	23,000 11,000	2,356 1,214	US\$ 76.5 million	0
Option 2 Year Jan. 2001–Dec. 2001 <i>Reduction from Projection</i>	28,000 6,000	893,200 206,800	28,000 6,000	2,940 630	US\$ 91.5 million	US\$14.2 million
Year Jan. 2002–Dec. 2004 <i>Reduction from Projection*</i>	25,000 9,000	797,500 302,500	25,000 9,000	2,625 945		

* Please note that the reduction is cumulative taking into account reductions occurred with an operation of 28,000 schools and then 25,000 schools the next year.

At community level, in a large number of areas BRAC has established long-term relationships with the community through the parents and teachers, and individual school management committees. Although the decision not to re-open will probably cause some distress BRAC intends to limit this distress by recognising the need to a tactful approach. When a school will not re-open the community is told approximately 3 to 4 months in advance. [The decision as to which school would re-open and not to re-open is based on the need of the community e.g. level of literacy, income, etc, the number of years that BRAC's Education has been involved in that community in relation to the impact on literacy, etc., and possibility for children to have access to other alternative education systems].

Thus far, the communities have welcomed this approach, and although painful it has not resulted in any problems for the staff involved. Moreover, BRAC considers that informing the community is the responsibility of BRAC as a whole and it is not left to one individual staff member. Thus BRAC would make every effort to inform individual communities as adequately as possible and a strategy of a gradual decrease in school operation would definitely be more logical.

The following section outlines operational issues related to *option 2* as the most strategic option.

Operational Issues for the strategic option:

The strategic option will be carried out in the following way:

Schools: BRAC does not intend to close any school currently running but in order to absorb the shortfall of funds, BRAC proposes not to re-open 9,000 schools starting from 2001. The rationale for deciding which school to re-open and which not to re-open is based on the need of the community (e.g. level of literacy, income, etc), the involvement of BRAC Education programme in that community (the number of years BRAC has operated in that community in relation to the impact on literacy, etc.), and possibility for children to have access to alternative education system other than BRAC's.

Pupils: It is BRAC Programme Policy never to close down a school that is ongoing in any grade. Under the circumstances NFPE considers it a primary responsibility to protect those children who have already been enrolled and are in ongoing schools. The main impact of 9,000 schools not reopening is that 302,500 'new intake of children' is not possible. With the increase in enrollment in primary schools it is hoped that there will be opportunities available to them.

Teachers: A certain number of teachers become unemployed under normal circumstances when schools cannot be reopened in exact or nearby locations. With the strategic option 9,000 teachers (currently 99% are women) will be unemployed. BRAC is exploring possibilities of reallocating some of these into other mainstream BRAC programmes, and for those who will not or cannot be reallocated, BRAC will provide further training through the BRAC University, so as to formalise their qualification (by a certificate) for their possible employment into other systems.

Programme staff (programme organisers, team-in-charge, regional managers, manager continuing education, and quality managers): BRAC operates as a family, hence BRAC would limit distress to staff that may occur as a result of a restructuring of this magnitude. Excess staff will be absorbed in the Rural Development Programme and in other mainstream activities that are currently under expansion in order to prevent

redundancies. As far as the personnel is concerned, BRAC has already encouraged staff to move from the NFPE programme to the RDP programme and still retaining the same level of responsibility (e.g. a regional manager for NFPE will move into RDP as regional manager, after intensive training). The experience so far has been positive, to the extent that no problems have been encountered in the field as well as at Head Office. BRAC intends to continue using this strategy. To ease re-allocation a series of workshops have been set up to inform staff about the BRAC culture of belonging to one organization rather than to a particular programme.

Funding: The table in Annex 1 shows the budget for Strategic Option 2. There is a shortfall of US \$14.2 million. The table in Annex 2 indicates a cash flow statement. Because programme expenditure and donor fund disbursements are not at the same period of time there is a negative balance of funds at the end of the year. This negative balance of funds is usually met through bank overdrafts that are reimbursed the next year. By the end of this year, this negative balance would amount to nearly US\$ 6 million, and by the end of next year would accumulate to approximately US\$ 7.5 million. Under the circumstances we are requesting donor partners to front load their contributions by at least US\$ 7 million over the expected disbursement schedule during 2001. This would enable BRAC to go ahead with the strategic option, and buy time to mobilize additional funds.

3. BRAC's initiatives to bridge the funding shortfall

The German Government (BMZ), through KfW and with the necessary approval of the GoB, funded BRAC's NFPE Phase I and II. The Government of Germany indicated that should GoB request them they would be inclined to support NFPE III. In early 1999 BRAC requested GoB through the External Resources Division (ERD) to request the German Government (BMZ) with a view to funding NFPE Phase III. GoB requested the German Government to fund NFPE III through their NGO window. NFPE did not receive funding as a result of constraints in the modalities. However, discussions were still in process and correspondence was still being exchanged between ERD, the German Embassy, Dhaka and the German Government up to May 2000. Although GoB has indicated interest to reconsider NFPE in preparing the summary for bilateral negotiations BRAC considers the possibility of funding from the Germans to be unlikely at this stage. Because of these protracted discussions, BRAC entered into discussions with other donor agencies to fund NFPE.

Once realised that a funding shortfall was inevitable, BRAC approached USAID in May 2000 requesting them to consider funding NFPE Phase III. USAID responded positively. USAID expects that GoB approval will be forthcoming for this. Negotiations (including the GoB) are still undergoing on how this contribution (approximately US\$ 5 million) will eventually take place.

In a letter dated May 29, 2000 addressed to Mr. A.S.H.K. Sadik, the Hon'ble Minister of Education GoB, Mr. F.H. Abed, Founder and Executive Director, BRAC, requested GoB to provide annual subvention to NFPE to cover teachers salary and cost of books. BRAC further requested GoB to directly pay salaries of NFPE teachers and provide books to school children free of cost. Finally, Mr. Abed requested GoB, to consider as an alternative, NFPE to be funded under the country frame from bilateral and multi lateral donors (see copy of letter attached). Consequently in July 2000 the Primary and Mass Education Division formed a five-member committee, headed by the Director General of the National Academy of Primary Education to review NFPE.

4. Vision for the future

At the end of NFPE III there will be 25,000 schools operating in different Grades under NFPE IV. The last cohort of schools that are reopened under NFPE III will operate up to 2008/ 2009. In NFPE IV BRAC intends to collaborate with GoB for qualitative improvements in the national primary education system along with the operation of 25,000 non formal schools. Interventions apart from school operations that cater to community demand are being explored in NFPE III e.g. pre primary schools, adolescent life skills and livelihood, etc.: lessons learnt from these interventions will be transferred and developed further under NFPE IV. BRAC will study the management and problems of secondary school systems in NFPE III with a view to undertake activities in future. BRAC understands that some intervention focussing on the secondary education system is necessary to ensure transition of learners from the primary level to the secondary level.

BRAC has gained considerable experience in education planning, management, pedagogy, teacher training, learning assessment and monitoring in the last sixteen years. BRAC, therefore, considers that it now has the capacity and knowledge to collaborate with the country's mainstream primary education system. Although considerable effort has been given to increase enrollment in the country's national primary education system the quality of education has not received adequate attention. BRAC therefore, hopes to explore possibilities in providing support and collaboration with GoB and work towards qualitative improvements in the national education sector.

Finally BRAC management is considering the possibility of operating a five year school cycle for NFPE and not a four year cycle as per the original project proposal. The rationale for this is:

First, this would facilitate BRAC's ongoing strategising for greater convergence between the GoB primary education system and BRAC's education system. This is an attempt on BRAC's part to try and close the gaps between GoB cycle and BRAC cycle. If there is greater similarity between the two systems, as opposed to greater dissimilarity, then the probability of getting GoB to register BRAC schools as part of the GoB education system are increased. If BRAC schools are government registered then GoB could fund the BRAC schools i.e. provide teacher's salary: supply textbooks free of costs: provide other support to students. BRAC, therefore, hopes that there will be greater collaboration with GoB in providing primary education.

Second, BRAC's own experience with Grades four and five indicate that a duration of 12 months in each Grade (four and five) would be more appropriate than ten months. Experiences indicate that additional time is required for teacher development and for the cognitive development of learners. The content is considerably more complex than Grade three and requires more competency in teaching skills and time management. In Mathematics, for example, teachers need to explain 3 to 4 simple one step exercises related to word problems prior to explaining the word problems given in the text. There is therefore, a major focus on the monthly refresher courses of teachers that cover content related to all five subjects i.e. Bengali, Math, Social Studies, Science and English. Although classes are held for four hours each day six days a week substantial amount of time is spent on teacher development three days per month on average. In fact teacher training days in Grades four need to be ten days in addition to the number of days required for teachers in Grade three. Equally important is the fact that learners need additional time for practice. In Language and Social Science for example group discussions are essential after the teacher explains the concept: These discussions encourage participation among pupils, questioning skills and comprehension of concepts. Moreover, each primer outlines exercises for writing activities that are time consuming. Pupils need time to be able to reflect their understanding of concepts in their own words.

If BRAC decides to operate some NFPE schools in 2001 on a five year cycle then this change in the length of cycle will not have any budgetary impact on NFPE III. Students enrolled in these NFPE schools in 2001 would graduate in 2006 instead of 2005. The main impact of this decision is that the number of pupils to be educated through NFPE in 2006 under NFPE IV will be reduced.

**Non-formal Primary Education Program Phase III
Budget for Strategic Option**

Annex -1

Number of School
 June 1999 - Dec 1999 34,000 School
 January 2000 - Dec 2000 31,082 School
 January 2001 - Dec 2001 28,000 School
 January 2002 - Dec 2002 25,000 School
 January 2003 - Dec 2003 23,000 School
 January 2004 - May 2004 20,000 School

	Actual	Projection				Total Revised Budget	Original Approved Budget	Increase/ (Decrease)
	JUNE 1999 MAY 2000	JUNE 2000 MAY 2001	JUNE 2001 MAY 2002	JUNE 2002 MAY 2003	JUNE 2003 MAY 2004			
A. School Cost								
A.1 Teachers Cost	411,716,587	335,704,776	299,917,033	295,263,420	295,275,148	1,578,878,971	1,873,136,976	-
A.2 Students Books and Supplies	316,226,562	302,356,691	276,475,366	256,948,533	238,082,070	1,300,089,262	1,655,668,584	-
A.3 Field Operations	147,109,468	112,179,378	101,056,000	90,228,571	90,228,571	540,801,989	613,554,286	-
A.4 Research and Evaluation	8,480,517	7,502,408	6,774,484	6,134,405	5,935,658	32,827,673	41,423,596	-
A.5 HO Management and Support Services	87,505,464	75,024,085	67,744,842	61,344,063	59,368,579	350,977,023	414,235,985	-
A.6 Inflation Cost (A1 to A5)	0	85,258,652	118,528,916	148,742,258	182,039,458	532,666,325	634,713,687	-
Total School Cost	969,848,618	918,125,991	870,486,669	827,691,328	840,919,688	4,428,241,343	5,232,733,119	(804,491,776)
B. Library programme (400 new Library)								
B.1 Library programme	51,156,237	59,787,200	58,588,400	60,053,060	61,835,600	291,421,007	322,322,000	-
B.2 Inflation Cost	0	6,128,188	9,234,907	12,941,926	17,084,036	45,389,147	126,091,092	-
Total Library Cost	51,156,237	65,915,388	67,823,307	72,994,986	78,919,636	336,810,154	448,413,092	(112,262,908)
C. Innovative Program and materials Dev								
C.1 Innovative Program and materials Dev	9,919,132	10,027,792	9,996,816	9,881,517	9,665,155	49,203,414	49,203,414	-
C.2 Inflation Cost	0	1,027,849	1,574,172	2,120,529	2,876,659	7,499,268	19,339,773	-
Total Innovative Program and Materials Dev Cost	9,919,132	11,055,641	11,590,999	12,011,046	12,541,814	56,702,682	68,543,187	(11,921,505)
D. Education Development Unit								
D.1 Education Development Unit	7,836,304	19,898,000	12,264,537	9,988,000	9,988,000	59,984,841	54,900,000	-
D.2 Inflation Cost	0	2,038,520	1,926,359	2,152,479	2,709,500	8,896,847	25,509,434	-
Total Education Development Unit Cost	7,836,304	21,936,520	14,220,897	12,140,479	12,747,509	68,871,688	80,409,434	(21,537,746)
Total Project Cost (A+B+C+D) In Taka	1,037,862,291	1,017,023,540	964,101,834	824,898,336	844,948,635	4,889,334,736	5,840,698,832	(952,184,096)
In US \$	21,817,756	19,009,786	18,020,597	17,286,137	17,902,591	91,374,481	109,171,941	(17,797,460)
E. Project Income Taka	2,300,014	17,740,486	25,365,520	25,668,000	25,968,000	98,741,020	148,005,420	(48,264,401)
F. BRAC Contribution		10,000,000	10,000,000	16,750,000	16,750,000	53,500,000	0	53,500,000
Net Requirement from Donors In Taka	1,036,345,277	989,283,054	928,746,414	822,390,336	802,530,635	4,738,293,717	5,692,693,412	(957,398,695)
Exchange rate US \$ 1= Taka	49.20	63.50	53.50	53.50	53.50			
Net requirement from Donors in US \$	21,269,032	15,491,272	17,359,746	15,490,277	15,000,731	90,783,679	108,112,992	(17,329,313)

	Taka	Equivalent to US \$
Net requirement from Donors	4,738,293,717	90,783,679
Fund commitment from Donors	3,997,500,000	76,540,000
Additional fund requirement	740,793,717	14,243,679

Nonformal Primary Education Program Phase III

Annex -2

Cash Flow Statement

Number of School

June 1999 - Dec 2000	34,000 School
January 2000 - Dec 2000	31,082 School
January 2001 - Dec 2001	29000 School
January 2002 - Dec 2002	29000 School
January 2003 - Dec 2003	29000 School
January 2004 - May 2004	26000 School

Actual	Projection								Total
	June 1999 May 2000	June 2000 to Nov. 2000	Dec. 2000 to May 2001	June 2001 to Nov. 2001	Dec. 2001 to May 2002	June 2002 to Nov. 2002	Dec. 2002 to May 2003	June 2003 to Nov. 2003	

Cash inflow:

(Figures in million)

A. Opening balance	-	(483.89)	(288.97)	(387.41)	(322.17)	(443.42)	(388.41)	(442.29)	(487.36)	-
B. Grants from Donors (in Taka)										
AID/CIDA	62.03	35.13	35.90	35.90	35.90	35.90	17.95	17.95	23.68	300.35
DFID	423.78	-	77.73	77.73	77.73	110.00	118.60	77.73	77.66	1,045.54
NDMB	65.74	-	15.78	15.78	15.78	15.78	15.78	15.78	-	160.42
EC	-	313.95	208.71	208.71	208.71	208.71	208.71	208.71	208.71	1,664.19
DGIS	-	245.28	-	168.00	-	147.70	-	84.40	-	746.18
UNICEF	-	-	43.08	37.70	-	-	-	-	-	80.78
Others(Local)	0.05	-	-	-	-	-	-	-	-	0.05
Grants from Donors	551.60	694.36	381.20	544.82	338.12	524.69	359.04	404.57	199.32	3,897.69
C. Project Income	2.31	8.87	8.87	12.68	12.68	12.83	12.83	12.83	12.83	96.74
D. BRAC Contribution	-	-	10.00	-	10.00	-	16.75	-	16.75	53.50
Total inflow	553.91	793.23	400.67	557.29	360.80	637.52	388.62	417.40	728.90	4,147.78
Cash Outflow (in Taka):										
A. School cost	999.00	459.08	459.08	435.25	435.25	413.93	413.93	420.46	420.46	4,426.40
B. Library Program	51.15	32.94	32.98	33.91	33.91	36.50	36.50	39.46	39.46	326.80
C. Innovative Program and Mat. Dev	9.62	5.53	5.53	5.78	5.78	6.01	6.01	6.18	6.18	66.61
D. Education Development Unit	7.83	10.98	10.98	7.11	7.11	6.07	6.07	6.37	6.37	69.86
Total Outflow	1,037.60	508.51	508.51	482.06	482.06	462.50	462.50	472.47	472.47	4,891.68
Closing Balance(Over draft) Taka	(483.89)	(288.97)	(387.41)	(322.17)	(443.42)	(388.41)	(442.29)	(487.36)	(740.93)	(740.93)
Closing Balance(Over draft) in US \$	(18.06)	(5.56)	(7.64)	(8.19)	(8.52)	(7.08)	(8.80)	(9.56)	(14.24)	(14.24)



BRAC

ব্র্যাক

F H Abed
 Founder & Executive Director

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May 29, 2000

Mr. A. S. H. K. Sadiq
 The Hon'ble Minister of Education
 Govt. of the People's Republic of Bangladesh
 Dhaka

My dear Minister,

Further to our meeting in your chamber this afternoon I write to request your consideration of financial support to BRAC's Non-Formal Primary Education Programme.

As you are aware BRAC currently operates 34,000 one-teacher schools for 8-10 and 11-14 age groups to provide basic primary education to 1.1 million children. This is a second chance for many of these children who would otherwise be deprived of any meaningful learning. Our studies indicate that almost 90% of those completing our curriculum transition on to the higher classes in secondary schools. Our schools are currently entirely donor funded and cost approximately US \$19 per child per year. I am attaching herewith an Appraisal Mission Report and the Evaluation Mission Report on this programme, the authors of which consisted of International Education experts appointed by the Donor Governments such as the British, the Dutch, the Canadian, the European Commission and the Aga Khan Foundation, who have hitherto been the principal donors to this programme.

Although Primary Education in Bangladesh has made significant progress in enrolling close to eighty percent of our children in the primary age group of 6-10, there are some twenty percent who still remain outside the primary school system. In addition, despite progress in reducing dropout from primary schools more than 20% still drop out from primary schools before attaining any meaningful literacy. We are therefore, of the opinion that a non-formal mode is still appropriate and needed to mop up a large group of these deprived children and we consider that BRAC's Non-Formal Primary Education Programme bears great relevance for the attainment of the national goal set by our Hon'ble Prime Minister.



F.H. Abed
Founder & Executive Director

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In view of the above, I hope and trust that the government will find appropriate modality for helping BRAC in this national undertaking. In our view, given the governments agreement in principle, this could be done in a number of ways. Firstly, the Government could provide annual subvention to BRAC to cover teachers salary and cost of books. Secondly, the Government could approve this project and provide salaries directly to the teachers who are currently employed in this programme and provide books free of charge to the children attending the BRAC schools. Thirdly, the Government could request donors to fund this programme under the country frame from bilateral and multilateral donors.

I look forward to your positive response upon receipt of which details, as required, will be furnished.

With kindest regards.

Yours sincerely,

F. H. Abed