

BRAC - DONOR CONSORTIUM

RURAL DEVELOPMENT PROGRAMME - PHASE II
AND
RURAL CREDIT PROGRAMME

MID-TERM EVALUATION

JULY 1992

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1. INTRODUCTION

Background to the Evaluation

1.1 Since 1990 BRAC has been receiving financial support for its Rural Development Programme - Phase II (RDP-II) and Rural Credit Programme (RCP) from a consortium of nine international development assistance agencies comprising:

Aga Khan Foundation (AKF)
British Overseas Development Administration (ODA)
Canadian International Development Agency (CIDA)
Danish International Development Agency (DANIDA)
Evangelische Zentralstelle für Entwicklungshilfe (EZE)
Ford Foundation
Netherlands Organisation for International Development Cooperation (NOVIB)
Norwegian Agency for Development Cooperation (NORAD)
Swedish International Development Authority (SIDA)

1.2 The RDP-II/RCP proposal was appraised by the Donor Consortium during the first quarter of 1989. The project document, dated December 1989, and forming the basis of the funding agreement, specified four main mechanisms through which (a) BRAC could discharge its financial accountability to the Consortium, and (b) the Consortium could satisfy itself that funds were spent in rational pursuit of the mutually agreed objectives and activities. These mechanisms include:

- i) Auditing - The arrangements include the continuation of annual external audits paid for by BRAC, but with provisions for the Donor Consortium to commission the same firm to undertake 'specific auditing tasks' with respect to RDP-II/RCP.
- ii) Reporting - The common framework for BRAC to keep the Consortium informed of substantive progress specifies four main types of report, comprising:
 - * quarterly financial reports;
 - * comprehensive semi-annual narrative and financial reports;
 - * annual audited financial reports;
 - * reports and studies compiled by BRAC's Research and Evaluation Division and through its management information system.
- iii) Monitoring, Evaluation and Impact Assessment - The project document specifies a 'permanent core team' of four members to undertake monitoring visits at least once per year. It also provides for the commissioning of short-term consultants by the Consortium to undertake focused studies and, if necessary, to help BRAC in 'drawing up and implementing a long-term plan for impact assessment'. In addition, the project document specifies that a Mid-Term Evaluation (MTE) should be carried out during the first quarter of 1992.

- iv) Donor Liaison Office (DLO) - The two main purposes of the DLO are specified as being (a) to facilitate the necessary communications between BRAC and the donors, and (b) to prepare and carry out follow-up action as required.¹

1.3 This Mid-Term Evaluation (MTE) has therefore been carried out according to the schedule foreseen in the RDP II/CP minimising disruption to BRAC's ongoing work, particularly because (b) the Donor Consortium had already commissioned five special reviews of different aspects of BRAC's work. These reviews focused in turn on institution-building; expansion of the Non-Formal Primary Education programme (NFPE); training capacity; savings and credit activities; and lending operations for deep tube-wells and power tillers.

Mission Composition

1.4 The arrangement in the project document to rely on a permanent core team to undertake regular monitoring visits, (as mentioned in para. 1.2(iii) above) echoes a proposal put forward in the April 1989 Appraisal Report. The rationale for this idea was that members of the core team would be (or would soon become) familiar with BRAC and would therefore not require lengthy induction into BRAC's operations. In turn, reviews could be kept quite short.

1.5 In assembling the MTE team, the Donor Consortium took a radically different approach. It decided to select consultants who were not familiar in detail with BRAC, including some who had not worked before in Bangladesh. The aim was to avoid evaluative judgements which might have been coloured by experience of BRAC prior to the significant expansion represented by RDP-II/RCP and instead to permit the most objective possible assessment of BRAC's current performance.

1.6 The evaluation consultants began to assemble in Dhaka on January 31, though the team was not complete until the arrival of the financial analyst on 12 February. Team members and their principal fields of responsibility comprised:

Colin Relf	-	Team Leader
Stanley Gajanayake	-	Non-Formal Primary Education
Mario Ganuza	-	Management and Training
Janice Jiggins	-	Gender Issues
Clifton Kellog	-	Financial Analysis
Desingu Setty	-	Institution-Building
Erlend Sigvaldsen	-	Small Enterprise Development

1

Summarised from: BRAC - Rural Development Programme (1990-92) and BRAC Bank Project: Project Document. December 1989. (pages 18-21)

Terms of Reference and Approach Taken

1.7 The terms of reference for the MTE are reproduced as Annex 1 to this report. The approach taken by the team included the following main types of work:

- i) review of information, data and analytical work from a variety of sources within BRAC;
- ii) review of secondary sources of information relating both to BRAC and to the context in which it is operating;
- iii) interviews with senior BRAC managers and programme specialists in Dhaka to gather additional information and to help in interpreting and analysing all available information;
- iv) field visits to as many different parts of BRAC's operating area as possible;
- v) the commissioning of a Special Study on Credit Discipline focusing on credit repayment during calendar 1991 and covering two relatively new RDP AOs and two older-established RCP Branches.

1.8 Field visits In planning its field visits, the team took note of the policy of the Donor Consortium to ensure objectivity in the MTE and accordingly employed three non-BRAC interpreters to accompany different team sub-groups. The aim was not to exclude senior and middle-level BRAC staff from assisting in field investigations: indeed, BRAC staff worked with the MTE sub-groups throughout their field visits. Rather, the non-BRAC interpreters served as objective, disinterested resource persons to permit the MTE team to investigate any topic through any interlocutor with minimal risk of intentional or unintentional colouring of questions and answers.

1.9 The Districts covered by field visits were selected to permit investigations among samples of both new and older-established RDP Area Offices as well as RCP Branches, and included:

Jamalpur	Pabna
Jessore	Rangpur
Narsingdi	Satkhira
Natore	Sherpur

1.10 In each District visited, wide-ranging interviews and investigations were undertaken with BRAC staff at all levels; among Village Organisations (VOs), including VO leaders, sub-groups and individual members/borrowers; at NFPE schools with teachers, pupils and at parent meetings; and with participants at a Workshop in Rangpur organised by the BRAC Women's Advisory Committee (WAC). In Pabna, members of the MTE team met with staff of the Pabna Sadar Upazila local government office to obtain background and contextual information on government programmes and activities

in the fields of education, livestock services, and infrastructure development and maintenance. At the grass-roots level, interviews were also held with local residents who were not members of BRAC, including poor people and better-off land-owners.

1.11 Special Study of Credit Discipline The decision to commission this study was motivated by questions raised by some representatives of the Donor Consortium about the methods used by credit agencies in Bangladesh, including BRAC, for calculating published recovery rates and the possible extent to which these methods might have a masking effect on credit discipline. The study covered two relatively new RDP AOs in Jessore and Mymensingh, both having started operations in 1989, and two older-established RCP Branches in Rangpur and Manikganj, having been in operation since 1980 and 1984 respectively. The study collected data on actual repayments of credit during calendar 1991 in relation to expected repayments for a sample of 100 loans from each AO and Branch. In addition, similar information on capital loan repayments and a further 50 individual borrowers in respect of operating loans.

1.12 Limitations of the evaluation BRAC has now become a large institution in its own right with operational programmes in range of different fields. As a result, some of the issues against which it should be evaluated raise particular difficulties. Three examples serve to illustrate the difficulty in undertaking a definitive evaluation.

1.13 First, questions of the viability and sustainability of the income-generating ventures undertaken by BRAC members with credit support are legitimate aspects of evaluation. Yet these ventures themselves cover quite a wide range of sectors and activities. For each category of venture, considerable detailed investigation would be required at the level of individual enterprises to determine the indicators against which aggregate measures of viability for the population of such enterprises, based on sample surveys, could be undertaken. Measures of technical and financial viability could then lead to theoretical projections of sustainability. Beyond this, as in all enterprises, the prospects for theoretical sustainability to be achieved in practice would depend on separate assessments of the prudence, judgement and managerial ability of those involved. Again, any such BRAC-wide assessment of the prospects for actual likely sustainability would require a major investigation.

1.14 Secondly, and related to questions of viability and sustainability, the assessment of the 'quality' of BRAC's lending portfolio presents particular difficulties, especially if monitoring data do not permit detailed analyses, disaggregated by category and location, of credit repayment discipline and trends in discipline through time.

1.15 Thirdly, BRAC's training activities cover a broad range of different subject matters, types of training, sets of trainees, and training locations. Within BRAC, the different operational programmes including RDP, RCP, NFPE and WHDP, for example, are effectively independent 'customers' of BRAC's training service. Their demand for training derives partly from their expansion plans and partly from periodic policy adjustments and changes in targets affecting such matters as the content of training, and the duration and venue of specific training courses. This inherent complexity of

BRAC's training activities makes it difficult even to draw clear conclusions about achievements against targets. Indeed, it is difficult even to measure BRAC's training capacity when overloading of the system can be coped with by means of increasing the workload on existing training staff and/or changing the location of training activities. At a still higher order of evaluation, definitive conclusions about the quality of training present both conceptual and methodological difficulties which neither BRAC nor external consultants have yet tackled in any detail.

1.16 Against this background, the MTE has not been equipped nor has attempted to undertake either fundamental research or a detailed financial or technical audit of BRAC. Instead, the MTE team has assembled what data and information it could and has attempted to interpret and analyse it. In doing so, it has exercised caution, recognising its limited exposure to BRAC, its activities and members. In turn, while the MTE is reasonably confident about the broad thrust of its conclusions, the team urges that these caveats should be taken into account both by BRAC and by the Donor Consortium.

2. SUMMARY RECOMMENDATIONS

A. Recommendations to BRAC

improving the strategy of aiming for breadth of coverage among an increasing membership as well as the wide range of complementary programmes in institution-building, savings and credit, enterprise development, education, health and legal awareness. In all this work, BRAC's targeting of women has been both appropriate and effective. BRAC itself is a well managed, competent institution which places a high value on the professionalism of its staff and has few peers in Bangladesh. Its programmes are achieving significant results within the social, cultural and economic constraints of rural Bangladesh. Donor support to BRAC for RDP-II/RCP is fully justified and the MTE recommends continuation of funding.

Resource Flows and Utilisation

2.2 Though BRAC has benefitted from the devaluation of the Taka, there have been delays in disbursements from the Donor Consortium by US\$4.6 million by the end of 1991. BRAC should negotiate with the Donor Consortium any changes it feels necessary in disbursement timetables. (para. 4.3)

2.3 In aggregate terms, BRAC has exceeded operational targets in all respects except credit disbursements and has adhered closely to the (revised) budget. The most significant area of under-expenditure in absolute and percentage terms has been in the development of physical facilities for training. Closer coordination is required between the Training and Construction Departments to enable BRAC to adhere to the construction timetable it has set for itself. (paras. 4.7 and 7.75-76)

Credit Management

2.4 There is evidence of slow repayment of principal in the credit portfolio. (para 4.18) But BRAC's current system for tracking loan quality does not provide it with sufficient information to identify a deteriorating situation sufficiently early or in sufficient detail to take corrective action. The key improvement required is the introduction of a more accurate, more sensitive Ageing by Account system. (paras. 5.21-23) In addition, the adoption of a policy on loan write-offs would begin to provide feedback for the periodic review and possible adjustment of the Loan Loss Reserve. (paras. 5.24-27) An important complementary measure must be to improve field office accounting systems and the familiarity of Area/Branch Managers with how to use the improved financial management system. (paras 5.28-29)

Operational Programmes

2.5 Institution-building VOs have shown themselves to be sustainable in terms of their use and repayment of credit. Because of their responsiveness to the work of GSs and POs - and as long as they have continued access to credit - they are also sustainable

as organisations of the rural poor. But they cannot yet be seen as institutions in their own right. In this respect, the work of RCP is regarded as still in the early stages of true institution-building. Only as it develops, with the reduction in separately-funded training and support services, will it be possible to test VO institutional sustainability. Meanwhile, the MTE recommends that both BRAC and the Donor Consortium should recognise the long-term nature of institution-building goals. (para. 6.23)

2.6 Credit activities Rapid expansion has been accompanied by increasing concentration of credit utilisation in a limited number of activities, most notably for rural trading. Possible over-expansion in rural trading could lead to saturation of credit in some parts of the country, especially where there is overlap between BRAC and other rural credit agencies. BRAC should maintain a watching brief to identify a potential risk. (paras. 6.29-6.30)

2.7 Collective loans in general and for irrigation in particular constitute an area of real concern. Based on the general concerns deriving from its own as well as international experience with collective loan schemes, BRAC should be cautious in deciding how far it can go in the trade-off between its social empowerment aims in collective loan schemes on the one hand while also aiming for a sound, disciplined and viable credit portfolio on the other. (paras. 6.31 and 6.37-6.38)

2.8 Non Formal Primary Education BRAC's model for NFPE is simple and effective and the programme is generating excellent results. The planned expansion of the NFPE programme in the context of RDP-II through the project period is feasible and desirable. In the broader context of BRAC's overall expansion plans for NFPE the main area requiring careful planning and the expansion of capacity well in advance is training facilities for new teachers and for the growing numbers of existing teachers who will require refresher training. (paras. 6.56-62)

2.9 The Paralegal Programme The PLP has grown very rapidly (albeit from a small base) during 1991. It is also based on a simple and effective model and is giving good - though as yet somewhat intangible - results. BRAC should continue to expand the operational coverage of the programme on the basis of it being a useful complement to its other activities and services on behalf of its membership. (paras. 6.63-69)

Support Services

2.10 Sector Programmes BRAC's Sector Programmes are making an important contribution to ensuring the viability of specific enterprises undertaken by BRAC members by providing training, extension and other support services. Since the beginning of RDP-II/RCP the programmes have shown excellent adherence to targets - particularly in sectors for which the BRAC model is already well developed. The main area of uncertainty lies in plans for the continuation of Sector Programme services to members in RCP Branches. BRAC's policy of expecting members and VOs in RCP Branches to pay fees directly for Sector Programme inputs has not yet been fully developed or implemented. (para. 7.6)

2.11 The Rural Enterprise Project REP, representing BRAC's own 'think-tank and laboratory' is making an important contribution to diversifying the range of activities and enterprises that its membership can undertake with credit. But REP must also tighten its performance in respect of the determination of its priorities and tasks by introducing annual planning procedures. (para. 7.28) Notwithstanding the care and diligence with which REP tests the viability of new ideas and activities, there is always the possibility that some ideas - or some borrowers trying to follow new ideas - will fail against the real test of local economies. REP needs to develop a policy for responding to the failure of enterprises which it has recommended to RDP/RCP for wider promotion amongst the membership. (paras. 7.21-24)

2.12 The Management Development Programme MDP has a vital role to play - especially in the context of continued expansion - in ensuring the highest standards of professionalism among BRAC's managers. But as yet it is far from being fully geared up. Its first priority should be to build up a team of full-time 'faculty members'. (paras. 7.33-34) There is also more work to be done in curriculum development, including training material in support of the introduction of an improved credit portfolio management system. (paras. 7.35-36) Meanwhile, MDP should not be expected to provide a significant amount of training for external agencies. The implication is that it will require separate funding for some time to come. (paras. 7.38-39)

2.13 Research and Evaluation RED has established an international reputation for the quality of its work. It must continue, however, to guard against the risk of its work programme being driven by an agenda motivated by pure research interests. As a support service to BRAC as a whole, RED should continue to strengthen its relationship with operational programmes; ensure the relevance of its research subject matter to operational issues; and improve the accessibility and usability of research results. (paras. 7.40-49) It would be advisable now to review and clarify the role and mandate of RED; to modify the procedures by which its work programme is drawn up, in the interests of ensuring the relevance of subject matter and methodology; to circulate abstracts of research studies, focusing on policy and operational implications, and including translations into Bangla; and experiment with the development of a 'customer-contractor' relationship with operational programmes. (para. 7.50)

2.14 The Monitoring Department The MD is doing an excellent job with limited staff in developing BRAC's management information system. In this process, however, it must guard against the introduction of changes in data collection formats and schedules at too frequent intervals. (para. 7.65) The Department will have to take a lead in the introduction of the more sophisticated credit portfolio management system recommended by the MTE. This will involve not only the data collection and analysis system but also working closely with RDP, RCP, RED and the Training Department in ensuring that the system is understood and used by HO and field managers. (para. 7.66) The Department should also work closely with RED to develop methodologies for adding to the qualitative dimensions of monitoring progress in institution-building among VOs. (paras. 7.67-68)

2.15 The Construction Department Having developed a range of standard designs for different BRAC buildings, and having built up an extensive team of engineering supervisors, the CD can now handle the majority of BRAC's building programme in-house in what appears to be a cost-effective manner. It faces two main problems, however, both of which reflect on its working relationship with client departments. First, there are frequently delays in acquiring sites for planned new buildings and this prevents the CD from being able to complete new work on schedule. Secondly, because it is the client departments which are responsible for land acquisition, sites are sometimes irregular, low-lying or otherwise unsuitable and remedial work can lead to cost increases. The MTE recommends closer collaboration, communication and coordination between the CD and its client departments and the commencement of land acquisition procedures further in advance. (paras. 7.75-76)

Effects, Impact and Sustainability

2.16 There is ample evidence of positive beneficial effects of BRAC's credit, education, health and other programme services. It is still too soon, however, to assess the wider, deeper impact of these benefits. The MTE endorses BRAC's policy that RCP should be fully self-financing but notes that plans for achieving this have not yet been fully developed. A number of issues and problem areas need to be addressed and the most important of these, together with proposed action are listed in the text. (Table 8.3) While tackling these issues, BRAC should also move as expeditiously as the political environment permits to seek a bank charter for RCP.

Management and Organisational Capacity for Further Growth

2.17 The conclusion of the MTE is that BRAC has sufficient experience, momentum and flexibility to give it a positive capacity for further growth. The very rapid expansion that has already taken place since the beginning of RDP-II/RCP has, nevertheless, produced some signs of strain. The strain manifests itself in BRAC's training services and in issues of housing and other conditions of service; the integration of female staff; the criteria for promotion as between qualifications and experience; uncertainty about ensuring the application of initiative and personal discretion among field staff; and different work schedules required in different programmes.

2.18 Organisational structure There are some aspects of BRAC's structure and the location of some departments and units which are somewhat unusual. (para. 9.5) They do not, however, prevent effective and efficient working relationships. Of more concern is that BRAC has now outgrown its main HO building and has had to spill over into a nearby rented annex. Given the importance of proximity and interaction among different parts of the organisation, the MTE endorses BRAC's plans to build a new HO building which should be large enough to accommodate all operational and support service units. (para. 9.7)

2.19 Gender issues Recent efforts to increase the proportion of female staff are wholly appropriate to BRAC's mission and to the structure of its membership. Through its 'high flier' promotion policy, BRAC is on track to promote more women to middle and senior levels of management. At junior levels BRAC should take care not to place

too much emphasis on the academic qualifications of recent recruits but should also take account of experience and track record among women who joined earlier with lower qualifications. BRAC should also begin to develop policies with respect to the terms and conditions of service of female staff - particularly in respect of married women and maternity leave arrangements. (para. 9.14)

2.20 Management issues Concerns about the possible adverse effects of rapid expansion on management efficiency and quality are largely unfounded. In its management culture, BRAC has been able to retain much of the openness and personal contact with which it began. There is no evidence of incipient bureaucracy in the management system. On the other hand, expansion is leading to a well-qualified but young, relatively inexperienced team of field workers. BRAC must guard against the risk of field staff taking a mechanistic approach to their work in forming VOs and in supplying credit, motivated by a desire to adhere to targets. (paras. 9.22 and 9.27-28)

2.21 Management by personal contact: The only type of meeting whose frequency may have to be reduced is the current monthly meeting of Programme Directors/Coordinators with Regional and Area/Branch Managers, some of whom devote up to three days travelling and attending them. (paras. 9.23-25)

2.22 Training BRAC's internal training service, both for members and staff induction training, is showing signs of strain in respect of physical facilities as well as staff workload. This strain is not, however, discernible in any immediate effects on the quality or effectiveness of operational activities. Nevertheless, the strain is due to the failure (a) to adhere to BRAC's own timetable for the construction of new facilities, and (b) to increase the number of fully trained trainers in anticipation of increased demand for training services. In the view of the MTE, the most pressing issue is to do all possible to catch up with targets to expand the physical capacity for training, in line with the recommendations for improvements in the working relationship between the Construction Department and its in-house clients. There is also a need to select and train new training staff much earlier - in anticipation of need - to ensure that the workload imposed on them does not run the risk of fatigue and loss of quality. (para. 9.35)

B. Recommendations to the Donor Consortium

2.23 For future evaluations, the Donor Consortium should ensure a balance in the composition of missions between consultants familiar with BRAC and those able to bring fresh perspectives to bear, based on international experience. Smaller review teams incorporating specialisms in areas of acknowledged concern would be more effective. In addition, the Consortium should plan to hold some future meetings at BRAC Area/Branch Offices, with time devoted to visiting BRAC operations in the field.

C. Issues for the 1994 Evaluation of RDP-II/RCP

2.24 Issues likely to be of importance for consideration by the final evaluation of RDP-II/RCP are:

- i) the evolution of RCP, including the access of women to credit and the internal financial sustainability of the programme - with or without having obtained a bank charter;
- ii) the evolution of VOs as well-rooted rural institutions, including BRAC's ability to monitor institutional maturity and manifestations of empowerment;
- iii) RED's progress in providing relevant and accessible research results on socio-economic effects, in particular the comparative experiences among sectoral programmes;
- iv) BRAC's progress toward incorporating women into middle and senior management positions, and the development of organisational capacity for ongoing gender adjustments in programmes and staff relations;
- v) progress towards establishing sericulture and poultry as vertically-integrated industries owned and managed by women;
- vi) progress in pursuing the technical, financial, managerial and social viability of collective loans, particularly for deep tubewells.

3. BRAC IN CONTEXT

3.1 BRAC has defined its role in terms of its composite objective of poverty alleviation and empowerment. This Section of the report provides a brief contextual analysis of the issues of poverty, alienation and lack of power among BRAC's target

Poverty in Bangladesh

3.2 Poverty in Bangladesh is endemic - and has been so since long before independence. As such it presents two fundamental development challenges. First, it presents the structural challenge of devising a comprehensive national development strategy capable of holding out some prospect for overcoming the interwoven factors which have not only been the causes of poverty but which still perpetuate it. Such a strategy would need to include dimensions in agricultural and industrial development; social policy including population planning; institutional development; education and human resource development; and many other fields, even including an equitable, rational system of local government. Secondly, even short of tackling the causes, the endemic, pervasive and chronic nature of poverty presents the simultaneous need for an immediate and continuing response in an attempt to mitigate the worst of its effects.

Economic and Social Indicators of Poverty

3.3 Economic indicators The first, most crude, yet widely used indicator of poverty in Bangladesh is that GDP per capita in 1989 was as low as US\$180 the same as in Nepal, about half the level in India and only about 40% of the level in Sri Lanka, as shown in Table 3.1 below. Population density is extremely high, at almost 800 persons per square kilometre - nearly 3.5 times the population density of its neighbour, India. In terms of cultivable land, the population density is about 1,100 per sq.km. - 11 people for every hectare. Meanwhile, the population continues to grow unacceptably rapidly, with estimates as high as 2.4% per annum demonstrating the magnitude of the challenge in economic growth and development even to begin to make progress in lifting per capita GDP.

3.4 An obvious corollary of population density is low average land-holdings. Beyond this, the inequitable distribution of land means that functionally landless households (defined as owning less than 0.5 acres) account for up to 65% of the rural population. Given the dominant role of agricultural production in the rural economy and the paucity of non-agricultural employment opportunities, this has knock-on implications for nutrition. In terms of income, the Bangladesh Institute for Development Studies (BIDS)

TABLE 3.1: Comparative Socio-Economic Indicators - South Asia

INDICATOR	BANGLADESH	NEPAL	INDIA	SRI LANKA
Income per person (US\$ 1990)	180	180	340	430
Population 1990 (millions)	115.6	19.1	853.1	17.2
Share of Government Expenditure (%)				
Health	10	6	2	6
Education	11	9	3	11
Defence	10	7	19	7
U5MR ¹	180	189	142	35
Adult Literacy				
Male (%)	47	38	62	93
Female (%)	22	13	34	84
Primary School Enrolment ²				
Male (%)	76	112	114	108
Female (%)	64	57	83	105
Life Expectancy 1990 (years)	52	52	59	71
ODA inflow US\$ millions 1989 (disbursement basis) ³	1,791	488	1,874	558
ODA per person US\$	15.50	25.50	2.20	33.00
Debt Service Ratio (% of Exports in 1989)	14	13	19	13

SOURCES: UNICEF 1992
World Bank 1990a

NOTE: 1 Under five mortality rate.
2 By age cohort, rates can exceed 100%.
3 Official Development Assistance.

has estimated that in 1989 some 55% of the population were living in absolute poverty - with incomes below the level needed to be able to consume 2,122 calories per day, the widely recognised crude minimum level for subsistence.²

3.5 Labour force growth, at about one million persons per annum, is probably an under-estimate, masking the real demand for employment and income among women and adolescents. Nevertheless, it overwhelms annual growth in employment opportunities, estimated at between 600,000 and 750,000 new jobs per annum. In practical terms even the concept of an equivalent full-time job hardly applies in rural Bangladesh where for the rural poor it is a matter either of putting together a mosaic of seasonal, short-term, part-time jobs on a continuing basis or, probably increasingly, of seeking income through self-employment in trading and services. The corollary of this is that real wages in the rural areas - as indicated by the agricultural wage rate - have stagnated over the past decade, as shown in Table 3.2.

3.6 Social indicators Inevitably, the economic indicators of poverty briefly outlined above are reflected in a range of human and social indicators. The infant mortality rate in Bangladesh, for example, is 110 per 1,000 - the second highest rate in South Asia, after Nepal. Severe malnourishment is estimated to affect 10% of children under 5 years old, while a further 40% are mildly or moderately malnourished. Moreover, the incidence of malnourishment, stunting and infant mortality is significantly higher among girls - an indirect but nevertheless clear reflection of their perceived lack of value in the cultural and economic framework of rural Bangladesh.

3.7 Other social indicators, interwoven with those of population growth, economic hardship, malnourishment and infant mortality, show how broadly, how comprehensively and how intricately poverty is perpetuated. Adult literacy is very low, at about 43% among men and only 22% among women. Here again, the low female literacy rate reflects the low status of women. Yet international experience shows that as long as the literacy rate remains so low the prospects either for lifting living standards or for reducing population growth are bleak. One of the starting points is obviously education, where enrolment rates in public sector schools are only 71% for boys and again significantly lower for girls, at 50%. Not only this, but drop-out rates are extremely high. More encouragingly, however, as this evaluation will show, low enrolment and high drop-out rates do not reflect a fundamental lack of interest in education among the poor nor even a lack of willingness to make sacrifices in household survival strategies to permit children to attend school. Rather, they appear to reflect the ineffectiveness of most public sector schools and the perceived poor value for money and time they represent.

²

H.Z. Rahman and M. Hossain (eds): Re-Thinking Rural Poverty - A Case for Bangladesh. BIDS, Dhaka. January 1992.

TABLE 3.2: Real Agricultural Wage Rates in Bangladesh 1980-1987
(Tk/day, without food, 1973/74 prices)

	1980/81	1984/85	1985/86	1987/88
National Average	6.53	6.93	9.00	7.06
Districts				
Rajshahi	5.83	6.25	7.11	5.67
Khulna	6.65	7.02	7.60	6.33
Dhaka	6.46	6.12	7.44	6.71
Chittagong	7.44	8.70	9.87	8.88

SOURCE: World Bank 1990

Qualitative Characteristics of Poverty

3.8 The combination of already pervasive poverty and high population growth on the one hand, with the severe paucity of new opportunities, even new ideas and visions for economic development on the other, constitutes a trap from which the existing and future population will find it difficult to break free. Even in the best of circumstances, the poor and near-poor are highly vulnerable to successive ratchets of impoverishment. In addition, both they and the country as a whole are highly vulnerable to external shocks beyond their control. These range from floods, cyclones and other natural disasters to the volatility and inherent insecurity of export markets for agricultural commodities, exemplified best, perhaps, by jute.

3.9 Poverty also leads to alienation. Social, political and even government structures are perceived by the poor to work against their interests. Alienation is clearly revealed by the conclusions of one field-based study:

'They (the rural poor) seem to take it for granted ... that it would be the rich who were the first to read any ~~benefit~~ understanding of which the poor have of the nature of the government is based on the experience they have from meeting government officials in the rural areas. These meetings have generally resulted in their being exploited and discriminated against by the officials. ... they know how officials have sided and been aligned with the rich in cases of conflict. In short, they believe that there is nothing they can gain from the government officials and that the best thing is to avoid them. The poor are ... (also) ... too disorganised and split through alliances with their different rich patrons to be able to unite and protest against misallocations in general.'³

3.10 At the heart of the issue, poverty means lack of access to and control over resources, which itself has several dimensions. Data on landlessness noted earlier demonstrate how the poor lack access to this most important economic and productive resource. UNICEF has also estimated that only about 13% of the rural population have effective access to government health services. This lack of access also applies to other important services such as agricultural extension and credit. More generally, the poor have little direct access to or influence on the social and political structures of rural society. They are instead highly dependent on those who are better off, including both landowners and traders, giving rise to the well-known network of client-patron relationships.

3.11 Characteristics of poverty among women Against this background of what poverty means and how it affects the poor in general, women are particularly disadvantaged. As already noted, the national female literacy rate, at about half that of men, is one yardstick. In terms of employment, however difficult it may be for men

³

Eirik G. Jansen: Rural Bangladesh - Competition for Scarce Resources. University Press, Dhaka. 1987. (pp 264,265)

to find job opportunities and to complete what has been described as the mosaic pattern of employment, it is certainly far more difficult for women. Even when women can find employment, the wages they receive are generally lower than those of men. Nor is it just the characteristics of the rural economy in general that put women at such a disadvantage. Within their own households, women face a second - often more powerful - disadvantage because they generally lack access to and control over family resources. They also have at best only a minor role in household decision-making, including such basic decisions as the number of children they have and whether or not they are sent to school.

3.12 A disproportionate number of poor women are divorced or abandoned without access to land or any other means or opportunity to earn an adequate income. Inheritance laws discriminate against them when their husbands die or leave them. And with cultivable land under so much pressure of population it is difficult to see how this might change. Approximately 23% of all households are headed by women (including widowed, divorced, separated and never-married). These, then, are among the poorest of the poor and should rank high in the target groups of many government services. Yet again, while the poor in general are alienated and poorly served, poor rural women are even worse off.

Recent Trends and Windows of Success

3.13 Detecting and interpreting trends - let alone projecting them - requires extreme caution. At one level, Bangladesh has maintained balance and equilibrium, albeit at a very low level, despite rapid population growth, a weak institutional structure to respond to poverty and a series of natural disasters over the past few years. Indeed, the resilience of the rural poor is remarkable. During the mid-1980s there was even some evidence of rises not only in foodgrain production per person but also in real agricultural wage rates. Since then, however, both have either stagnated or fallen. But it is beyond the scope of this evaluation to enter the difficult and contentious debate about detailed trends in the incidence or depth of poverty. It is instead sufficient to recognise that in absolute terms the problem of poverty is enormous, affecting not less than 45 million people.

3.14 There have, nevertheless, been some notable successes. In the mid-1970s, before the introduction of directly-targeted food aid programmes, wheat was hardly grown at all in Bangladesh. Now it has grown to be an important winter crop, particularly in the north-west of the country, having reached an apparent plateau of annual production of about one million tonnes.

3.15 In the health field, oral rehydration therapy (ORT) which was first developed in Bangladesh has been shown to be an effective and inexpensive method of treating diarrhoeal diseases and has spread throughout the country in as little as ten years. Child immunisation is also now better understood and reaching a significantly higher proportion of the rural population than it was a decade ago.

3.16 One of the fastest-growing services for the rural poor over the past fifteen years has been credit, providing new income and employment opportunities, much of it targeted on poor rural women. The main innovator in this field and now the largest, best-known agency is the Grameen Bank. Today, however, there many agencies including both government and non-government programmes providing rural credit services reaching in the order of 2.5 million households - equivalent to about 14 million people.

The BRAC Approach

3.17 Evolution of the BRAC approach The most significant development of BRAC since its inception has been not so much its growth in geographical coverage, membership, staff strength and the like, rapid though this has been in recent years. Rather, it is important to note how BRAC's strategy has evolved through time. It began, with its post-war relief work in 1972, by responding to the most immediate effects of poverty, deprivation and destruction. This developed into a more structured, programmed approach, though still focusing on the effects of poverty through such initiatives as the spread of oral rehydration therapy and child immunisation. This work also brought BRAC into the field of functional education because the success of these programmes depended closely on the way in which treatments were discussed with and understood by the target group. Thereafter, with the introduction of the Outreach Programme, BRAC began to work even more closely with groups of the rural poor, helping them to develop some institutional cohesion and to overcome the alienation that deep and chronic poverty brings with it.

3.18 More recently, through its work in credit services, NFPE, family planning and health education, BRAC has clearly moved even further towards tackling the causes of poverty. BRAC's access to resources from the RDP-II/RCP consortium and other donors has enabled it to pass on that access to its members. In this process it has by no means abandoned its earlier, smaller scale and more narrowly-defined work. Rather, it has attempted to preserve and build on its own experience as well as that of other agencies and programmes. An example of this is the way in which the development of understanding of women's particularly disadvantaged position, both in society as a whole and within the household, has led BRAC to give them priority within its overall target group.

3.19 Current strategy BRAC's current strategy, already revealed by its composite objective of poverty alleviation and empowerment, recognises that economic benefits accruing from the use of credit are not alone sufficient to overcome poverty. Credit services do make a contribution to empowerment and to reducing alienation because they provide access to resources and opportunities which otherwise would have been denied to the rural poor. But in BRAC's perspective and strategy credit services must be complemented by additional specific measures for empowerment. This is why BRAC retains institution-building as an explicit field of work in combination with NFPE and its other operational programmes and why it also stresses social change as one of the downstream effects of its work. A key part of all this work is to provide mechanisms through which BRAC members themselves can enhance their awareness (a) about the

causes of their poverty and of the inequity in economic and social relationships, and (b) about how to overcome them. BRAC recognises that social change can be achieved only by those within a society, not prescribed or imposed from outside.

3.20 Poverty alleviation and empowerment in BRAC's strategy For BRAC, then, poverty alleviation and empowerment are inseparable, mutually reinforcing aspects of its strategy. One cannot be achieved without the other and each objective has equal value and importance. This much is clear among most BRAC staff. Unfortunately, however, the concept of empowerment is not explicitly defined by BRAC and its meaning can only be discerned through discussions with senior managers. These show ~~increased~~ increased access to and control over economic resources; increased influence in the political process; re-negotiation of production relations; reduced dependence and entrapment imposed by invidious patron-client relationships; and, for women, the effective re-negotiation of their status within the household. The second element of empowerment - derived from the combination of re-negotiated status and access to credit - is the ability of the poor to generate additional income through the productive use of new resources.

3.21 The intertwining of poverty alleviation and empowerment can be illustrated through the key steps in the application of BRAC's basic model which can be characterised as:

- i) **Mobilisation:** This involves identifying and selecting new members and promoting and facilitating group formation.
- ii) **Organisation:** Organising the new members into small, self-contained structures of sub-groups forming VOs is intended to promote solidarity and cooperation. BRAC's organisational model, involving sub-groups of typically 5 members amalgamated into VOs with an average of about 50 members is rather different from the models used by many other agencies, whose village-level groups commonly range from about 12 to 25 members. The BRAC model is interesting because (a) it recognises the importance of cohesiveness and shared interests and responsibilities in the very small sub-groups, while (b) it makes it easier and cheaper for BRAC staff to reach and provide assistance to the second tier of the organisational structure, the larger Village Organisations. The model also provides for separate organisations of male and female members.
- iii) **Awareness-raising:** This is where BRAC works with new members, to encourage and help them to understand and articulate the reasons for their poverty and to begin to think about their potential for growth and development as individuals and as groups. Functional education and training are particularly important in this early part of the process, the aim being to progress seamlessly from awareness-raising to the development of leadership, planning, management and practical skills among the VO members.

- iv) **Credit and Technical Training:** Access to credit as a real, tangible resource is not provided immediately but only when new groups are judged to be sufficiently well-formed and sufficiently prepared to use it effectively and reliably.
- v) **The RDP-RCP Transition:** The last step in the current model is the transition of an Area Office under RDP, with all its members and VOs, to become a Branch Office under the self-sustaining rural banking operation of RCP. Even more than the original delay between VO formation and the provision of access to credit, each RDP AO has to meet clear criteria to qualify for the transition, including a minimum of four years in operation, a minimum membership of about 6,000, and a threshold of savings and credit activities.

3.22 The sequence of steps in the model summarised above incorporates what BRAC expects to be different levels of empowerment. The second and third steps of organisation and awareness-raising, even without credit, are expected to promote empowerment through the process of getting new members to think about their potential, their rights and their reasonable expectations. This is consistent with the first element of empowerment discussed above. Access to credit - more specifically, the successful utilisation of credit - then becomes a confirmation of the second element of empowerment. The provision of technical training, endowing members with new skills, is an equally important practical form of empowerment. These aspects of empowerment are expected to be felt first by individual members and sub-groups and to be appreciated particularly keenly among women. Thereafter, as VOs become more securely established, BRAC hopes that they will feel empowered to take wider initiatives on behalf of their members, including negotiating improved production relations in the local economy and improved access to resources beyond those supplied by BRAC. In the transition from RDP to RCP, the focus of empowerment is even more clearly on the higher level of the VOs, for the success and sustainability of each RCP Branch depends very closely on the continued successful use of credit, and the exercise of empowerment that goes with it, by all the VOs within the Branch.

Operational Policy

3.23 Where overall strategy spills into operational policy is on questions of the scope, duration and intensity of direct work with the membership. Here, BRAC has an explicit policy of expanding its activities to new areas rather than intensifying its work and/or intensifying the benefits that can be derived from its assistance among a limited number of members. The rationale for this seems to have three main dimensions. First, and most importantly, BRAC simply sees the need to reach as many of the rural poor as possible even if this means that most will only be able to raise their level and security of living quite modestly. Secondly, BRAC is still learning about how rapidly their members can expand their horizons of choice and scale in setting up more ambitious ventures using higher levels of credit and involving more complex management decisions. It is also learning how to discern differences in entrepreneurial potential among different individual members, sub-groups and VOs. Thirdly, senior BRAC

managers are also aware of the risks of distortion and of too much dependence if it intervened too deeply in the rural economy or if it were to intensify its work to such an extent almost to create a separate 'BRAC' component of the rural economy.

Implications for Evaluation

3.24 The evaluation endorses BRAC's strategy and policy in aiming for breadth rather than depth of assistance and benefits. The implication, however, is that it would be unrealistic to judge the effectiveness of BRAC's work in terms of the elimination of poverty among its members. Moreover, as yet it would be unrealistic even to assess BRAC in terms of its contribution to the alleviation of poverty and inequity nationwide. BRAC is already a very large NGO. But against the magnitude of the rural poverty problem in Bangladesh its capacity is still limited. Even at a steady compound rate of growth in membership as high as 15% per annum from its current base it would take BRAC some 25 years to extend its coverage to 22 million people. This is why BRAC wants its operational work not just to be successful at the interface with its members - on whatever scale its resources permit. It also wants to provide models that can be used by others, influencing the system as a whole, including other NGOs and government programmes and services.

3.25 In sum, BRAC is already showing that a comprehensive anti-poverty strategy for Bangladesh must at least combine income generation with improved social services in the fields of education, health, family planning and law. And to be effective, all this must be accompanied by social change within and beyond the household. But given the depth and magnitude of the task, BRAC alone cannot be expected to make a difference at the macro level in the short or medium term, no matter how effectively it reaches its target group. This is why BRAC must continue to show itself as a centre of excellence so that it can exercise the maximum possible influence on the work of other government and non-government organisations with similar aims and objectives.

4. PERFORMANCE IN RESOURCE UTILISATION

Overview of Programme Costs and Resource Availability

4.1 Budgets At the inception of RDP-II/RCP, the Donor Consortium had committed a total of US\$49 million. This comprised US\$18.2 million for RDP-II and US\$30.8 million to establish RCP. The RDP-II budget has been revised twice, in May and December 1991, the most recent having risen to just over Tk.920 million. This represents almost 60% more than the original approved budget of Tk.577.7 million. In dollar terms, devaluations of the Taka have reduced the effect of these upward revisions. The original budget was based on a Taka/US\$ exchange rate of 31.7:1. Since then the Taka has lost just over 20% of its value against the US\$, the rate now used being 40:1. Hence, the budget increase calls for a total donor allocation equivalent to US\$23 million, some 26% higher than the original budget. The RCP budget has been revised once, in December 1991.

4.2 There have been several reasons for the upward revisions in budgets. These have included plans to open an additional 10 new RDP AOs during 1991/92; increases in scope of work in the fisheries, irrigation, sericulture and other sectoral programmes; increases in capital expenditure owing partly to higher than expected unit costs in opening new AOs and partly to the opening of an additional Regional Office; higher than expected costs associated with the MDP centre at Rajendrapur; and an increase in the forecasted number of loans to members.

4.3 Disbursements For both RDP and RCP, disbursements have fallen behind schedule. For RDP-II, over the two full years from January 1990 to December 1991, disbursements were Tk.85 million (US\$2.13 million) behind schedule while for RCP the shortfall was Tk.99 million (US\$2.47 million).

4.4 Cumulative loan disbursements through RDP-II/RCP had risen from Tk.460 million in December 1989 to Tk.1,464 million by the end of 1991 - an increase of 218% in 24 months, equivalent to an annual average growth of 78.4%. Over the same period, gross loans outstanding rose by 229%, from Tk.185 million to Tk.609 million.

Operational Performance and Adherence to Budget

4.5 Operational performance Table 4.1 below summarises BRAC's operational performance in respect of the key indicators of numbers of RDP AOs and RCP Branches, village coverage, membership, credit disbursements, savings and gross loans outstanding. This shows that in every respect except credit disbursements, BRAC has exceeded forecasts. Perhaps the two most encouraging indicators of over-achievement are the 13.3% higher than planned level of membership by the end of 1991 and the 27.8% higher than forecasted level of savings. Together, these seem to confirm not only the strong grass-roots demand to join BRAC but the willingness of the rural poor put in what they can. More encouraging still is to examine the change in average

TABLE 4.1: RDP II and RCP Operations, Credit and Savings Performance January 1, 1990 through December 31, 1991

	December 1989	RDP II		RCP		TOTAL	
		Target	Actual	Target	Actual	Target	Actual
Area Offices	80	80	90	30	30	110	120
Villages	4,238	3,600	3,516	1,500	1,682	5,100	5,198
V.O.'s	8,263	7,200	7,689	3,000	3,687	10,200	11,376
Male	40%		34%		35%		
Female	60%		66%		65%		
Members	460,764	378,000	397,005	150,000	201,118	528,000	598,123
Male	36%		33%		31%		32%
Female	64%		67%		69%		68%
Disbursements (Tk million)	460	757	672	431	332	1,188	1,004
Gross Loans O/S (Tk million)	185	314	321	291	288	605	609
Savings (Tk million)	45	90	111	72	96	162	207

SOURCE: RDP and RCP Statistical Report (Dec 1990)
 Monitoring Department Dec 1991 Preliminary Report
 Finance Department Dec 1991 Quarterly Finance Report
 RDP and RCP Budgets Prepared Nov 1991; approved by Donor Consortium Dec 1991.

savings per member since December 1989. At that time, average savings were just under Tk.100 per member while over just two years average savings had climbed to Tk.346 per member.

4.6 Adherence to budget in RDP-II In overall terms, RDP-II has adhered very closely to budget, with a level of underspending of just 1.04% by December 1991, as shown in Table 4.2 below. Looking more closely at the different components of expenditure, however, reveals some quite wide variations. Under-expenditure, both in absolute and percentage terms has been in the construction of TARC's, some Tk.17.8 million or 45% below budget. This is accounted for principally by the long delay in commencing the construction of the new TARC at Comilla, scheduled for January 1991 but postponed for more than a year owing principally to the need for structural re-design. In more detail still, although BRAC is keenly aware of the risk of inflation in prices when it is known to be seeking land for new premises of any kind, leading it to take a cautious approach which itself can cause delays, the land procurement and development component of the budget for new TARC's was already overspent by Tk.2.7 million.

4.8 The second most significant area of under-expenditure, again both in absolute and percentage terms, is the MDP, at Tk.11.8 million or nearly 20% below budget. Here the situation is quite complicated because on the one hand the new MDP centre at Rajendrapur was some Tk.13.1 million over-budget, while on the other, the planned Principal Management Training Centre in Dhaka was not begun owing to delays in land procurement. Not only this, but MDP is still far from being fully operational, not having yet assembled its planned complement of core, full-time training staff. The result has been under-expenditure in the recurring, operational budget. Projecting forward, however, if the experience with Rajendrapur construction costs applies to other capital items in the MDP budget and when MDP's operational capacity becomes fully developed, the net underspending so far could well be reversed. This calls for close monitoring of the total MDP budget.

4.9 Areas of over-expenditure The main areas of over-expenditure in RDP-II have included institution-building, employment and income-generating activities, IGVD, and the operating costs of Area and Regional Offices, as shown in Table 4.2. The first three of these four areas are not major budget items and their rates of over-expenditure, ranging from 10-12%, account for a total of Tk.12.5 million or 1.8% of total expenditure. Office operating costs, on the other hand, represent the third largest item in the RDP-II budget after the revolving loan fund and NFPE. The 12% over-spending on this item alone accounts for Tk.14.2 million. There were two main reasons for the over-spending. First, salaries and benefits were over budget owing to higher than expected owing to start-up costs. This is something which should be taken into account in modifying the budgets for further new field offices. The second main area of over-spending was on stationery, largely owing to the introduction of new collecting forms and the associated instruction manual.

TABLE 4.2: RDP II Financial Performance to Budget; Funding Statement January 1, 1990 through December 31, 1991 (Tk million)

	Budget ¹	Actual	Over/Under	Variance Amount	%
A. Core Program					
A.1 Institution Building	28.2	31.2	Over	3.0	11%
A.2 Empymt & Inc. Generation	50.7	57.6	Over	6.9	14%
A.3 Branch, R.O. Op. Ex	114.3	128.5	Over	14.2	12%
A.4 Branch, R.O. and H.O. Capital Investment	56.7	56.6	Under	(0.1)	0%
A.5 Loan Revolving Fund	177.2	169.4	Under	(7.8)	-4%
A.6 Support Service:					
A.6.1 Expansion Existing TARCS	9.5	9.4	Under	(0.1)	-1%
A.6.2 TARCS	39.2	21.4	Under	(17.8)	-45%
A.6.3 REP	8.8	8.0	Under	(0.8)	-9%
A.6.4 Research & Evaluation	5.4	5.8	Over	0.4	7%
B. Sectoral Programme					
B.1 NFPE	125.5	129.5	Over	4.0	3%
B.2 MDP	59.3	47.5	Under	(11.8)	-20%
B.3 IGVGD	26.8	29.4	Over	2.6	10%
Total Funds Expended	701.6	694.3	Under	(7.3)	-1%
Net Interest Income	(48.5)	(50.2)	Under	(1.7)	4%
Funded by BRAC	(3.9)	(3.9)	Over	0.0	0%
Total Funding Required	653.1	640.2	Under	(12.9)	-2%

1. This is the December 1991 budget used by BRAC for reporting purposes. It reflects the original budget plus two revisions approved by the donors in May and December 1991.

4.10 Adherence to budget in RCP The RCP Balance Sheet to the end of calendar 1991 is presented in Table 4.3. The overall balance is 11% higher than expected and on the assets side this is almost wholly accounted for by the line for current assets of Tk.79.6 million which was not included in the original budget. Among other budget lines, as with RDP-II, there are wide variations, ranging from 8% over budget on the liabilities side for the BRAC loan to 52% under budget on the assets side for cash in hand. These are discussed in summary terms below.

4.11 RCP Balance Sheet While there are several lines under budget in the Balance Sheet, there is almost an inverse correlation between their magnitudes in absolute and percentage terms. The greatest percentage variation between budget and actual, for example, of 52% applies to cash assets, the smallest of all line items, budgeted at Tk.6.1 million, and representing only 1% of the total expected assets. The second greatest variation of 37% under budget applies to depreciation, the second smallest budget line at Tk.6.7 million. On the other hand, the two largest line items on the assets side - investments and net loans - account for 46% and 45% respectively and since the former was over budget modestly at about 3% while the latter was under budget by 2%, together they have little effect on the overall picture.

4.12 If it were not for the Tk.79.6 million in current assets shown in Table 4.3 (which, as noted in para. 4.9 above, had not been included as a line item in the original budget) the variation between budgeted and actual amounts would have been only 1.7% under budget. In fact, some Tk.68.1 million of this current asset amount is cash in the Bank while the remainder comprises advances to staff for operational expenses and cash in transit. This is another learning experience, showing that BRAC should include a current asset line in future budgets.

4.13 The majority of the Tk.69.0 million over budget amount shown on the assets side of the Balance Sheet is assigned to current liabilities and to the BRAC loan on the liabilities side. In addition, higher than expected members' savings, already noted above, shows in the RCP Balance Sheet as the highest over-budget amount on the liabilities side, at Tk.10.9 million.

4.14 RCP Income Statement The bottom line of RCP's Income Statement, presented in Table 4.4, shows an actual net operating profit of Tk.17.9 million, some 12.6% higher than expected. This was derived not from income, which in fact fell short of budget by a modest 2.4%. Nor was it derived from savings in operating expenses which, as in RDP-II, were over budget by 5.7% for Branch and Regional Offices combined. Rather, it can be traced principally to significantly lower than budgeted depreciation allocations at Head, Regional and Branch Offices. There are two main reasons for this. First, lower than expected capital expenditure has obviously reduced the value of assets to be depreciated. Secondly, however, BRAC has lengthened the time-scale for depreciating furniture and fixtures from 6.6 to 10 years. While this obviously benefits the Income Statement, in practical terms it may be over-optimistic. Finally, the significant over-achievement of nearly 27% in interest on deposits can again be traced back to the higher than expected build up of savings by BRAC members.

TABLE 4.3: RCP Financial Performance to Budget: Balance Sheet as of December 31, 1991

	Budget ¹	Actual	Over/Under	Variance Amount	%
Assets					
Cash	6.1	2.9	Under	(3.2)	-52%
Investments	281.1	289.2	Over	8.1	3%
Current Assets	0.0	79.6	Over	79.6	na
Net Loans	275.0	272.4	Under	(2.6)	-1%
Fixed Assets	53.9	38.4	Under	(15.5)	-29%
Acc. Depreciation	6.7	4.2	Under	(2.5)	-37%
Net Fixed Assets	47.2	34.3	Under	(12.9)	-27%
Total Assets	609.4	678.4	Over	69.0	11%
Liabilities					
Members Savings	86.2	97.1	Over	10.9	13%
Group Tax	25.4	24.7	Under	(0.7)	-3%
Total Deposits	111.6	121.9	Over	10.3	9%
Current Liabilities	0.0	15.3	Over	15.3	na
BRAC Loan	487.0	528.3	Over	41.3	8%
Total Liabilities	598.6	665.6	Over	67.0	11%
Equity					
Excess for 1990	(5.1)	(5.1)	na	0.0	0%
Excess for 1991	15.9	17.9	Over	2.0	13%
Total Capital	10.8	12.8	Over	2.0	19%
Total Liabilities & Capital	609.4	678.4	Over	69.0	11%

27

SOURCE: RCP.

1. This is the December 1991 budget used by BRAC for reporting purposes. It reflects the original budget plus one revision approved by the donors in December 1991.

TABLE 4.4: RCP Financial Performance to Budget: Income Statement January 1, 1990 through December 31, 1991

	Budget ¹	Actual	Over/Under	Variance Amount	%
Income					
Investment Income	22.8	21.3	Under	(1.5)	-7%
Loan Interest Income	38.1	40.1	Over	2.0	5%
Total Income	60.9	61.3	Over	0.4	1%
Interest Expense					
Interest on Deposits	6.3	8.0	Over	1.7	27%
Net Interest Income	54.6	53.3	Under	(1.3)	-2%
Operating Expenses					
Branch Operating Expenses	22.9	24.2	Over	1.3	6%
R.O. Operating Expenses	1.5	1.6	Over	0.1	7%
H.O. Operating Expenses	2.5	2.3	Under	(0.2)	-8%
Branch Depreciation Expense	3.5	1.0	Under	(2.5)	-71%
R.O. Depreciation Expense	0.6	0.2	Under	(0.4)	-67%
H.O. Depreciation Expense	0.9	0.3	Under	(0.6)	-67%
Loan Loss Provision	6.4	5.0	Under	(1.4)	-22%
Staff Training	0.4	0.7	Over	0.3	75%
Total Operating Expenses	38.7	35.4	Under	(3.3)	-9%
Net Operating Profit	15.9	17.9	Over	2.0	13%

SOURCE: RCP.

1. This is the December 1991 budget used by BRAC for reporting purposes. It reflects the original budget plus one revision approved by the donors in December 1991.

Performance in Loan Disbursements and Outstandings

4.15 For RDP-II and RCP combined, Table 4.1 above shows an aggregate shortfall of 15.5% in disbursements over the two-year period to the end of calendar 1991. For RDP-II alone the shortfall was 11.2% while against the smaller RCP target the shortfall was

- i) in 1991 a new requirement was introduced that all potential borrowers should receive functional education before qualifying for access to credit;
- ii) the new 1991 regulation restricting membership of BRAC (hence credit entitlement) to a maximum of two members of an immediate family;
- iii) another new rule stipulating that a BRAC member may take out only one general loan at a time (excluding housing and collective loans);
- iv) the budget assumed that all new AOs would become operational at the very beginning of each year in which they were scheduled to open while in practice, late openings have implied delays in the build-up of credit activity.

4.16 The first and last of these factors clearly affect the timing of new disbursements but should quickly become less influential through time. Moreover, they hardly apply to RCP Branches except in respect of the modest turnover in membership that has been observed in the field. The second and third factors may be more significant in affecting the absorptive capacity for credit among members. But it has not been possible to draw firm conclusions because of the difficulty of identifying what proportion of past disbursements have been issued (a) to more than two members of the same family or household, and (b) simultaneously to members already having outstanding loans from BRAC.

4.17 On the other hand, Table 4.1 also shows a higher than expected level of loans outstanding by the end of 1991, albeit very modestly at less than 1%. The November 1991 review of savings and credit activity already drew attention to the gap in achievements between disbursements and outstandings, concluding that this implied a higher share of longer-term loans and/or slower than expected repayment rates. In fact, although there are greater numbers of longer-term loans than forecast, the volume of short-term loans is also higher than forecast. Meanwhile, the picture has become more polarised following the de-emphasis on medium-term loans, reducing them to less than 5% of disbursements in the third quarter of 1991.

4.18 The de-emphasis of medium-terms loans has led to a disproportionate increase in short-term lending with only a very small increase in the volume of credit in long-term loans above the revised budget. This is reflected in the weighted average loan duration having fallen from 85 weeks, as foreseen both in the original and revised budgets, to 82 weeks for actual disbursements over the two years to the end of 1991. The conclusion, therefore, is that the increase in the value of outstandings while

disbursements have been behind schedule is wholly due to slow repayment of principal. Any such trend calls for careful monitoring and management for it can easily become worse. Slow repayment obviously reduces the velocity with which existing funds can be re-circulated. Without further injections of new funds to maintain a given disbursement schedule the imbalance can fuel its own growth. This raises the question of credit portfolio management which is taken up in the next section of this report.

5. CREDIT MANAGEMENT

Background

5.1 Experience in Bangladesh over the past 10-15 years has done much to restore international confidence that rural credit programmes can be viable. More than this, it has developed a new awareness that even the poorest of the rural poor are 'bankable' in terms of their ability to use credit effectively and to repay it. Credit recovery rates of 97% or more, based on the published results of the Grameen Bank and BRAC - the largest, best-known credit services in Bangladesh - have become the goal for other credit programmes both within and beyond the country and the yardstick by which they are now judged.

5.2 This restoration of confidence has been the more important because it stands in clear contrast to the widespread disappointment and disillusion created by earlier experience in channelling rural credit through, for example, cooperative structures under government regulation. Within Bangladesh a 1989 study on government-sponsored cooperatives found that the cumulative recovery rate for short-term loans was 59% up to March 1986 while for 'term credit' (typically over three years), accounting to about half of total cumulative lending, the recovery rate up to March 1988 was as low as 25%.⁴

5.3 Against this background, the international community, particularly the international development assistance agencies which channel funds to rural credit services in Bangladesh, are understandably eager to be reassured that the very high published recovery rates are (a) real, and (b) will be maintained. Concern over the reality of recovery rates does not mean questioning the arithmetic of their calculation. Instead it focuses on the methodology that is used, especially when early success on a small scale leads to the injection of new funds, hence rapid expansion in the value of outstanding loans. For the credit services themselves there are commensurate concerns that any reduction in published recovery rates could have disproportionately damaging effects on the international reputation and confidence they have earned. For these reasons, the MTE has looked as closely as possible at credit management in BRAC.

The Current Credit Management Approach and Its Limitations

5.4 BRAC currently tracks the quality of its loan portfolio by means of (a) four categories through time, and (b) monthly checks on repayments received compared with those expected. The four categories of loan are:

- i) **Current:** all loans are current during their original term for repayment, irrespective of repayment performance;

⁴ Study on Cooperatives. Sponsored by GOB (Planning Commission), CIDA, DANIDA, UNDP and the World Bank. Dhaka. March 1989.

- ii) **Late:** loans are re-classified as late when their original repayment term has expired and the remaining outstanding balance has been re-amortised;
- iii) **Overdue:** a late loan becomes overdue if the re-amortised amount has not been fully repaid;
- iv) **Not Yet Transferred (NYT):** this applies to loans whose borrowers refused to re-affirm their repayment obligations when BRAC introduced more rigid credit policies some years ago.

5.5 Under this system, in theory a borrower could make no repayments at all but while the loan in question was successively re-classified through the four categories it would not be registered in the recovery rate calculation. In other words, the recovery rate includes an attenuation factor for as long as it takes finally to register default.

5.6 Credit recovery and credit discipline The question of time - the attenuation factor referred to above - is of critical importance in calculating recovery rates. In this respect it is important to distinguish between credit discipline and credit recovery. Borrowers show perfect credit discipline when they adhere fully to repayment schedules agreed in advance so that repayments are complete when loans reach the end of their respective terms. If credit discipline is less than perfect during the term of a loan there can still be full recovery on schedule provided that lapses early in the term of the loan are made up by the closing date. If, on the other hand, lack of full discipline means that loan maturity is reached without full repayment this may still not be incompatible with full recovery if there is still confidence that the outstanding amounts due can and will be recovered, albeit late. Through time, it is only when there is no longer any confidence that outstanding amounts can be or are likely to be repaid that they are written off as bad debts and entered into recovery rate calculations. In sum, full credit discipline guarantees full recovery while lack of discipline is not incompatible with full recovery until the lending agency draws the line. This is why monitoring credit discipline through time is such an important aspect of credit management.

5.7 As noted above, BRAC field offices prepare monthly progress reports showing what has been received in credit repayments against what was expected to be received. This does give some indication of credit discipline. In practice, however, field studies during the MTE have suggested that field staff do not uniformly apply the same definitions in determining expected receipts each month. Even if they did, the methodology itself is not sufficiently sophisticated to provide an adequate indication of portfolio quality. For example, the monthly reports do not show how late the late payments are. Nor do they relate lack of credit discipline to the magnitude of outstanding principal in affected loans - an important indicator of risk and vulnerability in the portfolio.

Special Study of Credit Discipline

5.8 Limitations of the study Against the background of the distinction between credit discipline and credit recovery outlined above, the study commissioned by the MTE set out only to assemble data on discipline. As such, no conclusions can be drawn about

how lack of discipline may or may not work its way through eventually into failure to recover the loans concerned. In addition, as also mentioned in the terms of reference for the study, the aim was not to carry out a statistically representative analysis, nor to permit any grossing up of results to draw BRAC-wide conclusions. The aim instead was simply to provide a tentative glimpse at credit discipline and in turn to assist the MTE in framing any recommendations it may feel necessary to put forward for credit monitoring and management.

5.9 Scope of work Section 1 of this report has already indicated that the study covered two relatively new RDP AOs and two longer-established RCP Branches. Data were collected on a total of 400 individual loans (100 from each AO and Branch); on 50 individual components of deep tube-well collective capital loans (25 from each of the two RCP Branches); and a further 50 individual components of DTW collective operating loans (again, 25 each from the same two Branches).

5.10 The 400 individual loans selected were all issued during the month of January 1991. The information collected was simply the repayment amounts actually collected each month and the amounts that were scheduled for collection. The same information was collected separately for the DTW loans. This information permits the calculation of credit discipline over any period ranging from one to twelve months as follows:

$$\frac{\text{Amount actually collected by period end} \times 100}{\text{Amount that should have been collected by period end}}$$

Results of the Study

5.11 Summary There are two fundamental results of the study. First, there are wide variations in credit discipline. But secondly, it is difficult to discern many clear patterns in the variations according to AO/Branch, loan category or size. These two results together achieve the aim of the study in demonstrating the importance of comprehensive and detailed monitoring of discipline as an aid to credit management.

5.12 Credit discipline by Office/Branch and loan size Table 5.1 shows credit discipline among the four Offices/Branches for the whole of 1991. For the full 400 sampled loans the average discipline rate was 76.75% but the first revelation of variation is in the discipline rate among Branches/Offices, ranging from a high of 99.73% (in Kotwali 2, Mymensingh) to a low of 49.81% (in Paglapir, Rangpur). It might be supposed that there would be some sort of pattern in discipline rate according to loan size, with smaller, short duration loans showing good discipline because borrowers would be keen to ensure that they would qualify for an immediate follow-up loan. Larger, longer-term loans might be expected to show weaker discipline simply because maturity dates are further ahead in time. But the results show no such pattern.

5.13 Credit discipline by Office/Branch and loan category Table 5.2 does seem to show a pattern. Individual and asset loans show relatively similar discipline rates while collective loans (found only in the two RCP Branches) show significantly lower rates. This pattern is stronger in RCP Daragram than in RCP Paglapir which is the worst-performing of all four Offices/Branches. It is likely that most, if not all, of the 95

TABLE 5.1: Credit Discipline Rate - By Branch and Loan Size

Branch	Up to Tk999	Tk1,000 to TK2,999	Tk3,000 to Tk4,999	Tk5,000 and above	Total
RCP Daragram					
Number of Borrowers		86	12	2	100
Amount Due		101,212	37,265	5,841	144,318
Amount Collected		60,261	23,847	5,310	89,418
Rate %		59.54%		90.91%	61.96%
RCP Paglapir					
Number of Borrowers	37	58	5		100
Amount Due	12,202	86,129	15,303		113,634
Amount Collected	6,999	41,264	8,342		56,605
Rate %	57.36%	47.91%	54.51%		49.81%
RDP Kotwali-2					
Number of Borrowers		98	2		100
Amount Due		185,108	6,370		191,478
Amount Collected		184,591	6,370		190,961
Rate %		99.72%	100.00%		99.73%
RDP Jessore Sadar					
Number of Borrowers	6	65	23	6	100
Amount Due	2,300	111,778	52,816	16,298	183,192
Amount Collected	1,320	95,026	41,646	10,560	148,552
Rate %	57.39%	85.01%	78.85%	64.79%	81.09%
TOTAL					
Number of Borrowers	43	307	42	8	400
Amount Due	14,502	484,227	111,754	22,139	632,622
Amount Collected	8,319	381,142	80,205	15,870	485,536
Rate %	57.36%	78.71%	71.77%	71.68%	76.75%

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

TABLE 5.2: Credit Discipline Rate - By Branch and Loan Category

Branch	Individual	Asset	Collective	Total
RCP Daragram				
Number of Borrowers	49	1	50	100
Amount Due	101,282	2,891	40,145	144,318
Amount Collected	74,106	2,832	12,480	89,418
Rate %	73.17%	97.96%	31.09%	61.96%
RCP Paglapir				
Number of Borrowers	54	1	45	100
Amount Due	93,481	2,303	17,850	113,634
Amount Collected	48,525	1,081	6,999	56,605
Rate %	51.91%	46.94%	39.21%	49.81%
RDP Kotwali-2				
Number of Borrowers	100			100
Amount Due	191,478			191,478
Amount Collected	190,961			190,961
Rate %	99.73%			99.73%
RDP Jessore Sadar				
Number of Borrowers	51	49		100
Amount Due	86,575	96,617		183,192
Amount Collected	70,357	78,195		148,552
Rate %	81.27%	80.93%		81.09%
TOTAL				
Number of Borrowers	254	51	95	400
Amount Due	472,816	101,811	57,995	632,622
Amount Collected	383,949	82,108	19,479	485,536
Rate %	81.20%	80.65%	33.59%	76.75%

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

collective loans sampled are for deep tube-wells (DTWs) which are discussed in more detail below in the context of the special sub-sample of capital and operating loans for these schemes. The value of their inclusion in this table is to show what a depressing effect their poor discipline can have on aggregate discipline rates. The amount due on collective loans represents only 9.2% of the total due. But their low discipline rate of 33.59% has the disproportionate effect of depressing the overall rate from 81.11% for individual and asset loans combined to 76.75% for the whole sample.

5.14 Distribution of borrowers by credit discipline and loan size Given the excellent overall discipline rate in RDP Kotwali-2, the clustering of all borrowers in the highest two columns of discipline rate shown in Table 5.3 is only to be expected. Among the other three Offices/Branches a loose pattern can only be discerned if the previous distinction between collective and other loans is taken into account. Initially it is surprising to observe an apparent clear difference between the broadly U-shaped distribution shown by the two RCP Branches (ie. a clustering of borrowers at each end of the distribution) and the tailing-off of the distribution in RDP Jessore Sadar. Taking into account the poor performance of collective loans, however, which appear only in the two RCP Branches, the difference becomes easier to understand. Indeed, the 25% of borrowers in Daragram and the 23% of borrowers in Paglapir with discipline rates of less than 1% are consistent with the tables and histograms presented later in this summary of results. Although these histograms relate to a different sample of exclusively DTW loans, they show zero recovery for DTW capital loans in Daragram and a discipline rate of only 31.22% for operating loans in Paglapir.

5.15 Distribution of borrowers by credit discipline and loan category The conclusion drawn above that there are distinctly different distributions of borrowers by discipline rate for mainstream and collective loans (mainly DTWs) is confirmed by Table 5.4 (which is restricted to the RCP Branches because there were no collective loans in the newer RDP AOs). The U-shaped, polarised distribution is clearly shown to apply only for collective loans, with some borrowers having excellent discipline and the remainder having very poor discipline. For the individual loans, RCP Daragram shows a tailing-off distribution while for RCP Paglapir, the Branch with the poorest credit discipline of all four Offices/Branches sampled, there is a clustering of borrowers in the credit discipline range from 20% to 79%.

5.16 Seasonal trends in credit discipline rate Table 5.5 and the histogram in Fig. 5.1 show seasonal variations in credit discipline for the main sample of 400 loans. For the four Offices/Branches taken together, the highest discipline rate is in June, as shown in Figure 5.1. The lowest rates are clustered in the months of September, October and November. Throughout most of Bangladesh this period is known to be the most difficult for the rural poor, coming at the end of the monsoon (flood waters usually peak in September) and before the main aman harvest. Looking more closely at the seasonal rates among the different Offices/Branches shows that the worst-performing Branch, Paglapir, has discipline rates as low as 8.71% in October and 19.91% in November. It is also interesting to note that the discipline rate at this Branch rises to as much as 96.20% in the following month of December.

TABLE 5.3: Distribution of Borrowers - by Credit Discipline Rate and Loan Size

Particulars	Credit Discipline Rate Percent							Total
	100 & Over	80 to 99	60 to 79	40 to 59	20 to 39	1 to 19	Less than 1	
RDP Daragram	29	11	7	3	8	17	25	100
Up to Tk999								
Tk1,000 to 2,999	27	6	4	3	5	16	25	86
Tk3,000 to Tk4,999	2	3	3		3	1		12
Tk5,000 and above		2						2
RCP Paglapi	23	9	12	14	10	9	23	100
Up to Tk999	17	5					15	37
Tk1,000 to 2,999	5	4	12	12	8	9	8	58
Tk3,000 to Tk4,999	1			2	2			5
Tk5,000 and above								0
RDP Kotwali-2	88	12	0	0	0	0	0	100
Up to Tk999								
Tk1,000 to 2,999	86	12						98
Tk3,000 to Tk4,999	2							2
Tk5,000 and above								0
RDP Jessore Sadar	26	42	15	10	7	0	0	100
Up to Tk999		1	2	1	2			6
Tk1,000 to 2,999	20	27	11	6	1			65
Tk3,000 to Tk4,999	6	11	2	2	2			23
Tk5,000 and above		3		1	2			6
TOTAL	166	74	34	27	25	26	48	400
Up to Tk999	17	6	2	1	2	0	15	43
Tk1,000 to 2,999	138	49	27	21	14	25	33	307
Tk3,000 to Tk4,999	11	14	5	4	7	1	0	42
Tk5,000 and above	0	5	0	1	2	0	0	8

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

TABLE 5.4: Distribution of Borrowers - by Credit Discipline Rate and Loan Category

Particulars	Credit Discipline Rate Percent							Total
	100 & Over	80 to 99	60 to 79	40 to 59	20 to 39	1 to 19	Less than 1	
RDP Daragram	29	10	7	4	8	17	25	100
Collective Loans	10			-		15	25	50
Individual Loans	19	10	7	3	8	2		49
Asset Loans				1				1
RCP Paglapir	23	9	12	14	10	9	23	100
Collective Loans	17	5					23	45
Individual Loans	6	4	12	13	10	9		54
Asset Loans				1				1
TOTAL	52	19	19	18	18	26	48	200
Collective Loans	27	5	0	0	0	15	48	95
Individual Loans	25	14	19	16	18	11	0	103
Asset Loans	0	0	0	2	0	0	0	2

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

TABLE 5.5: Credit Discipline Rate - by Branch and Month

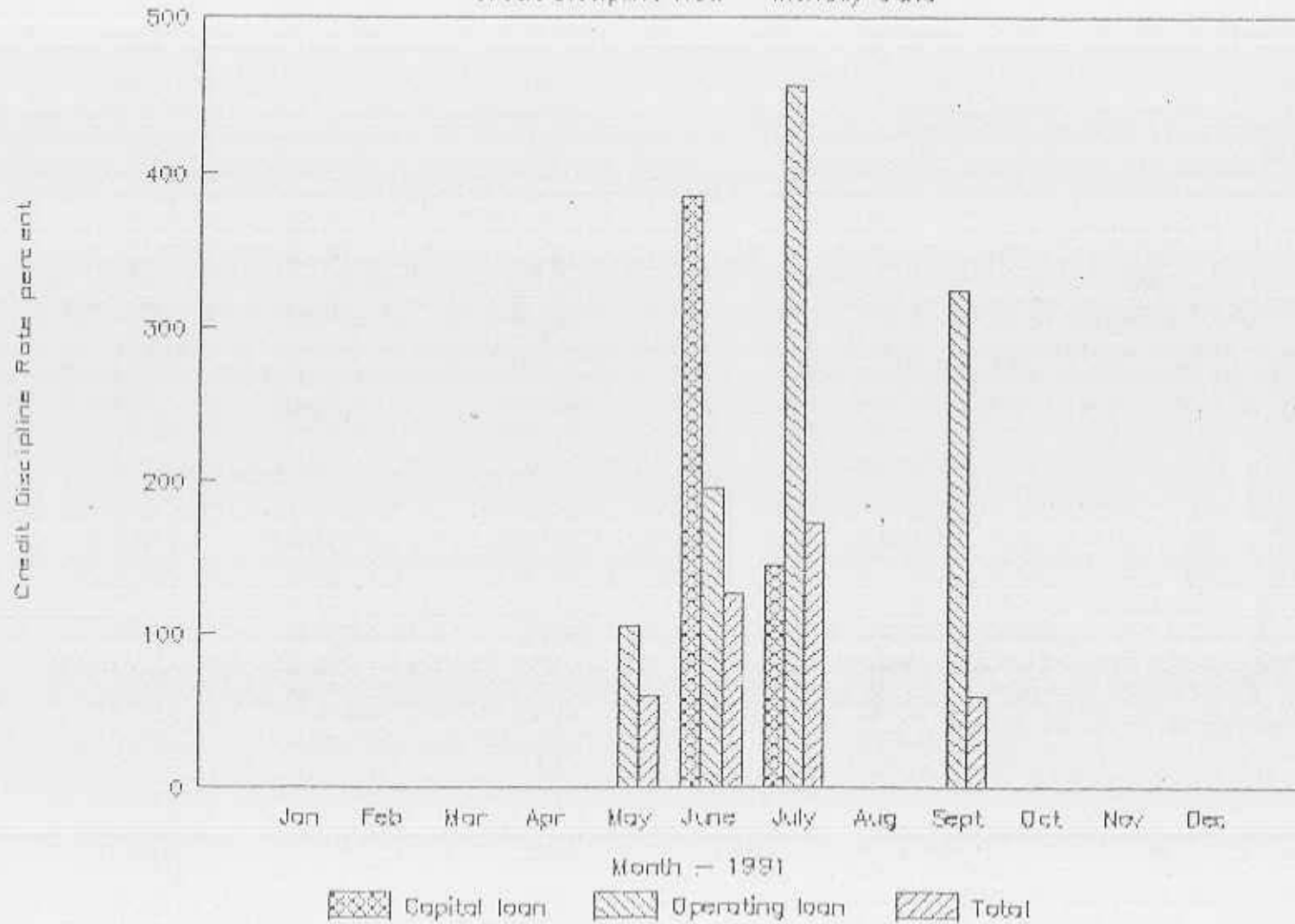
Month	Credit Discipline Rate (%)					TAKA									
	RCP Daragram	RCP Paglapir	RDP Kotwali-2	RDP Jessore Sadar	Total	RCP Daragram		RCP Paglapir		RDP Kotwali-2		RDP Jessore Sadar		TOTAL	
						Due	Coll	Due	Coll	Due	Coll	Due	Coll	Due	Coll
January	63.09	65.27	100.00	104.33	84.60	4,996	3,152	7,100	4,634	5,586	5,586	8,038	8,386	25,720	21,758
February	65.98	58.51	100.00	98.89	84.51	11,193	7,385	9,216	5,392	15,436	15,436	14,468	14,307	50,313	42,520
March	64.47	48.17	100.00	99.20	82.62	12,663	8,164	9,589	4,619	17,041	17,041	15,926	15,799	55,219	45,623
April	71.39	48.81	100.00	91.05	81.34	12,556	8,964	11,147	5,441	17,910	17,910	15,804	14,389	57,417	46,704
May	54.44	38.77	100.00	90.02	75.66	12,936	7,043	9,216	3,573	16,217	16,217	15,291	13,765	53,660	40,598
June	101.01	71.93	100.00	84.59	91.23	18,103	18,285	11,416	8,211	17,041	17,041	15,926	13,472	62,486	57,009
July	66.50	46.33	100.00	80.25	77.12	13,064	8,688	10,850	5,027	18,383	18,383	16,627	13,343	58,924	45,441
August	56.00	66.45	100.07	76.60	76.99	13,073	7,321	9,431	6,267	16,448	16,459	14,968	11,465	53,920	41,512
September	44.55	55.40	100.00	64.45	66.09	11,604	5,170	10,085	3,570	17,727	17,272	15,961	10,287	54,922	36,299
October	46.97	8.71	100.00	59.68	60.62	13,945	6,550	9,275	808	17,448	17,448	16,092	9,603	56,760	34,409
November	50.29	19.91	100.00	72.47	67.64	11,015	5,539	8,685	1,729	16,448	16,448	15,164	10,989	51,312	34,705
December	34.43	96.20	96.75	67.35	74.96	9,170	3,157	7,624	7,334	15,248	15,720	18,927	12,747	51,969	38,958
	61.96	49.81	99.73	81.09	76.75	144,318	89,418	113,634	56,605	191,478	190,961	183,192	148,552	632,622	485,536

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

FIGURE 5.1:

DTW loans

Credit Discipline Rate - monthly trend



Note : Credit Discipline Rate = Actual amount of instalments collected upto Dec. 31, 1991 divided by the instalments due in that period.

5.17 Credit discipline among deep tube-well loans Table 5.6 shows the discipline rates and the distribution of borrowers by discipline rate for capital and operating loans for the two RCP Branches concerned. These data are perhaps the most difficult to understand and interpret. In RCP Daragram, for example, the credit discipline rate for capital loans is zero while for operating loans it is a relatively healthy 87.69%. On the other hand, in RCP Paglapir, whose overall discipline rate is significantly worse than Daragram (35.37% as compared with 59.04%), capital loans show a higher discipline rate than operating loans. The data on the distribution of borrowers again shows a polarised, U-shaped pattern for Daragram, with capital loans at one extreme and operating loans at the other. In Paglapir, there are two peaks in the distribution, with 38% of all DTW borrowers clustered with a discipline rate of zero and 48% in the range 50% to 74% credit discipline rate. Distinguishing capital from operating loans, this pattern is broadly repeated for each category.

5.18 Seasonal trends in credit discipline among DTW loans Table 5.7 and Figure 5.2 suddenly show a very clear seasonal pattern in the repayment of DTW loans. Notwithstanding the difference between the two Branches in overall credit discipline, Table 5.7 shows that the discipline rate is zero in both Branches for a period of 7 months in the year. Repayments are clustered in the period May to July, with very large repayments in September for Daragram and some very small repayments in December for Paglapir. The clustering of payments coincides with the marketing of the harvest from the crops irrigated by DTW water. It confirms the generally held view that the nature and pattern of income flow from DTWs has a marked effect on the level and pattern of loan recovery. In Daragram there is clearly something seriously wrong with capital loan recovery while in Paglapir repayment is very poor overall.

Implications of the Results

5.19 As noted in para. 5.11 above, the results of the special study confirm how important it is to monitor the health and quality of the lending portfolio. It also shows that monitoring should not be restricted to aggregate, BRAC-wide or even regional data. It must distinguish not only among individual Offices and Branches but among loan categories and sizes. Beyond this, the study shows that financial/numerical monitoring can certainly reveal where there are particular problems with credit discipline. Yet monitoring data alone cannot show what those problems are, why they have arisen or what might be done to overcome them. This is where the Office/Branch Managers' role is so critically important. For when monitoring data begin to show a problem somewhere in the credit portfolio it is they who must immediately get to grips with it and take remedial action. The fact that the special study has thrown up what seem to be serious problems with DTW loans and less serious but noticeable variations in credit discipline among other Offices and types of loans suggests that at present BRAC is not sufficiently well-equipped on all fronts to take early remedial action.

Proposed Improvements in Portfolio Management

5.20 BRAC's current system for tracking loan quality does not provide it - either at Head Office or the field level - with sufficient information to identify a deteriorating situation sufficiently early or in sufficient detail to take corrective action. Instead, it

TABLE 5.6: DTW Loans - Recovery by Branch and Loan Type

Particulars	Capital Loan	Operating Loan	Total
RCP Daragram			
Taka Due	12,836	26,450	39,286
Taka Collected	0	23,194	23,194
Credit Discipline Rate %	0.00%	87.69%	59.04%
Distribution of Borrowers by Credit Discipline Rate %			
100% and over		21	21
75% to 99%			
50% to 74%			
25% to 49%		4	4
1% to 24%			
0%	25		25
Total	25	25	50
RCP Paglapir			
Taka Due	8,751	22,550	31,301
Taka Collected	4,032	7,040	11,072
Credit Discipline Rate %	46.07%	31.22%	35.37%
Distribution of Borrowers by Credit Discipline Rate %			
100% and over	3		3
75% to 99%	2		2
50% to 74%	10	14	24
25% to 49%	2		2
1% to 24%			0
0%	8	11	19
Total	25	25	50
Total			
Taka Recoverable	21,587	49,000	70,587
Taka Collected	4,032	30,234	34,266
Recovery Rate %	18.68%	61.70%	48.54%
Distribution of Borrowers by Credit Discipline Rate %			
100% and over	3	21	24
75% to 99%	2	0	2
50% to 74%	10	14	24
25% to 49%	2	4	6
1% to 24%	0	0	0
0%	33	11	44
Total	50	50	100

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

TABLE 5.7: DTW Loans - Recovery by Branch and Month

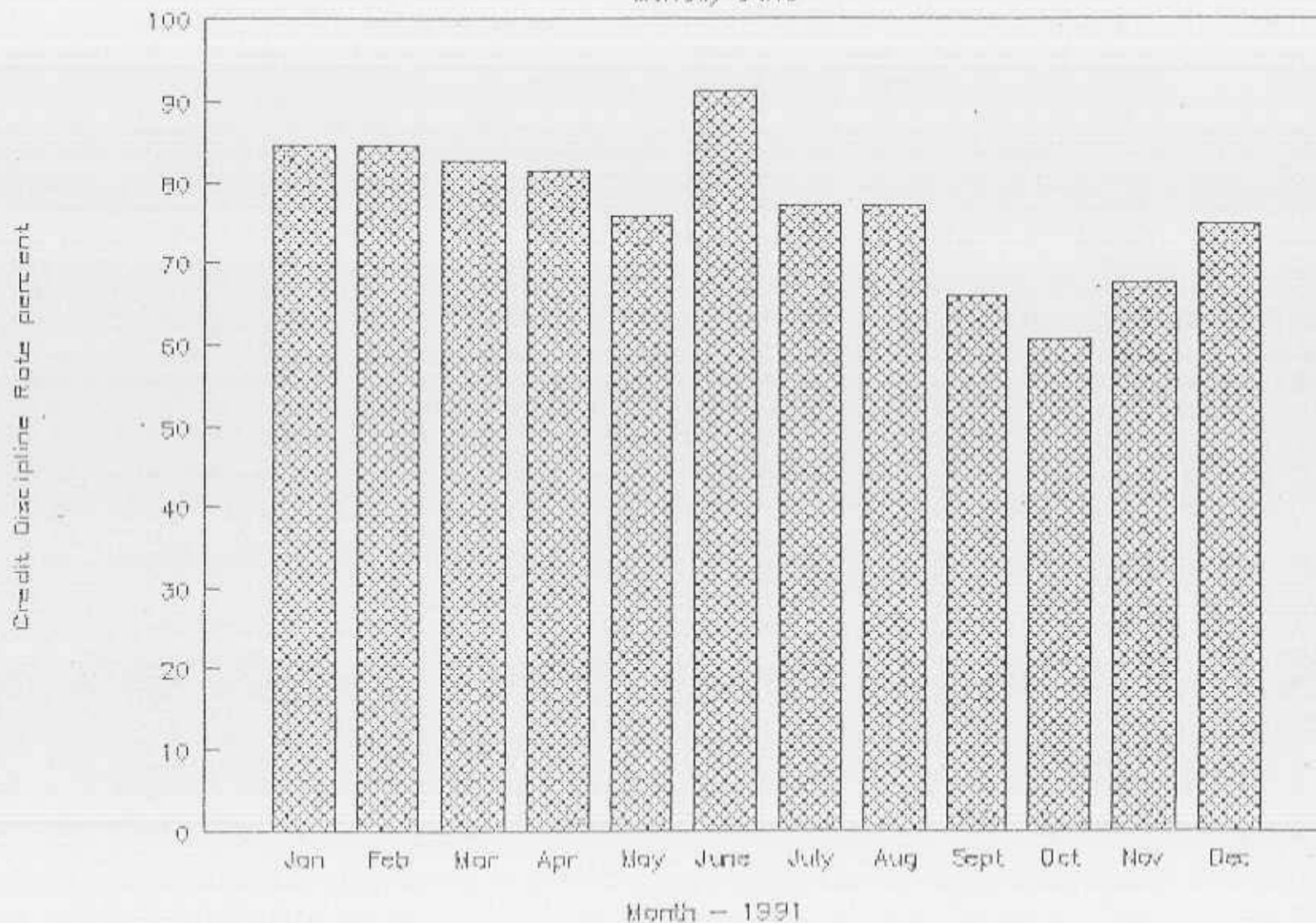
Month	Credit Discipline Rate (%)					TAKA									
	RCP Daragram		RDP Paglapir		Total	RCP Daragram				RCP Paglapir				TOTAL	
	Capital	Operation	Capital	Operation		Capital		Operation		Capital		Operation			
					Due	Coll	Due	Coll	Due	Coll	Due	Coll			
January	0.00	0.00	0.00	0.00	0.00	676	0	1,804	0	552	0	1,804	0	4,836	0
February	0.00	0.00	0.00	0.00	0.00	1,028	0	2,200	0	684	0	1,804	0	5,716	0
March	0.00	0.00	0.00	0.00	0.00	1,028	0	2,375	0	744	0	1,936	0	6,084	0
April	0.00	0.00	0.00	0.00	0.00	1,109	0	2,454	0	786	0	2,123	0	6,482	0
May	0.00	104.46	0.00	0.00	59.44	1,204	0	4,886	5,104	693	0	1,804	0	8,587	5,104
June	0.00	137.51	385.08	56.82	126.66	1,028	0	6,744	9,274	744	2,865	1,936	1,100	10,452	13,239
July	0.00	176.04	145.28	279.79	171.97	1,285	0	3,272	5,760	795	1,155	2,123	5,940	7,475	12,855
August	0.00	0.00	0.00	0.00	0.00	1,028	0	792	0	732	0	1,804	0	4,356	0
September	0.00	323.73	0.00	0.00	59.85	1,109	0	944	3,056	798	0	2,255	0	5,106	3,056
October	0.00	0.00	0.00	0.00	0.00	1,204	0	352	0	693	0	1,804	0	4,053	0
November	0.00	0.00	0.00	0.00	0.00	1,028	0	352	0	732	0	1,804	0	3,916	0
December	0.00	0.00	1.50	0.00	0.34	1,109	0	254	0	798	12	1,353	0	3,524	12
TOTAL	0.00	87.69	46.07	31.22	48.54	12,836	0	26,450	23,194	8,751	4,032	22,550	7,040	70,587	34,266

Note: Credit Discipline Rate = Actual amount of instalments collected up to December 31st 1991 divided by the instalments due in that period (x 100).

FIGURE 5.2:

Credit Discipline Rate

Monthly trend



Note : Credit Discipline Rate = Actual amount of instalments collected upto Dec. 31, 1991
divided by the instalments due in that period

relies mainly on its field staff - in practice, mainly Regional Managers - to stay in close touch with their Area Offices and Branches and to be aware of problems as they may emerge. This is essential and should continue. But as BRAC expands, over-reliance on the experience and judgement of senior managers will become more risky. What is needed is (a) an improvement in the quality and usefulness of financial monitoring data, and (b) greater reliance on Area/Branch Managers to use that data and to take their own remedial measures.

5.21 Ageing by Account The key methodological improvement required is the introduction of an Ageing by Account system. Prior to the MTE, BRAC had already begun to develop a format for loan ageing analysis. This would show missed instalment payments by AO/Branch, with ageing categories showing when payments had been missed. As in so many aspects of its work, this initiative shows that BRAC itself has the ability to spot where improvements are required. The MTE suggests only that the ageings system being developed by BRAC has two main shortfalls. First, it does not track the outstanding principal that is at risk in each age category. This is important because late or missing payments on a small number of large loans can imply a substantial risk to the total portfolio. Secondly, the ageings system would record the same borrower for payments missed in each age category. This would not reveal whether several borrowers might be late or perhaps the same borrower might be appearing in several age categories.

5.22 The main ways in which BRAC's Ageing by Account system can be improved are that it should show:

- i) the amount of risk to the entire portfolio - which means that within each age category the amount of outstanding principal which is late should be shown as a percentage of total principal outstanding in the portfolio;
- ii) the repayment discipline of borrowers - which means that within each age category and period the amount of repayments actually received should be expressed as a percentage of what should have been received in that period according to the original schedule.

5.23 The next step that must be taken is more difficult and will be more time-consuming. It is to make Area/Branch Managers and their Regional and Head Office supervisors familiar with the system in detail and able to understand what the financial data are signalling. Even more importantly, those using the data must be able to take management decisions for remedial action when problems are revealed. This represents a new - and quite major - task for the Management Development Programme.

5.24 Write-offs and Loan Loss Reserve In the third quarter of 1991, the share of Overdue and Not Yet Transferred loans in cumulative disbursements rose from 1.3% to 1.6%. In Taka terms, as cumulative disbursements under RDP-II/RCP had reached Tk.1,276 million by the end of September 1991, the rise to 1.6% represented Tk.20.42 million. For reasons mentioned earlier in this Section, this does not of itself imply that calls will have to be made on the Loan Loss Reserve (LLR). Much depends on (a) how much of the due amounts might be collectable, and (b) when any write-offs might be

made. Nevertheless, this is a significant rise in the space of one quarter and signals a serious decline in loan quality. If the rise were to continue, it could come close to the LLR, currently set at 2% overall. It is also linked to the conclusion drawn earlier in this Section that the higher than expected level of loans outstanding in the context of below target disbursements is being caused by slow repayment.

5.25 Linking the aggregate rise in the share of Overdue and Not Yet Transferred loans to the Special Study on Credit Discipline is difficult because the study was not designed to be statistically representative. Nevertheless, if the study's conclusions with respect to collective loans in general and DTWs in particular are a pointer to possible similar problems elsewhere, BRAC should look carefully at its LLR. As a matter of prudent accounting, a policy should be adopted for the timely write-off of bad debts. Linked to this, BRAC should also be able to establish the reasons for bad debts. They may, for example, be due to the unreliability of individual borrowers. In such cases, no doubt eligibility for future credit would be denied and membership of BRAC would be withdrawn. Alternatively, delinquency may be due to the lack of viability of the enterprises or activities for which credit has been used. Here, the borrowers may not be at fault but instead BRAC would need to be cautious about future lending for similar activities.

5.26 The adoption of a policy on write-offs would immediately begin to provide feedback for the review and possible adjustment of the LLR. Indeed, through time, it would become possible to introduce different levels or rates of LLR for different components of the portfolio according to their proven degree of risk, as indicated by write-off rates. From the results of the Special Study on Credit Discipline, for example, it may be necessary to introduce a higher LLR for DTWs.

5.27 These questions of write-offs and LLRs are important because they would end the speculative concerns sometimes expressed by the donors about the 'real health' or quality of the BRAC credit portfolio and the adequacy of the current overall 2% LLR.

5.28 Branch-level accounting At present, BRAC uses a 'cash-flow' form of accounting. At the end of each month, each AO/Branch prepares a statement which includes such diverse items as loan disbursements and repayments; interest collections; savings balances; operating expenses; and even depreciation charges. These reports serve the purpose of showing whether the AO/Branch requires more funds. But the reports do not show operating profits or losses and there is no balance sheet to carry forward the accumulated financial results through time.

5.29 There is room to improve field office accounts by introducing a system based on simple internationally-accepted principles. This would contribute significantly to the achievement of several objectives both of BRAC itself and the Donor Consortium:

- i) AO/Branch performance could be measured through time in absolute and relative terms, including measures of efficiency in resource utilisation;
- ii) trends in the cost-per-member of providing RDP services could be monitored, providing a useful management and planning tool;

- iii) plans based on measured trends would simplify the design of new requests for medium-term international financial assistance;
- iv) it would become easier to form objective assessments of the financial condition of RDP Offices as they approach eligibility to become RCP Branches.

6. OPERATIONAL PROGRAMMES

A. Institution-Building

Background and Context

6.1 Since about the mid-1970s there has been extensive - and largely successful - international experience in providing development assistance, including credit, directly to the rural poor in developing countries. A common feature of this experience has been the formation of groups of the poor, serving both as 'receiving mechanisms' for outside assistance and as units for self-help action. Bangladesh has been in the vanguard of such initiatives and is today probably the richest source of international experience in working directly with groups of the rural poor. The Grameen Bank has been a lead agency in this field, specifically in the provision of credit services to the rural poor. But since the mid-1980s many other agencies in Bangladesh - including NGOs and even the government-sponsored national cooperative movement - have drawn on and applied this experience.

6.2 Though group formation has been the single common thread in these initiatives with the rural poor, as different agencies have developed their own programmes of assistance, most have introduced their own adaptations, both in conceptual framework and in the practical approach, substance and scope of work. There are, for example, differences in the membership size of the groups promoted by different agencies; differences in the type and range of assistance provided; differences in the intensity with which that assistance is supported; differences in the planned duration of assistance; and differences in what the agencies themselves expect of the groups they promote and help to form. It is this that has generated the richness of experience in Bangladesh. It has also shown that there is no single definitive model in providing development assistance directly to the rural poor. BRAC has made a significant contribution to this rich experience and today, owing to the scale on which it is operating, the BRAC model is an important reference point and yardstick in assessments of directly-targeted poverty alleviation measures.

The BRAC Approach in Institution-Building

6.3 The approach taken by BRAC has not been designed in isolation or at a single point in time, but has rather evolved - and is still evolving. Within six years of the beginning of relief work in 1972, BRAC had launched its Outreach Programme, whose principal focus was on forming groups of the rural poor. At this stage, and without access to the level of international financial assistance it has today, the rationale for group formation was to strengthen the rural poor, to promote a new sense of identity among them, and to encourage them to re-negotiate their collective and individual production relations. Between 1978 and 1986 the experience gained through the Outreach Programme fed into the design of the Rural Development Programme - RDP-I - in 1987 which added a stronger element of substantive assistance, including credit.

The main principle on which RDP was based, and which still lies at the heart of BRAC's approach, is that group formation and access to external resources are equally necessary and mutually reinforcing elements of its poverty alleviation and empowerment strategy.

6.4 Distinguishing features in the BRAC approach There are three features of BRAC's approach which, though not all unique, together distinguish the RDP/RCP approach to institution-building from the models adopted by other agencies in Bangladesh:

- i) first, BRAC now includes two tiers in its institution-building model - the Village Organisation and its constituent sub-groups;
- ii) in turn, secondly, BRAC's two-tier model incorporates group sizes which are different from those adopted by most other agencies, the BRAC VOs with an average size of about 50 members being larger than the 15-25 typical membership in programmes using a single-tier approach, while the BRAC VO sub-groups of about 5 members are considerably smaller in size;
- iii) thirdly, BRAC's approach to the 'graduation' of VOs away from direct reliance on external assistance as a free service steers a middle course between the approaches used by some other agencies.

6.5 BRAC's two-tier model has two main advantages over the single-tier approach used by many other agencies. First, because VOs are the organisational units on which its extension and technical advisory support services are targeted, their larger than usual size means that BRAC can reach large numbers of its members without heavy penalties in staff, logistical and other overhead costs. Secondly, based on international experience of the importance of group cohesiveness in maintaining credit discipline, the lower tier in BRAC's model, with very small sub-groups sharing joint liability for credit repayment, can be expected to permit good recovery rates. (This does not, however, apply in the larger collective loan schemes which must still be regarded as experimental.)

6.6 On the question of 'graduation' of groups of the rural poor away from direct external assistance and towards full self-reliance, the range of approaches among other agencies can be illustrated by comparing the Rangpur-Dinajpur Rural Service (RDRS) and the Grameen Bank. The RDRS model incorporates a five-year period of quite intense assistance to its groups (of typically 25 members). Thereafter, its policy is to negotiate with an existing commercial bank to provide continuing access to credit, then to withdraw direct assistance from 'mature' groups. The Grameen Bank, on the other hand, not only assumes that those who join it will be members for life but also expects that the great majority of its members will continue to take out small, short-term loans and to use credit for the same or similar purposes as when they first joined.

6.7 The middle course adopted by BRAC permits its target group to remain as members indefinitely, but incorporates two main elements or levels of graduation within the framework of continuing assistance. The first level is represented by the transition from RDP to RCP. Of itself, this has only minor implications for the individual BRAC

member. Rather, it imposes a higher-order collective responsibility on the whole membership of each RCP Branch to keep both the volume of credit transactions and the standard of credit discipline sufficiently high to achieve RCP's objective of self-sustainability. The second level of graduation, two years after the transition from RDP to RCP, is an extension of the transfer of responsibility onto the membership through the policy of charging fees for the provision of further technical training, advisory and support services.

6.8 Another reason for BRAC's policy against total withdrawal after a period of close assistance is its expectation that some of its members can - and should - move on from a narrow range of simple, low-risk, low-return activities to more ambitious and more rewarding enterprises. This is where the work of the Rural Enterprise Project (discussed in the next Section of this report) and the larger, longer-term, more ambitious collective loan schemes fit into the BRAC approach.

6.9 This aspect of the policy of permitting indefinite membership has two main motives. First, and most fundamentally, BRAC recognises that if the rural economy of Bangladesh is to grow and to develop it must show greater diversity, including higher value-added activities. Secondly, BRAC is concerned that a proliferation of essentially marginal activities at the fringe of the rural economy could constitute a new poverty trap for its members. In pursuing this policy, BRAC feels it is important not to impose some arbitrary deadline for the graduation of members from direct assistance (a) because there is still much to be done to explore what types of more diverse, higher value-added opportunities might be feasible, and (b) because only some of its members can be expected to have or to develop the necessary entrepreneurial flair to pursue them successfully. On both counts it will take time, hence the characterisation of collective loans as being still at the experimental stage.

Growth and Dynamics of Membership and VO Formation

6.10 Since the beginning of RDP-II/RCP, BRAC's membership has grown by about 60%, to a total of over 617,000 by the end of 1991 - an equivalent annual average growth rate of over 26%.⁵ Within the mainstream of RDP/RCP, membership by the end of 1991 had reached over 598,000, comprising 11,376 VOs in nearly 5,200 villages, as already shown in Table 4.1 in Section 4 of this report. The table also shows that women account for nearly 68% of total RDP/RCP membership. In addition, after only two years of operation, RCP already accounted for one third of mainstream membership by the end of 1991.

6.11 Recent policy changes The design of RDP-II/RCP placed considerable emphasis on the need for group coherence and homogeneity among the BRAC membership in the interests of forming viable rural institutions. It also emphasised the importance of group discipline, particularly in the interests of the credit component of BRAC's work.

⁵ This total covers 125 Offices/Branches, including five specialised offices (in the Haor Development and Sericulture Programmes) which are not reported as part of the RDP/RCP structure.

As a reflection of the evolutionary nature of BRAC's models and operating procedures, since the inception of RDP-II/RCP it has introduced five main policy changes or refinements affecting eligibility for membership and the organisational arrangements for VOs:

- i) in the interests of group cohesiveness the size of new VOs has been restricted to a maximum of 50 members instead of up to 70 in the past, and the successful application of this policy is revealed in Table 4.1, showing that for RDP/RCP together, the average size of VOs in December 1991 was just over 52 members;
- ii) the focus of collective responsibility for credit discipline and eligibility for continued access to credit has been shifted from the VO as a whole to the constituent sub-groups;
- iii) completion of the functional education course is now obligatory before new members are given access to credit;
- iv) not more than two members of the same household can be members of BRAC (one man and one woman from a male-headed household or two women from a female-headed household);
- v) rotating leadership of sub-groups (hence of the membership of VO management committees) and of VO leadership through biennial elections (with no rights for re-election).

6.12 The MTE endorses these policy changes. The only uncertainty surrounds the last of the changes listed above, with respect to the rotation of leadership and management of sub-groups and VOs. It could be said that the imposition of rotating leadership unrealistically assumes equality of leadership qualities among all BRAC members. But on balance, it should have the beneficial effects of (a) preventing the entrenchment of leadership and the development of vested self-interests which have done so much damage in the cooperative movement and other rural institutions, and (b) giving all BRAC members in turn the exposure to leadership responsibilities - and to the opportunity for self growth and development that goes with them.

6.13 Losses and additions in membership It was only in 1991 that the Monitoring Department began to collect data on losses among members, dormant VOs, and the disbandment of entire VOs. It is not therefore possible to trace earlier trends in these and other aspects of the dynamics of its membership, let alone to attribute them to the sort of recent policy changes outlined above. Nevertheless, such data as are available show that during 1991 some 29 VOs were dissolved, with a loss of 1,375 members (though this represents an insignificant proportion of less than a quarter of one per cent of total membership). These losses were shared among four RDP Offices (accounting for 12 of the dissolved VOs) and five RCP Branches. More significantly, of the 29 VOs dissolved, as many as 25 were male groups. This is interpreted by senior BRAC staff as one among several indicators that men and the VOs they form are less responsive, less compliant and less adaptable than those formed by women.

6.14 Changes in the composition of membership and the formation of new VOs are not confined, as might be expected, to recently-formed RDP Offices. Field observations during the MTE showed that even after the transition to RCP, not only are new VOs still being formed but there can be significant turnover in membership. For example, at the Narsingdi Sadar RCP Branch there are apparently explicit targets for 1992 to increase membership from 6,005 to 6,805; for the number of Branch-level borrowers to go up by more than double, from 4,360 to 9,360; and for the number of VOs covered to go up from 115 to 120.

6.15 Closer investigation reveals that some of these targets were expressed misleadingly. RCP Branch-level membership is, in fact, expected to remain more or less constant at around 6,000. In the case of Narsingdi the difference of 800 members between December 1991 and December 1992 is apparently the expected level of membership turnover. At more than 13% in the course of one year, this level of turnover is quite considerable. In the case of the target for borrowers, the total of 9,360 involved double counting of the 4,360 borrowers at the end of 1991 and the actual target total for December 1992 of 5,000 net. Equally, the target for growth in numbers of VOs is not to accommodate growth in membership but rather to redistribute existing members among a larger number of VOs, hence to bring down the average size of VOs to the policy calling for an average of 50 members per group.

VOs as Rural Institutions

6.16 Data presented so far show impressive physical achievements by BRAC in expanding its membership and in the corresponding growth in VOs. It is considerably more difficult - both for BRAC itself as well as for objective observers - to evaluate these achievements against the inherently qualitative yardstick of institution-building. To be true rural institutions, VOs would be expected to have - and be seen to have - identities, roles and permanence in their own right, quite independently of any external sponsorship or support. They would be expected to be recognised as part of the fabric of the rural society and economy in which they are based. Their social and economic significance, and the respect in which they are held as groups, acting collectively, would be expected to be greater than the respect in which their constituent members are - or were - held as individuals. Internally, self-confidence within VOs would be expected to be reflected in a range of spontaneous initiatives they might take such as, for example, in re-negotiating share-cropping, tenancy and even casual employment arrangements with land-owners; lobbying politicians on behalf of the individual or collective interests of their members; or even sponsoring their own political candidates to the same ends.

6.17 Field observations during the MTE have confirmed that BRAC members are proud of being part of their sub-groups, VOs and of BRAC itself. They regard BRAC as a lifeline, holding out possibilities and opportunities that would have been inconceivable without BRAC. Beyond this, there is a range of evidence from the field showing that some VOs do display some of the qualitative characteristics of rural institutions; that they do sometimes take initiatives of the sorts outlined above; or at least that they have done so at some stage in the past. On the other hand, most of this evidence confirms the pivotal role of BRAC staff - usually POs - in promoting, supporting and guiding such initiatives. This is equally true of the mainstream activities in RDP/RCP,

where the role of GSs and POs is vital in convening weekly and monthly meetings, in supervising and managing the savings scheme and credit activities, and in other aspects of the BRAC model.

6.18 This view of the continuing dependence of VOs and their members on strong support from BRAC was echoed in a limited number of discussions with representatives of the so-called 'rural elite' during the MTE. Larger land-owners admit that the intervention of BRAC makes a noticeable difference at the village level. But in general they still regard BRAC members as belonging to the vulnerable, marginal or 'distressed' sector of the rural society and its economy and do not yet see that BRAC has done much more than to provide another source of dependence - even another form of patronage.

6.19 VO sustainability In this context even the transition of VOs from RDP to RCP cannot be regarded as implying anything with respect to their sustainability as rural institutions. Only through time, and as RCP develops, including the withdrawal of separately-funded support services, will it begin to be possible to test VO institutional sustainability. In this process, two aspects of BRAC's objectives and operational activities will provide some indication of the prospects for sustainability. First is the test of time on the sustainability of the financial benefits at the household level brought about by the credit programmes and the various enterprises set up by individuals and groups. Secondly, to the extent that BRAC can induce social change through its education services, access to credit, the paralegal service and other programmes, only time will tell if these changes can be sustained and if they can be passed on more widely beyond the direct membership of BRAC.

6.20 VO federations BRAC displays considerable ambivalence over the question of groupings - federations - of VOs as part of its institution-building targets. Conceptually, BRAC recognises that in the interests of helping its members to be part of strong rural institutions there is a clear case for extending the links of association upwards from sub-groups to VOs to federations of VOs. Most of the experience with federations is concentrated in Manikganj, dating back to the days of the Outreach Programme, when federations of VOs at the Union level took out leases on rural markets, negotiated access to khas (government-owned) land, and established the Sromobidji brick field project.

6.21 On the other hand, as is clear from the work of the recent internal Task Force on this issue, if the first expression of greater strength and independence by VO Federations were to level criticisms at BRAC or to demand more - or different - assistance from BRAC, they could present major difficulties in the continued implementation of RDP/RCP. They could even confront BRAC with the need to change its basic models for providing development assistance to the rural poor. BRAC's dilemma over this issue can be seen as a typical reflection of the situation of an organisation which fully subscribes to the need for participatory, bottom-up development initiatives, yet which is nevertheless busily engaged in channelling resources and support in an interventionist strategy, including responsibilities to international donor agencies for accountability and adherence to programme design.

6.22 The dilemma characterised above can be traced even in the detailed proposals on federations put forward by the internal task force. These include specifications for federations at the Union level; their organisational structure; leadership arrangements; frequency of meetings and the like. In other words, the approach being taken is similar to that adopted in the case of VOs and the regulations and policies surrounding them. And this could be antithetical to the underlying objective of helping BRAC members to be part of rural institutions in their own right.

6.23 Time-frames for institution-building In sum, the conclusion of the MTE is that BRAC VOs are efficient, generally well-disciplined organisations of the rural poor. But they cannot - at least, not yet - be regarded as well-rooted rural institutions in their own right. This is not a criticism because it would be a mistake to prescribe a time-frame for the achievement of full institutional status for VOs, however that may be defined. BRAC is an agency which intervenes at the local level, and its interventions have to be based on predetermined models, albeit models which are fairly flexible, adaptable and evolutionary. It is therefore BRAC which takes the lead initially in forming VOs as organisations of the rural poor, mainly as receiving mechanisms for the assistance that BRAC can supply. Thereafter, if these organisations are to become true rural institutions, it will be as a result of the strength, confidence and initiative of their members. It probably cannot be induced from outside. Similarly, if VOs want to strengthen their institutional foundations and role, it should in principle be they who should decide when, why and how to form federations or equivalent higher-level groupings. It is important that BRAC should facilitate and permit this process. But BRAC should not be held solely accountable for the time it may take.

B. Credit Activities

Overview of Credit Utilisation

6.24 Sectoral distribution of credit utilisation BRAC's system of classifying the uses of credit covers 10 sectors. Until recently, the sectoral distinctions were broken down further into a list of 131 specific activities. Even this was not sufficiently detailed to avoid uncertainty among field staff about how to classify some uses of credit. The Monitoring Department has therefore expanded the list of specific activities to 500. Table 6.1 below shows the broad sectoral pattern of the use of credit for RDP/RCP combined up to the end of 1989, for the whole of 1990 and for the first three quarters of 1991. There have been some notable changes in the distribution of credit among them. Agriculture has declined considerably, from 12.1% cumulative by the end of 1989 to an average of only 1.6% since then. Food processing, too, has declined in popularity, from over 15% of pre-1990 cumulative disbursements to a subsequent average of 5.8%. Livestock showed a significant rise in popularity during 1990, accounting for 29.5% of disbursements, but has subsequently reverted to its pre-RDP-II/RCP share of just over 17% of total disbursements. The MTE has not been able to form a conclusion about the reasons for these changes with any confidence.

TABLE 6.1 RDP/RCP LOAN DISBURSEMENT BY SECTORS

	Thousand Taka					
	Cumul. December 89	%	1/1 -90 31/12 -90	%	1/1 -91 31/9 -91	%
Agriculture	57,330	12.1	5,253	1.3	7,691	1.9
Irrigation	34,038	7.2	29,203	7.4	35,634	8.7
Fisheries	4,810	1.0	2,002	0.5	5,279	1.3
Livestock	81,999	17.3	115,924	29.5	71,983	17.6
Rural Industry	26,147	5.5	21,046	5.3	18,850	4.6
Rural Transport	15,223	3.2	29,169	7.4	21,669	5.3
Rural Trading	181,366	38.3	164,758	41.9	226,284	55.3
Food Processing	71,714	15.1	25,719	6.5	20,779	17.6
Health	0	0.0	353	0.1	619	4.6
Miscellaneous	820	0.2	27	0.0	237	5.3
TOTAL	473,447	100.0	393,454	100.0	409,025	55.3
Collective Loans	43,571	9.2	35,521	8.3	33,344	5.1

SOURCE: BRAC Statistical Reports December 1989, December 1990 and September 1991.

6.25 Rural trading is, as before, the single largest sector for the use of credit and has increased its share of total disbursement still further, from 38.3% prior to 1990 to 55.3% during the first three quarters of 1991. This can almost certainly be attributed to the rapid increase in the membership and in the rate of credit disbursements. Rural trading is perceived as a low risk activity - albeit usually with low returns. It is understandable that when new BRAC members qualify for credit they have a propensity to choose what they regard as a safe, manageable way of using it. Through time, as their familiarity with BRAC grows, as they develop more confidence, and as their horizons of choice become broader, it would be expected that rural trading would account for a progressively lower share of credit utilisation (though probably only down to some plateau level). This is substantiated by distinguishing between RDP and RCP. The average share of rural trading for RDP-II/RCP combined since the beginning of 1990 was 48.7%. Within RCP alone, however, its share was significantly lower, at

38.5% over the same period. Even so, the dynamics of the rapid expansion of RCP seem to be leading to further concentration. Over the first 12 months of RCP, rural trading accounted for only 28.9% of disbursements. During the next 9 months to the end of September 1991, new RCP disbursements had increased by a factor of nearly 2.7 and the share of rural trading had risen dramatically to 42.1%.

6.26 Concentration of credit utilisation The sectoral concentration in credit use shown in Table 6.1 is continued in the use of credit by specific activities. Up to the end of 1989, the 12 most popular activities accounted for 87.2% of all disbursements. During the first 21 months of RDP-II/RCP, the share of these same activities had risen to 92.2% of new disbursements. Within these 12 activities, the five most popular accounted for 86.9% of new RDP-II/RCP disbursements. These five included retail trading, the rearing of cows and buffalos (for whatever purpose), paddy husking, deep tube-wells, and rickshaws.

6.27 During 1991 there have in fact been three factors which have fuelled the concentration of credit utilisation in rural trading. As noted earlier, the rate of expansion of membership and lending is one. Another is the reduction in medium- and long-term lending to individual borrowers. This has meant that although such activities as livestock-rearing and rickshaws remain in the five most popular, because they require bigger loans with longer repayment periods, they have actually reduced their share of the distribution in favour of rural trading. The third factor, based on MTE field investigations, appears to be on the supply side, namely that in a rapidly expanding portfolio BRAC staff find rural trading loans easier and faster to appraise and approve.

6.28 Male/female preferences in credit utilisation As might be expected, within the overall sectoral distribution of the use of credit, there are some different preferences between men and women, though there is considerable overlap in the field of rural trading. Rural trading, rickshaws and deep tube-wells, for example, account for 68% of borrowing by men. For women, when rural trading is combined with livestock and paddy husking, these three activities account for 80% of their use of credit.

Areas of Potential and Actual Concern

6.29 For BRAC there are two interlinked areas of potential concern about the rising share of rural trading in the portfolio. First, unlike such sectors as rural industry, fisheries, irrigation and the like, trading is not productive in the sense of contributing to incremental output of the rural economy: its value-added component is restricted to the trading margin retained by the trader. If the rural economy of Bangladesh were growing rapidly through rising production, generating increased disposable incomes, the market for rural trading would itself probably expand. But this is at best questionable in most areas and the growth of rural trading services in a stagnant or only slowly expanding market could have a depressing effect on returns.

6.30 The risk of over-expansion in rural trading, leading to over-competition spills over into the second area of potential concern, namely the possibility of reaching saturation level for credit in some parts of the country. This is likely to occur first where there is geographical overlap among different agencies offering similar access

to credit for similar purposes. BRAC staff regard rural trading as 'training loans' - serving a legitimate purpose in helping new borrowers to develop good credit discipline ready for future, more ambitious activities. Nevertheless, these areas of potential concern are legitimate issues for the Research and Evaluation Division (RED) to investigate. RED has already carried out one study⁶ but should consider up-dating it in view of the continuing trend for further concentration.

6.31 Collective loans in general and lending for irrigation in particular constitute an area of real concern. Table 6.1 shows a rise in the share of disbursements to irrigation but a modest decrease in the share of collective loans in the entire portfolio. In terms of loans outstanding, the share of irrigation has risen from 11.5% in December 1990 to 12.7% by the end of September 1991. Loans for DTWs accounted for 93% of all disbursements to collective schemes since the beginning of RDP-II/RCP. The management and organisational problems in the more ambitious, more complex ventures supported by collective loans can be exacerbated by greater difficulty in preserving credit discipline in the larger, potentially less cohesive groups of borrowers. Indeed, for these reasons, BRAC has reduced its commitments to collective schemes other than DTWs. The reason it has continued to expand lending to DTWs seems to be based more on BRAC's commitment to the potential value of these schemes in promoting social change rather than on confidence in their financial viability. This is wholly understandable. But based on the general concerns deriving from international experience with collective loans, BRAC must be cautious in deciding how far it can go in the trade-off between the value and importance of its social change and empowerment objectives on the one hand while aiming for a sound, disciplined and viable credit portfolio on the other.

Indicators of Performance

6.32 The identification of areas of potential and actual concern points up the importance of monitoring the performance and quality of the credit portfolio as closely as possible. Unfortunately, prior to 1990, there were no records of overdue loans by sector and activity, making it impossible to identify detailed historical trends. Indicative conclusions can only be drawn by plausibly assigning progressively higher risk of non-recovery to the value of loans in the Late (L), Overdue (O) and Not Yet Transferred (N) categories. This is the purpose of Tables 6.2 and 6.3 below for RDP and RCP respectively.

6.33 Each table shows the sectoral distribution of the value of outstanding loans at the end of September 1991. The second column expresses the share of late loans as a percentage of outstandings in each sector. Overdue and NYT loans are then shown together, followed by the share by value of all loans behind schedule (LON), again as a percentage of the value of outstanding loans in each sector. The penultimate column of each table then expresses the value of each sectoral LON as a percentage of total LON while the last column shows each sectoral value outstanding as a percentage of

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RED: Utilisation of Small Trading Loans under RDP/RCP of BRAC. Dhaka. December 1990.

TABLE 6.2: RDP Outstanding/Overdue by Sector, September 1991

	Outstanding	Late	Overdue + NYT	Late + Over + NYT (LNO)	LNO of Total LNO	Outstanding of Total Outstanding
Agriculture	5,921	12.3%	20.7%	33.0%	8.3%	2.3%
Irrigation	35,178	2.3%	6.6%	8.9%	13.3%	13.8%
Fisheries	3,835	4.3%	20.9%	25.2%	4.1%	1.5%
Livestock	55,120	8.6%	1.7%	10.3%	23.9%	21.7%
Rural Ind.	5,938	4.3%	5.3%	9.5%	2.4%	2.3%
Rural Transport	16,302	4.1%	0.7%	4.7%	3.3%	6.4%
Rural Trad.	115,842	5.1%	2.1%	7.2%	35.3%	45.5%
Food Processing	15,734	8.3%	5.8%	14.1%	9.4%	6.2%
Health	484	0.2%	0.4%	0.6%	0.0%	0.2%
Miscellaneous	128	1.6%	12.5%	14.1%	0.1%	0.1%
TOTAL	254,482	5.7%	5.6%	9.3%	100.0%	100.0%

TABLE 6.3: RDP Outstanding/Overdue by Sector, September 1991

	Outstanding	Late	Overdue + NYT	Late + Over + NYT (LNO)	LNO of Total LNO	Outstanding of Total Outstanding
Agriculture	13,443	8.2%	8.0%	16.1%	7.6%	5.3%
Irrigation	30,636	4.6%	6.0%	10.6%	11.4%	12.0%
Fisheries	2,375	4.6%	14.2%	18.8%	1.6%	0.9%
Livestock	84,149	4.9%	1.3%	6.2%	18.3%	32.9%
Rural Ind.	19,398	3.9%	8.0%	11.8%	8.1%	7.6%
Rural Transport	16,751	6.9%	2.9%	9.8%	5.8%	6.6%
Rural Trad.	74,535	8.7%	5.2%	13.9%	36.4%	29.1%
Food Processing	14,093	12.4%	9.3%	21.7%	10.8%	5.5%
Health	243	0.4%	0.0%	0.4%	0.0%	0.1%
Miscellaneous	102	1.0%	14.7%	15.7%	0.1%	0.0%
TOTAL	255,725	6.6%	4.5%	11.1%	100.0%	100.0%

total outstanding. The second and third columns of each table give a first indication of risk of non-recovery. The share by value of Late loans in outstandings for a given sector is a clear indicator of slow repayment. Then, if Overdue and NYT show a higher share of outstandings than Late, this gives a second, more serious cause for concern. If, on the other hand, the share of Overdue and NYT is lower than that of Late, the conclusion is more encouraging. In the last two columns of each table, if the sectoral LON share of total LON is greater than that sector's share in total outstanding, it is performing below average for the whole portfolio - and vice versa.

RDP/RCP Comparisons

6.34 Comparing the two tables, RCP seems not to be performing as well as RDP. Overdue and NYT values, representing the highest risk of non-recovery, constitute 4.5% of outstandings for RCP and only 3.6% for RDP. Adding in the value of Late loans, the gap between the two programmes increases, with LON accounting for 9.3% of RDP outstandings and 11.1% for RCP.

6.35 Rural trading In terms of value, because rural trading accounts for the highest single share of total outstandings for RDP, it also stands out as showing the highest share in total LON. Nevertheless, it is performing better than average for the whole RDP portfolio. Another indication of this is that within the rural trading sector Overdue and NYT loans constitute only 2.1% of all outstandings, a figure which is bettered only by rural transport, health and livestock. In RCP, on the other hand, rural trading is performing worse than average, its share of LON in total LON being higher than its share of outstandings in total outstandings. This could indicate not so much a difference between RDP and RCP but rather, a reduction in credit discipline through time if, as is likely, those borrowing for rural trading in RCP have been borrowing consistently for the same purpose ever since joining RDP.

6.36 Sectors with poor performance For both RDP and RCP the sectors showing the worst performance are agriculture, fisheries and food processing. In agriculture, part of the explanation is probably that there have been two successive bad crop seasons. For fisheries, most of the difficulties relate to loans which were taken under collective responsibility before 1990 and which BRAC has not been able to convert to individual loans when collective lending for these schemes was ended. In the case of food processing - principally paddy husking - the bad crop seasons could have filtered down to affect the supply of paddy. At the same time, questions are being raised about the capacity of the rural economy to absorb credit for this very simple, low return activity.

Irrigation

6.37 Once again, irrigation is a particular source of concern, though superficially, the data in Tables 6.3 and 6.4 may not suggest this. For both RDP and RCP the data show that loans in this sector are performing better than average while the share of LON in total outstandings within the sector are in the middle range, at 8.9% for RDP and 10.6% for RCP. But DTW capital loans are repayable over 3-5 years so any loans already showing in the three LON categories were taken out some time ago, when disbursements and outstandings were considerably lower than they are now. Hence, if the LON

amounts now showing up in fact indicate very poor performance on earlier loans, and if that poor performance remains a characteristic of more recent loans, the share of LON could grow considerably over the next few years.

6.38 The general conclusions drawn above are broadly compatible with those of a study by RED in 1989 and covering six regions.⁷ This study calculated cumulative on-schedule recovery between the beginning and the end of the year, similar to the credit discipline rate used in the MTE special study discussed in Section 5 of this report. The results of the RED study estimated recovery rates of 47% in fisheries; 59% in irrigation; 76% in agriculture; and 78% in livestock. All other sectors were estimated to have recovery rates of 85% or more. The same study also showed better recovery rates among female borrowers than among males in all sectors except the residual 'miscellaneous' category.

C. Non-Formal Primary Education

Context

6.39 BRAC's relatively recent entry into the field of primary education is set against a background of very poor performance in the public sector. Between 1982 and 1986, primary gross enrolment averaged about 65% in Bangladesh as compared with 92% in India and 79% even for Nepal. There has also been a chronic male/female imbalance in enrolments, the rate for girls not having risen much above 40% during the first half of the 1980s. High dropout and repeater rates are also chronic characteristics of the primary education system. About one third of the students who enrol in the first grade do not continue into the second grade. Repeater rates throughout primary education are in the order of 10% per year. Only about one fifth of first-year enrolments go on to complete the fifth grade. Again, there are gender disparities in dropout rates, 12% fewer girls than boys completing five years of primary education.⁸ These summary data do much to explain the low average rate of literacy among the adult population of Bangladesh and the very low literacy rate among women.

The BRAC Model

6.40 BRAC entered the education field only in 1985. The aim was to develop an approach to educational services based on a better understanding of child psychology and motivation; appropriate curricula and teaching materials; and innovative teaching methods. BRAC's general objectives were expressed in terms of:

⁷ RED: Loan Recovery Performance of Rural Poor: Variations and Interrelations. Dhaka. September 1991

⁸ All data taken from IBRD: Bangladesh- Poverty and Public Expenditures: An Evaluation of the Impact of Selected Government Programs. Report No. 7946-BD. World Bank, Washington DC. January 1990; and UNICEF: The State of the World's Children - 1992. Oxford University Press. 1992

- i) responding to the needs, the real-life situations and the social, economic and cultural environment of the rural poor and their children;
- ii) overcoming the proven shortcomings of the existing system of public sector formal education, including retaining children in school long enough to achieve at least basic literacy and numeracy.

6.41 There are now two distinct components of the BRAC model for NFPE:

- i) NFPE proper - a three-year period of access to primary education for children aged between 8 and 10 years;
- ii) Primary Education for Older Children (PEOC), also known as Kishor Kishoree (KK) schools, originally offering two years schooling (now extended by policy decision to three years) for children and adolescents ranging from 11 to 16 years old.

6.42 Distinguishing characteristics of the NFPE model The MTE has identified ten characteristics of the BRAC NFPE model which not only distinguish it from the public sector system but which also explain its popularity among parents and students:

- i) attendance at BRAC schools is genuinely free of charge;
- ii) physical access is manageable, no student having to travel more than 2.5kms to school, the average distance being about 1km;
- iii) the duration of the school day is only three hours (in the first year, only 2.5 hours), the timing of which can be adapted to suit the collective decision of parents, while the need for adequate total duration of attendance is made up by six school days per week and a total of 270 attendance days per year (nearly 23% more than the 220-day year for public sector schools);
- iv) teaching staff are all chosen from among local residents, the majority (some 70%) being women (as compared with over 90% male teachers in the public system);
- v) the teacher/student ratio is set as a matter of policy at 1:30 and is not exceeded even under strong demand for places;
- vi) there is an explicit policy to reserve a minimum of 70% of school places for girls;
- vii) there are no formal examinations but instead there is a system for continuous assessment, including periodic tests, on the basis of which special help is given to children with learning difficulties;

- viii) the school day is broken up by such co-curricula activities as physical exercises, singing, dancing, drawing and supervised games, all of which add to the sense of fun among students;
- ix) each school is supervised and guided closely by PO level BRAC staff who visit usually twice per week;
- x) there is close consultation with, including an element of management decision-making by parents through monthly meetings at the school itself, and by means of a management committee comprising two parents (one male, one female), the teacher, and a local volunteer.

Strategy, Targets and Achievements

6.43 BRAC's strategy in the education sector has two main components. First, most specifically, it wants (a) to endow as many children as possible with the basic skills of literacy and numeracy, and (b) in doing so, to equip them to go on through successive levels of primary and secondary education. To this end its current overall target is to have 100,000 NFPE schools open by the end of 1997, accommodating some 3 million children, and financed from a variety of different sources. Ambitious though it is, this to BRAC is very much a short-term target. Secondly, BRAC's strategy is based on bringing influence to bear to improve the education system throughout the country, principally the public sector primary system.

6.44 From a 1985 base comprising the first batch of 22 experimental schools, BRAC had increased this to 2,204 by the end of the first year of RDP-II. Its target for the end of 1991 was to have 6,000 NFPE schools in operation, a figure which it slightly exceeded with a total of 6,003. Of these, some 4,180 are reported as having been financed by RDP-II. For 1992 the plan is to open a further 1,500 schools under RDP-II, though the BRAC-wide target, drawing on other sources of financial support, is to have 12,000 schools open by the end of the year. The only possible internal impediment to achieving this target could be the capacity of BRAC's training system to supply the necessary numbers of schoolteachers.

6.45 In terms of the performance of the school and teaching staff, every single indicator signals a very high degree of success in NFPE. The model is simple and it works. The dropout rate for courses completed in 1991 was only 1.37%. Of the 27,029 girls enrolled in BRAC schools in 1989, some 98.67% went on to be admitted to formal schools to complete their primary education. Looking still more closely, daily attendance rates in BRAC schools are currently in excess of 94%, as compared with an attendance rate of about 50% in public sector schools.

6.46 There seems to be little difficulty in attracting an adequate supply of teachers for NFPE schools or in retaining them. There are rigorous procedures for the initial selection of candidates who are then given a 13-day basic teacher training course, usually at the TARCs. On completion of this training, less than 5% of the candidates fall out or are rejected as unsuitable. Thereafter, the first three months of serving as a teacher is regarded as a probationary period, though fewer than 1% fail to be

confirmed. The dropout rate among confirmed teachers is also manageably low, at just under 4.7% for 1991, the most common reason reported as being the teachers' households moving away from the area.

6.47 In terms of educational achievements, the record is equally successful. Literacy rates after course completion are consistently 95% or more. Reviews of the evaluation records of students in 8 BRAC schools during the MTE showed that more than 95% of students achieved marks of 80% or more in each subject area. The very high proportion of NFPE students being admitted to formal schools is another confirmation of success. Having been admitted, the fact that their subsequent dropout rates are relatively high (42% of those enrolled in Grade IV in 1989, 26% in 1990, and 14% of those enrolled in Grade V in 1989) probably speaks more of dissatisfaction with the public sector system than of lack of interest among parents or of ability on the part of the students.

6.48 Collaboration with government Though it is part of BRAC's strategy to influence the educational system as a whole, its achievements in this direction are as yet understandably quite modest. The public sector education system is not only very large and very run down but is also at the same time very set in its ways, making it difficult to penetrate. Nevertheless, a modest start has been made through the Facilitation Assistance Programme (FAP) covering a total of 165 government primary schools in three Upazilas. The FAP provides arrangements for BRAC NFPE staff to collaborate with government education officials and teachers in seeking to improve supervisory systems and capabilities; increase student enrolment and retention rates; raise the level of daily attendance; strengthen the efficiency and motivation of teachers; and increase parent participation in school affairs. So far, the FAP is too small and too recent to judge its success or to project forward a model for further, wider-scale collaboration.

6.49 In addition, BRAC has put forward an application for the single largest component of the NGO budget line in the General Education Project being supported by the World Bank/IDA and a variety of other international agencies. The significance of this could go well beyond gaining access to the financial resources for the 3,000 NFPE schools in the BRAC proposal (which will in fact be quite modest in relation to BRAC's overall targets for expansion). Instead, BRAC should attempt to negotiate a role for itself in this project not just as an implementing 'contractor' for a portion of the NGO component but as a technical advisory agency for all aspects of the project relating to the development and refinement of the primary education system.

Inter-Cycle Continuation

6.50 In the early days of NFPE, when attendance at a BRAC school was regarded as an end in itself, lack of synchronisation between the BRAC and public sector school calendars was not an issue. Now that so many NFPE children do pass on to government schools - itself a reflection of the strength of demand for education - BRAC is faced with the need to make the transition as easy as possible. In a steady state, with a more or less constant number of BRAC schools in operation, BRAC would be able to adjust its school calendar to match that of government schools quite quickly and easily. But in the context of very rapid expansion, it becomes more difficult for two main reasons:

- i) before each new school can be opened there is much preparatory work to be done - including surveys and selection of students, the identification and recruitment of teachers and the identification of suitable premises for new schools - all of which has to be done by BRAC POs;
- ii) new teachers have to be trained, ideally not more than about two months before the opening of the school to which they are assigned.

6.51 If all new BRAC schools were to open simultaneously at a time to fit best with the government school year, the workload on NFPE POs and on the TARC-based training staff would probably become unmanageable, given the rate of expansion envisaged to 1997. BRAC has been trying to deal with this issue for the past few years and is now following a timetable which limits the opening of new schools (and the re-opening of schools after batches of children have completed their courses) to two periods in the year - around March to May and from September to December. The government school year begins in January. Thus, students completing their courses at schools which opened during the last quarter of a year will not have long to wait before they can pass into the next intake to a government school. BRAC students who complete their courses during the first three to five months into the government school year can be registered at their new schools on schedule but not actually take their places until later without, it is said, missing very much.

6.52 For new schools, the MTE endorses the approach being adopted by BRAC. However, once a school is in operation, whenever it may have opened, it should be possible to adjust the duration of the courses taught so as to bring it more closely in phase with the government school year. A gradual increase or reduction in course duration of, say, up to one month per year over a three-year course would impose few educational penalties but would do much to help synchronise BRAC students with the schools to which they want to be admitted later on.

Issues in the Future Expansion of NFPE

6.53 The demand for expansion The demand for expansion of NFPE capacity can be shown both numerically and qualitatively. Government data indicate that in 1990 there were some 15.1 million children between the ages of 6 and 10 years in the country. Of these, 7.5 million enrol but subsequently drop out of the public sector primary education system while a further 3.5 million do not enrol at all. The potential demand for the type of free, effective education offered by BRAC's NFPE programme, therefore, could be as high as 11 million places.⁹ Qualitatively, discussions with groups of parents during the MTE revealed not a single case of ambivalence or criticism over the NFPE service. Among parents of children already attending NFPE schools, a common answer to the question of what BRAC could do to improve the service was simply that it should

⁹ Data from GOB: Population Development and Evaluation Unit, Planning Commission, Dhaka, and GOB: Office of the Director of Primary Education, Ministry of Education, Dhaka, and GOB: Bangladesh Bureau of Educational Information and Statistics (BANBEIS), Dhaka, 1990.

extend the duration of school place entitlement from three to five years. In short, BRAC's NFPE model seems to have tapped into a well-spring of demand for education among the rural poor. The mothers of some NFPE students even hope that they will be able to learn to read and write from their children.

6.54 The management of expansion In the context of very rapid expansion over the last few years the management structure of NFPE is understandably not yet fully developed. The general structure is similar to that of RDP and RCP, with a Programme Director based in HO, Regional Managers (RM) and Area Managers (AM) with teams of typically 10 POs assigned to them as field supervisors. At present there are four Regional Managers (two of whom are designated as Assistant RMs) each covering an average of about 1,500 NFPE schools and 35 Area Managers each covering an average of about 4 RDP/RCP/WHDP areas and an average of about 170 schools.

6.55 With growing confidence about the appropriateness and success of the basic NFPE model, BRAC is already projecting forward the management structure needed for its target of 100,000 schools by 1997. In doing so, it is planning to increase the span of managerial responsibility at middle and senior levels. For example, at full development, there are plans for 33 Regional Managers, each responsible for about 3,000 schools - double the number covered by the current four RMs/Assistant RMs. Under each RM it is planned to assign 10 Area Managers (AM), each responsible for 300 schools, again nearly double the 170 schools covered by each of the current 35 Area Managers. At the next level down in the management structure NFPE will introduce a new position of Team Leader, each covering about 100 schools and responsible for the management of a group of 5 or 6 POs as field supervisors.

6.56 Finding the staff The MTE endorses the planned management structure for NFPE at full development. Filling the positions in the hierarchy, however, including the 33 RMs, 333 AMs, 1,000 Team Leaders and between 5,000 and 6,000 POs, will confront BRAC with a formidable task over the next 5 years. Already, during the course of 1992, recruitment targets include increasing the number of NFPE POs by nearly 40%, from 576 to 800, and the number of Area Managers by more than 70%, from 35 to 60. In fact, judging from recent experience and in view of the embargo on recruitment by government, BRAC is probably better placed now than ever before to attract applications from young people with masters degrees. The issue, therefore, is not so much recruitment as competence, experience and the preservation of quality during rapid expansion in staff numbers. Inevitably, rapid expansion will mean that the average length of specific job experience among staff at all levels will drop, including not only freshly-recruited teachers but also their supervising POs, new Area Managers (who will probably be promoted from the ranks of existing POs) and Regional Managers.

6.57 Training and the preservation of quality There is nothing BRAC can do to change the effect that rapid expansion of NFPE will have in reducing the length of specific job experience among staff at most levels in the management structure. What it can do, to offset the implied risk of loss of quality in programme management and service delivery, is to ensure the best possible job preparation and induction training, both for new staff as well as for those who will have to be rapidly promoted. The focus of attention in this respect is on BRAC's training capacity.

6.58 For basic teacher training, NFPE reckons that 25% of TARC capacity will continue to be reserved for it. On this basis it has already drawn up a programme with the Training Division to accommodate 6,219 new NFPE teachers during the course of 1992. All but about 4% of these are expected to be trained at the existing TARCs, the remainder being scheduled for field-based training in Kutubdia and Anandapur-Sulla. The programme has been based on a 13-day induction course, though now that the new policy is for a 15-day course, the training workload will have to be reviewed against a background of already intense pressure on TARC capacity. Moreover, the 6,219 places planned will only be sufficient for new teachers required in new schools to be opened to meet the target of 12,000 schools in operation by the end of 1992, including wastage of just under 4% immediately after training. But there seems to be no provision in the number of places planned to respond to NFPE's rules of thumb based on experience (a) that new teachers will be required in about 10% of existing schools which re-open, and (b) that there is a natural wastage rate among serving teachers of just under 6%, as noted earlier. Moreover, there also seems to be no provision in the training schedule for 15-day refresher courses for KK (PEOC) teachers after two years - an area of training which will grow considerably over the next few years.

6.59 Staff training, too, will place increasingly large demands on TARCs and on the Management Development Programme. All NFPE POs, for example, are expected to undergo three training courses during their first year of service. These include going through the same 13-day (now 15-day) teacher training course as the teachers themselves; a course of 8 days on the training of NFPE teachers; and a further course of 6 days in skills development training. Together, these courses are intended to equip POs for their supervisory and support role, including field-based orientation and brief monthly refresher training of teachers. Given the scale of the recruitment of new POs required if NFPE adheres to its 1997 target for 100,000 schools as well as the likely rapid promotion of existing POs to become Team Leaders and Area Managers, the retention or even extension of induction training of this sort will be vital if BRAC's own high standards of quality and competence are to be maintained. A further complicating factor is that the workload for staff induction training is not simply a reflection of the numbers of new staff positions created. Natural wastage among new staff in the first one or two years after their recruitment also has to be taken into account. The NFPE Programme Director reports, for example, that if female POs are recruited in the order of half will leave within two years of joining the programme.

6.60 Unfortunately, a backlog in PO training had already developed in 1991 and looks set to grow during 1992. Of the 375 NFPE POs in December 1991 all had completed the 13-day teacher training course but 82 had not been given the 8-day training of teachers course and 52 had not gone through the 6-day skills development course. Comparing the 1992 recruitment schedule with the PO training programme indicates that the backlog in training of teachers is likely to grow to more than 130 while for skills development just under 70 POs may not be accommodated.

6.61 The early indicators of a staff training backlog outlined above put NFPE and BRAC's Training Department in a difficult position. On the one hand, the training backlog at present is not of an alarming scale. It could become so, however, if BRAC adheres to its target for NFPE expansion, from the base of about 6,000 schools at the

end of 1991 to 100,000 by the end of 1997 - equivalent to an annual average rate of growth of nearly 60% in the numbers of operating schools, and calling for a similar annual average rate of growth in numbers of serving POs. On the other hand, BRAC is still far from certain of being able to mobilise the necessary external financial resources to push ahead towards the 100,000 school target. This is a difficulty which confronts BRAC as a whole. Ideally, the expansion of capacity for upstream activities such as the training of teachers and supervisory staff should precede the expansion of operational activities. But to be able to do this, BRAC would need from its external sponsors much clearer signals over much longer periods of time than it has been able to negotiate so far.

6.62 In the circumstances, NFPE seems to be hedging its bets. According to the target timetable for NFPE expansion, 1993 and 1994 will be critical years for training. But programme management is assuming that in each of these years three new mini-TARCs will come into operation, adding to the capacity for teacher and staff training. There are no plans to rent additional accommodation exclusively for NFPE training until 1996. The difficulty will arise if (a) BRAC is successful in mobilising the resources necessary to adhere to its overall target, but (b) there are delays (as seems highly likely) in completing and commissioning the planned new mini-TARCs.

E. The Paralegal Programme

Origins, Rationale and Objectives

6.63 It was in 1984 in Manikganj that BRAC first recognised a lack of legal awareness among women group members as a perpetuating characteristic of poverty. Two years later a BRAC consultant reported on areas of conflict which might form the basis of legal awareness training for both men and women. The consultant and three lawyers then developed and tested a legal awareness training pilot programme in Manikganj in August 1986. This led to a TARC-based training course in 1988 and in turn to the design of a model for the Paralegal Programme in January 1989.

6.64 The five-year period of research, experimentation and testing during the second half of the 1980s demonstrated that legal awareness training could be imparted effectively through trained, village-based paralegals to illiterate men and women in the key areas of Muslim Family Law, Muslim Inheritance Law, Citizen's Rights, and Land Law. It further demonstrated that:

- i) there was a demand for legal-awareness, especially among members of longer-established, more mature groups;
- ii) group members would be willing to pay Tk.10 each for legal awareness training;
- iii) after training, they felt an increased level of confidence in claiming their rights;

- iv) within the socio-political constraints of village life they were enabled in specific instances to act on the basis of the knowledge they had acquired;
- v) the training fees (of Tk.10 each in groups of 25 members collected by BRAC staff and passed back to the paralegal worker) provided a worthwhile remuneration and attracted good volunteers for the paralegal training.

6.65 Based on the early field experience, the rationale for the expansion of the PLP was codified as follows;

- i) legal awareness and empowerment is an important complement to the social and economic empowerment of the poor;
- ii) the esotericism of the law must be de-mystified;
- iii) access to legal information is a legal right of every citizen and should not depend on income status or gender;
- iv) litigation is both time-consuming and expensive, wasting the scarce resources of the poor and increasing their indebtedness.

6.66 Against this background, the objectives of the PLP are to contribute to the empowerment of the poor; to demystify the law for those who are illiterate; to provide access to legal information as a right; and to reduce the incidence of litigation among the landless.

Operational Performance

6.67 The 1989 RDP-II/RCP Appraisal recommended the expansion of the PLP, but no specific targets were set and the rate of expansion was left for BRAC to decide within its budgetary limitations. By June 1991 the programme was operating in 15 Area/Branch Offices, as planned, while this had risen to 30 Areas/Branches by February 1992. The number of members trained as PLP Learners had reached 87% of the target for the year. By December 1991 the programme had trained a cumulative total of 25,202 PLP Learners. This represents significant expansion during the course of 1991 for the total of PLP Learners by the end of 1990 was only just over 5,000. Of the 1991 cumulative total, about 80% are women, as compared with about 62% female PLP Learners by the end of 1990. By the end of 1991 the programme included 135 GS paralegals, of whom nearly two thirds were women. Overall, the programme is 9% ahead of its target in terms of numbers of PLP Learners.

6.68 The under-achievement of targets for PLP Learners in 1991 was due to an unexpected level of drop-outs among paralegal workers during the first half of the year. Follow-up studies indicated that some paralegals who had been trained had not begun to give classes because they had been too busy with their own income-generating activities, but that many of them still intended to start classes when they could find the

time. The higher proportion of women PLP learners than men could be due either to greater demand for legal awareness among women or a more targeted approach to women by the paralegals, but the MTE was unable to clarify this.

Programme Effectiveness

6.69 No major problems have been reported for the PLP, and none was observed in the field. A Knowledge Retention Study carried out in 1991 suggests that the training of paralegal workers, the teaching of group members and the training material used are all effective in transferring key information and awareness to BRAC members.¹⁰ There is a somewhat lower retention of knowledge of Inheritance Law, especially among women. This is regarded as unsurprising in view of the complexities of this law, particularly its inheritance shares aspects, which are now being given special attention in refresher training. PLP managers and MTE field visits suggest that through informal communication legal awareness also passes to a larger circle in the villages where classes have been held.

¹⁰

A. Sattar and S. Jahan: *The Paralegal Programme - A Study of Knowledge Retention*. BRAC, Dhaka. June 1991.

7. SUPPORT SERVICES

Introduction

7.1 The terms of reference for the MTE refer to six support services within BRAC, including NFPE and PLP. The MTE regards these as operational programmes and for this reason has included them in the previous section of this report. On the other hand, the terms of reference do not include the Sectoral Programmes as support services, perhaps because they are all specifically linked to operational credit programmes. The MTE has included the Sectoral Programmes as support services, partly owing to the substance of their work in providing extension and advisory services and training, but also because in the future, as RCP accounts for a steadily increasing share of BRAC's credit activities, the Sectoral Programmes will be expected to pay their own way as fee-charging support services. The MTE has also added the Construction Department which, in the context of rapid expansion, provides an important service to the operational programmes. The support services treated here, therefore, include:

- i) the Sectoral Programmes;
- ii) the Rural Enterprise Project;
- iii) the Management Development Programme;
- iv) the Research and Evaluation Department;
- v) the Monitoring Department;
- vi) the Construction Department.

A. Sectoral Programmes

Organisational Structure and Approach

7.2 BRAC's specialised extension services focus on the four sectors of poultry and livestock, irrigation, fisheries and sericulture. Each of these sectoral programmes provides a combination of training, technical advice and support services to members. Their organisational structure comprises four tiers, in parallel with the structure of BRAC as a whole:

- i) Head Office specialist staff engaged in planning, administering and coordinating the services;
- ii) Regional Office specialists (senior POs) providing training and supervisory services;
- iii) field-level POs and GSs operating out of AOs/Branches and working directly with VOs;
- iv) specially selected and trained BRAC members/borrowers providing a range of practical services, for example, paravets in the livestock area and poultry workers providing vaccines (and vaccinations), treating

diseases, and giving advice to VO members on better rearing practices, including key rearers in the poultry programme serving as role models for their neighbours.

7.3 A key characteristic of this organisational structure of the sectoral programmes - and one which demonstrates the sensitivity of the BRAC approach - is its inclusion of some of the members themselves. This represents a deliberate blurring of the boundaries between the service delivery system and its receiving mechanism at the local level. It echoes some aspects of the Training and Visit system in agricultural extension services and has been adopted by BRAC for three main reasons. First, the involvement of members of the VO peer group - who know all or most of those engaged in a particular sector at the village level, who themselves have probably experienced most of the difficulties likely to crop up, and who are always on hand - is expected to be more effective than relying on visits by outsiders. Secondly, it permits both depth and spread of coverage without the heavy overhead costs which would be incurred if all services were provided by full-time BRAC staff. And thirdly, BRAC expects the incorporation of an extension role within the village-level membership to enhance the prospects for the full integration of the different sectoral activities into the village economy, hence to enhance their longer-term sustainability.

Staffing

7.4 By the end of December 1991 the four main sectoral programmes accounted for a total of 678 BRAC staff. Of these, some 295 staff (43.5%), by far the largest group, were engaged in the agriculture and irrigation sector. In the other three programmes there were 149 staff (22%) in poultry and livestock, 119 (17.5%) in fisheries and 115 (17.0%) in sericulture. It has not been possible to trace comprehensively the growth of full-time sectoral staff in relation to the growth of substantive sectoral work under RDP-II/RCP owing to lack of data on the numbers of GSs assigned in 1990 and earlier. Nevertheless, growth in the numbers of specialist POs reveals some interesting trends.

7.5 Overall, the number of specialist POs grew by nearly 2.8 times, from 74 in November 1990 to 204 by December 1991. Among the four sectors, however, growth in the numbers of POs assigned was far from uniform. In the poultry and livestock sector, for which BRAC has a well-established model, the numbers of specialist POs grew by only three, from 18 to 21. In fisheries, the number of POs rose from 12 to 13 over the same period. In the agriculture and irrigation sector, on the other hand, the number of POs assigned rose dramatically, from 30 in November 1990 to 138 by December 1991. This reflects not only growth in lending to DTWs but BRAC's recognition of the greater risks in these schemes deriving from technical/mechanical issues in their operation; questions of cohesiveness, hence credit discipline in the larger VOs required; and production relations between the VOs as suppliers of water and farmers in the command areas as users. In sericulture, where the BRAC production model is still being developed, the number of specialist POs more than doubled, though from a smaller base of 14 in November 1990 to 32 by the end of 1991.

Service Delivery

7.6 The four programmes differ from each other in the way they operate and deliver their services. It is in the traditional, more familiar sectors such as livestock, poultry and fisheries that the greatest numbers of members are involved because the services to be delivered are relatively simple and they can be trained easily. Sericulture, too, is a traditional industry, at least in certain parts of the country. But it is not nearly as broadly familiar among the rural population and there are some aspects of the production chain which are technically complex. Moreover, BRAC is still developing the production model for sericulture. For these reasons, the number of BRAC members involved in providing services is smaller, though there is scope for growth. Irrigation, as noted earlier in this report, presents a complex set of difficulties ranging from purely technical, mechanical issues in the operation of DTWs, through questions of group organisation, management and credit discipline, to the production relations between the BRAC VOs supplying water and the farmers in the command areas. Again, therefore, there is somewhat less scope for the involvement of BRAC members in the extension and support services.

Financing the Sectoral Programmes

7.7 At the lowest level, the practical support provided by trained BRAC members is directly-financed by the membership at large through a predetermined scale of fees for different services. This arrangement is now fully integrated in the poultry model, has become well accepted by BRAC members and is another factor strengthening the prospects for sustainability. The fees themselves can be kept quite low as some of the inputs such as vaccines in the livestock and poultry sector are provided free by the government. The full-time BRAC staff are paid partly from the RDP budget and partly from different components of the overall training budget. For mature RCP Branches (ie. two years after the transition from RDP to RCP) the policy is that VOs should also pay fees for any further training and/or extension services provided by BRAC staff. This policy has not yet been put into practice and questions remain about fee scales, their acceptability to members, and the effects they may have on take-up rates.

Targets and Achievements in Sectoral Programme Expansion

7.8 Table 7.1 shows selected indicators of the baseline position prior to the commencement of RDP-II/RCP, annual growth to December 1991, and a comparison of incremental achievements against targets for calendar 1991 for each of the four main sectoral programmes. On balance, the selected indicators demonstrate excellent adherence to targets. The livestock and poultry programme, for example, shows very close adherence to targets probably because (a) it is already quite familiar to BRAC members, and (b) it is supported by a well-developed model.

7.9 In contrast, the main shortfalls against targets lie in areas which are well-known to present difficulties or for which the BRAC model is not yet fully developed. In irrigation, for example, the 19% shortfall against the incremental target for irrigated area is the less surprising because experience in general shows that actual DTW command areas rarely reach their potential. In fisheries, the shortfall in the number

TABLE 7.1: Sector Programmes: Cumulative Achievements and Achievements Against Targets for 1991

	Cumulative Achievements					
	December 1989	December 1990	December 1991	1991 Incremental Achievement	1991 Target	Achievement as % of Target
Livestock and Poultry						
Paravets	396	640	1152	512	338	151.5
Livestock Rearers	17848	42365	58521	16,156	13,835	116.8
Poultry Rearers	40910	56664	95506	39,942	39,750	100.5
Poultry Workers	3156	3843	4999	1,156	1,258	91.9
Chick Rearing Units	246	650	1359	709	707	100.3
Irrigation						
Deep Tubewells	136 ¹	136	305	169	200	84.5
Irrigated Acreage	5444	8035	13327	7,292	9,000	81.0
Fisheries						
Carp Culture (Ponds)	439	669	1181	512	663	77.2
Nilotica Culture (Ponds)	279	403	1807 ²	1,404	3,163	44.4
Fish Nurseries	115	165	277	112	286	39.2
Sericulture						
Silk Worm Rearers	1014	1667	2141	474	583	81.3
Reelers	12	128	145	17	17	100.0
Mulbury Trees Planted ('000)	65.5 ³	2709.9	4,141.4	1,431.5	1,560	91.8
Other						
Apiculture, boxes	-	-	2038	-	-	-
Apiculture, colonies	-	-	571	-	-	-

1. No. of installed tubewells.
2. Nilotica programme replaced by Sharputi.
3. Including RCP.

of nurseries established probably reflects technical and managerial difficulties while the under-achievement in ponds for *Nilotica* reflects a shift away from this species in favour of Thai Sarputi. For sericulture, adherence to targets has been closest in numbers of new reelers established and mulberry trees planted - the latter of which being one of the simplest aspects of the programme and in which BRAC now has substantial experience and a well-developed model. The rearing of silk worms is technically more complicated work for which the shortfall in achievement is probably mainly because BRAC is still building up both the comprehensive model for sericulture as well as its training and extension capacity.

B. The Rural Enterprise Project

Context and Rationale

7.10 In Bangladesh, as in most least developed countries, the rural labour force is expanding much faster than the absorptive capacity of agriculture. The pressure is on, therefore, to explore ways and means of promoting new opportunities for growth in rural non-farm employment opportunities. Yet in the context of an existing relatively non-diversified rural economy and at best slow growth in disposable income from farming, the task is formidable. In Bangladesh a number of projects, programmes and agencies are active in this search for new ideas in small and micro-enterprise development, including the Bangladesh Small and Cottage Industries Corporation (BSCIC), the Bangladesh Agricultural Research Council (BARC), the USAID-sponsored MIDAS programme and the Grameen Bank. Achievements in this field have been at best patchy. On the one hand, there has been considerable success in the provision of credit to the rural poor. But there have been no clear break-throughs in the sense of new sectors or activities capable of being undertaken easily by the rural poor and capable also of the sort of expansion and spread that could make a significant contribution to satisfying the burgeoning demand for employment.

7.11 REP represents BRAC's own 'think-tank and laboratory' for new uses of credit. Its rationale can be traced back to the discussion earlier in Section 6 of this report of the tendency towards concentration in the utilisation of credit, particularly for low risk, low return activities. BRAC's concern about this tendency - and its motivation in setting up REP - was two-fold. First, from an early stage in its involvement in credit services, BRAC has recognised the potential risk that a very narrow range of uses of credit could reach saturation level, affecting the absorption rate for additional credit. Linked to this is a conceptual appreciation that the development process should incorporate increasing diversification of activity in the rural economy. Secondly, within its operational policy of aiming for breadth rather than depth of coverage and assistance, BRAC nevertheless is keen to explore what higher order, higher value-added enterprises and activities could be open to its members.

7.12 The role of REP, therefore, is to identify, investigate, test, demonstrate and disseminate new business ideas on behalf of BRAC members. Successful ideas and models are then expected to be fed into RDP/RCP as part of mainstream credit programmes.

Organisation, Staffing and Resources

7.13 Organisation Within BRAC's overall structure, REP forms part of the Rural Development Programme, with the REP Manager reporting directly to the RDP Director. In the field, there are no REP staff above PO level and this gives rise to a dual arrangement whereby (a) for administrative purposes they report through the RDP structure of Area and Regional Managers, while (b) on substantive technical matters they report to the REP Manager at HO. These dual lines of management and administration converge at the meetings of RDP Regional Managers which are convened by the RDP Director and attended by the REP Manager.

7.14 The main apparent weakness in REP's organisational structure lies in the managerial 'distance' between Head Office and the field. Area Managers and even Regional Managers seem, with some justification, to regard REP as having its own, separate mandate and work programme which is managed from HO and with which they are reluctant or feel ill-equipped to interfere on substantive matters. Besides, they are fully occupied with their mainstream RDP responsibilities. This leaves the REP POs not only without an intermediate level of technical management but also, by implication, without an easily-accessible source of guidance and motivation. The MTE has not been able to identify any specific REP shortcomings which might be attributed to the length of these technical managerial linkages. It raises the issue merely as an observation and as a matter that BRAC should bear in mind in the future development of REP.

7.15 The 1990 Annual Review recommended merging REP with the Sectoral Programmes to form new technical support teams. BRAC has stopped short of such a formal merger, though in practice there is close exchange of experience and ideas between REP and the Sectoral Programmes, at least at HO level. At the same time, there is now a clearer distinction of roles, with the Sectoral Programmes being responsible for all aspects of work in their respective fields, including new experimental work, while REP is responsible for pioneering work in fields not covered by the existing sectoral specialists. The MTE endorses this arrangement.

7.16 Staffing In just over a year between the 1990 Annual Review and September 1991, REP staff strength has risen from 14 to 26. By the beginning of 1992, this had grown to a total of 32, comprising the REP Manager and two economists (with MBA qualifications) at HO and 23 POs and 6 GSs in the field.

7.17 REP reports that it has had some difficulty in recruiting and retaining staff - at least, staff of the sort it requires. Against the background of its management structure outlined above REP ideally needs staff with practical experience in micro-enterprise development, who can think creatively, with sound and objective analytical skills, and who can be 'self-starters', able to rely on their own energy and initiative. It is not easy to find such people willing to join BRAC as POs and to work in the field. Even at HO level, there has been considerable turnover among the economist positions.

7.18 Budget The total budget assigned to REP between January 1990 and December 1991 was Tk.8.8 million while actual expenditure was Tk.8.0 million. This under-expenditure masks considerable variations between allocations and actuals for individual

budget lines. The most notable variation was in the budget line for experimental project materials, where expenditure of Tk.3.15 million exceeded the allocation (of Tk.210,000) by 15 times. This was mainly due to problems with power tiller schemes which failed to live up to their initial promise. REP bought back a substantial number of the tillers originally issued, with the intention of experimenting with alternative operating models for them. Elsewhere in the budget there was considerable under-expenditure, principally against allocations for foreign consultants and a 25% under-expenditure on staff salaries.

REP Achievements

7.19 Since its inception, REP has worked on 53 distinct projects or new ideas for small and micro-enterprise development. Of these, 12 have been judged as suitable to recommend and promote among BRAC members and have been 'handed over' to RDP; 13 have been abandoned as failures or unsuitable; another two have been suspended; and the remaining 26 are at different stages of development as experimental or pilot projects.

7.20 Areas of success There are two distinct and sequential levels at which the success of REP's work can be judged. First, within the 'laboratory' context of REP itself, an activity can be judged as initially successful if BRAC members have - or can easily be given - the necessary technical and managerial skills; if there is a market for the output or services generated; and if the enterprise or activity is financially viable. The second level for judging success is more critical and hinges on whether a new activity can be translated into the sort of model that, for example, has been developed for the poultry programme, enabling RDP to promote and replicate pilot work on a wide scale as part of its mainstream work.

7.21 At the first level of judging success, the 12 projects handed over to RDP are currently estimated to be providing employment to about 10,000 people - a considerable achievement. The second level, of widespread replication, is the more stringent test of success in the real setting of organisational abilities and markets, and here the record is more mixed. Vegetable production, nursery ponds and Thai Sarputi fish production seem to have been introduced successfully into mainstream RDP lending. But although the rice mill scheme and the two brick fields set up with REP backing are still in operation there is little confidence among RDP staff that they can easily be replicated on a wider scale. From the RDP perspective, these schemes are ambitious; they call for large groupings of BRAC members to spread capital and operating costs; they make considerable demands on the organisational and managerial capacities of the membership; and they represent entries by the rural poor - albeit with BRAC backing - into complex market sectors within the rural economy. In the perspective of BRAC members, these factors all represent different dimensions of risk. As yet it is too soon to tell whether this risk can be or will be assessed as worthwhile in relation to the apparently limited financial returns in these ventures.

7.22 Failures There are also two levels at which REP's failures can be assessed - enterprises which are abandoned at the experimental stage, and those which are passed on to mainstream lending but which subsequently fail. Examples of failure at the first

level include REP's work with pigeon rearing and mushroom cultivation. The first of these schemes was abandoned owing to the practical difficulty of controlling and keeping the pigeons on the homestead. Experiments with mushroom cultivation failed owing mainly to marketing difficulties.

7.23 Failure at the second level is more serious (a) if it is due to error of judgement on the part of REP in handing over new ideas to mainstream lending without, say, rigorous testing of a new activity or without full development of the technical, financial, organisational and management model surrounding it, and (b) because if new ideas are adopted by significant numbers of BRAC members, their failure could cause considerable hardship. The most notable example of failure after hand-over is the case of power tillers. REP's own assessment is that the power tiller 'model' was handed over to RDP too early, before the managerial and operational dimensions had been fully tried and tested. As noted earlier, REP incurred major unforeseen expenditure in buying back many of the power tillers and is now undertaking further experiments with four different ownership and management models.

7.24 Coping with failure REP has fully registered the power tiller experience, particularly the way it has highlighted the importance of developing appropriate, workable management systems for new enterprises. In addition, however, there is another question arising from the experience of schemes which are developed by REP, handed over to RDP, but which subsequently fail. It is the question of who should bear the responsibility, including the financial responsibility, for failure? In purely banking terms, when entrepreneurs take out credit to set up enterprises of their own devising there will always be failures. The reasons for failures can range from fundamental weaknesses in the design of different enterprises to management ineptitude or even the outright misuse of credit. In any such cases, it is the entrepreneurs who make their own decisions, who bear the risk, and who are responsible if their ventures fail. But when new enterprises are recommended by BRAC - which is acting not only in the role of the bank, the provider of credit, but also as the advocate and supporter of its membership - the assignation of responsibility for failure becomes much more difficult.

7.25 The key issue is that at present BRAC does not have a clear policy for coping with REP models which are recommended as feasible and appropriate, passed over to mainstream lending, but then prove to be failures. In developing such a policy, an obvious reference point should be the extent or proportion of failures. If, for example, a new REP model is taken up by a number of individual borrowers or VOs and is run successfully by a large majority of them, then the minority of failures can probably be assigned as the responsibility of the borrowers concerned. On the other hand, as in the case of power tillers, if failure is widespread and can clearly be attributed to some inadequacy or lack of development in the model itself, it is BRAC which must take the responsibility.

7.26 New schemes REP is pressing ahead with its innovative and creative work. Among its recent experimental activities there are several ideas which seem very promising, including carp hatcheries, apiculture and roadside restaurants owned and operated by women. Small scale carp hatcheries are a novel form of spawn production in Bangladesh and represent a potentially important alternative to the Department of

Fisheries as a source of supply to private fish cultivation enterprises. The main caveat is that experience so far suggests that these schemes may need close technical support from the fisheries sector specialist staff for a period of time that cannot yet be predicted. REP's work in the field of apiculture is based on a simple model which seems well-suited for women at the homestead level and which could open up further possibilities for downstream processing and marketing. Roadside restaurants also seem to be very successful. Field visits during the MTE have shown that the women involved have responded eagerly and successfully to the idea and do not in general seem to need intense or lengthy technical-cum-managerial support. The schemes are the more interesting not just because of the apparently high financial returns they offer but also because the model itself incorporates an important element of social change by involving women in a commercial activity which would probably be inconceivable without the backing of an organisation such as BRAC.

Ancillary Functions of REP

7.27 REP undertakes a number of ancillary items of work within BRAC in addition to its main responsibilities in the field of developing new ideas on behalf of the membership. As noted earlier, two of BRAC's three staff with MBA qualifications are assigned to REP and their skills in project and business analysis are in high demand. They are often called in by RDP and RCP to undertake feasibility analyses on applications for credit in different fields and enterprises. REP staff are also involved in monitoring the profitability of different types of venture in the credit portfolio.

7.28 In addition, RDP is relying on REP staff to assist in developing new projects in six different sectors ranging from agriculture to rural manufacturing industries. These are all interesting and useful areas of work. The concern of the MTE goes back to the earlier point in the discussion of REP's structure and management, namely that its HO staff team is quite small while the managerial 'distance' between HO and field staff is considerable. In this setting, if too many ancillary assignments are given to the HO team, not only would they be stretched too thinly but their ability to supervise and guide experimental work in the field would be reduced still further. In short, and consistent with the recommendations of earlier reviews, REP needs to maintain a clear focus in the interests of the quality of its work on behalf of the BRAC membership.

C. The Management Development Programme

Background

7.29 MDP was originally conceived in the first half of the 1980s to serve two quite different objectives. Internally, and to prepare for planned expansion of BRAC's operational activities, it was intended to provide management training to BRAC staff. Externally, and consistent with BRAC's aim of using its own experience to bring the widest possible influence to bear on other rural development programmes, it was expected to reserve a considerable portion of its capacity for management training for the staff of other government agencies and NGOs. Indeed, the original intention to set up such a facility with the status of an institute suggests that the second, external role

was seen as the more significant. In pursuit of setting up an institute, however, BRAC was obliged to enter into negotiations with the government and this led to considerable delays. Eventually BRAC lowered its sights and the re-named MDP was set up as an independent BRAC programme in January 1990.

Physical Facilities and Throughput

7.30 MDP's main campus is the new Management Training Centre (MTC) at Rajendrapur which opened in May 1991 with a design capacity of nearly 10,000 participant-days per annum. There is another training centre - a rented building in Dhaka Uttara - though the accommodation there is described by MDP as being 'cramped'.

7.31 Between May and December 1991, the throughput of trainees at the Rajendrapur MTC was in the order of 90% of pro-rata capacity for the period. Nearly 70% of this throughput was BRAC staff, though originally it had been expected that up to half of MTC capacity would be used for training outsiders. Of the BRAC throughput, nearly two-thirds of the trainees in fact undertook TARC courses, suggesting that at present the MTC is acting more in the role of a TARC.

Issues in the Gearing-Up of MDP

7.32 MDP is essentially still too new for its contribution to be fully evaluated. As MDP seeks to establish itself properly and to gear itself up to full operation, the MTE has identified four main issues confronting it, namely staffing; development of the training curriculum; establishing recognition and a role for itself within BRAC; and clarifying its priorities.

7.33 Staffing As yet, MDP does not have a team of full-time training staff - or 'faculty members'. Instead it relies principally on serving senior managers from different departments to provide training in their own specialisms of financial management, monitoring and the like. This is probably effective, at least for the category of management training that can be described as 'the BRAC system of doing things'. But it cannot be expected to be effective in passing on pure management skills - the management of people, the management of time, establishing and observing the limits of managerial discretion and the like - which is a specialised field in its own right.

7.34 The specialised nature of management training presents a double difficulty in building up a team of faculty members. If MDP looks internally for the team it can guarantee familiarity with BRAC. But these staff will probably themselves need to be trained as management trainers and this will take time, possibly even calling for overseas training. On the other hand, if MDP recruits externally, it may be possible to find good management trainers but they will obviously lack familiarity and experience with BRAC. MDP policy is to recruit its faculty members internally.

7.35 Curriculum development MDP has set its sights so far on the middle ranks of BRAC staff and has identified three broad areas for management training:

- i) technical aspects of management, including planning, work scheduling, monitoring staff time use and the like;
- ii) qualitative management skills, including leadership, motivation and communication;
- iii) conceptual understanding and commitment to apply both technical and qualitative management skills.

7.36 MDP has defined the middle ranks of management in terms of Area Managers and senior POs and has begun to develop training material in these areas - but there is still some way to go. So far, however, it has not come to grips with the potentially more sensitive issue of identifying training needs among senior BRAC managers.

7.37 Establishing an accepted role MDP staff have the impression that so far there is little interest in their programme among operational managers. This perception seems to be based on a lack of articulation of demand for management training - and is perhaps somewhat simplistic. Precisely because MDP is not yet fully operational and has therefore not yet been able to demonstrate what it has to offer to improve management it would be too much to expect spontaneous expressions of demand. In this setting, MDP needs to establish the closest possible communication with operational staff, particularly their senior managers. The aim should be to generate a sense of involvement and participation and, in the process, to prime the pump of demand for what MDP can offer. And this needs to be a conscious effort, not least because at present the fact that the MDP Head Office staff are based in the rented annex building across the road from the main office increases the communication and interaction 'distance' that has to be overcome.

7.38 Clarifying priorities The most important policy issue in clarifying MDP priorities is the question of balance in effort and throughput between internal and external training. There are two elements of the rationale for MDP offering training services for non-BRAC staff. First, as noted earlier, training outsiders is a potentially powerful way of bringing the BRAC approach and experience to bear in influencing other people, other agencies and other rural development programmes. Secondly, by charging commercial fees for these external training services, MDP could hold out the prospect of financial independence, covering all its costs, including its internal training services, from its own income.

7.39 The MTE recommends that for the present MDP should give top priority to internal training and should not be expected to meet predetermined targets either for the throughput of external trainees or for cost recovery. There is much work still to be done on the issues of staffing, curriculum development and establishing a role and reputation for itself within BRAC, as noted above, before MDP can be expected to fulfil an external training role. The implication is that MDP will require full funding for some time to come - and this should be understood and accepted by the Donor Consortium.

D. Research and Evaluation

Overview

7.40 The Research and Evaluation Division (RED) is staffed by competent researchers and has already gained an international reputation for its work. Its current share of less than 1% of the RDP budget is not excessive. Nevertheless, by the nature of its role, RED is in a difficult position because its work is not a direct and integral part of the operational activities of BRAC. This characteristic of RED is compounded and more noticeable because (a) the operational programmes have been growing so rapidly during the last few years, while (b) RED, like MDP and the Construction Department are 'outposted' - albeit only by a matter of a few yards - in the annex building at Head Office. In sum, RED can easily be seen as a 'back-room' part of the organisation both in terms of its role and its physical location. Conscious of this, the MTE has identified three inter-related issues that need to be addressed in the further development of RED:

- i) ensuring the relevance of research programme content to operational issues;
- ii) strengthening RED's relations with operational programmes;
- iii) improving the accessibility and usability of its output.

Research Subject Matter

7.41 The MTE has examined some 25 studies undertaken by RED and has reviewed both the design and emerging results of its largest commitment, the Village Studies Project (VSP). It has also discussed RED output with senior operational managers. The conclusion is that some of the work is clearly both useful and relevant, particularly such studies as those of the literacy and continuation rates of children completing their NFPE courses. These are essential building blocks in the development of confidence in BRAC models for its operational programmes as well as showing how they might be refined.

7.42 Some other aspects of RED's research activities are not so well geared to operational interests. A case in point is the very large, very ambitious VSP. The proposal for this undertaking reads like a pure research exercise. The objectives and the projected outputs can be seen as having high-order relevance to the development of a comprehensive understanding of rural poverty and the factors which perpetuate it. But neither the objectives nor the outputs have much direct relevance to any particular operational BRAC programme. Within the VSP, the work in studying perceptions of power and status at the village level may help BRAC to sharpen its own understanding of what empowerment means and how it can be achieved. Even so, there will still be a long way to go. The results will not only have to be 'operationalised' but will also have to show how empowerment can be monitored if they are to be useful to RDP/RCP. Of clearly dubious value among the research instruments in VSP are the Village

Monographs which do little more than catalogue rural poverty. RED is aware of this and of the fact that one measure of the remoteness of any pay-off from VSP is that so far there have been no internal workshops to discuss emerging results.

7.43 BRAC's policy for determining the content and scope of elements in the RED work programme is that all new proposals should be submitted to an internal workshop as a screening and approval mechanism. Thereafter, RED enjoys considerable autonomy in getting on with the agreed work. When the results become available the policy is to convene a further workshop to explore their implications for operational activities. The policy appears sound but the MTE was unable to observe any such workshops or to form any conclusions about their effectiveness. Nevertheless, from discussions with operational managers, there do seem to be shortcomings in the perceived relevance of some parts of RED work.

7.44 In general, the MTE review of RED's recent work programme and output reveals perhaps too much academic rigour and adherence to research design standards. There is little in the way of 'quick and dirty' studies or diagnostic analyses of known areas of success or failure on behalf of operational programmes.

Relations with operational programmes

7.45 There are two interpretations of the role of RED which impose quite different requirements on its relations with operational parts of the organisation. First, the strict interpretation of RED's role as an evaluative unit calls for it to maintain some distance between itself and operational programmes in the interests of maintaining objectivity. On the other hand, RED's role as a research unit and support service - developing better understandings of poverty, empowerment, the process of social change and feeding the results into practical work at the field level - signals the need for close collaboration with operational staff.

7.46 The view of the MTE is that RED can and should do more to strengthen its relations with operational programmes. In doing so there will be little risk of undermining its objectivity, not least because of the organisational 'distance' that separates it from the rest of BRAC. The response to such recommendations is typically to think in terms of regular meetings, subject-specific workshops and the like. In this case, however, there is a more promising option of building closer collaboration into the way in which RED draws up its work programme. For this it would be necessary to reserve a portion of the RED budget and staff time to serve in a customer-contractor relationship with operational programmes. The operational programmes, in the role of customer, would be expected to identify issues for study and analysis. RED, as contractor, would then be responsible, in collaboration with its customers, for deciding the scope, focus and methodology of study.

7.47 From RED's point of view the main difficulty such an arrangement would present would probably be its inability to draw up a predetermined work programme, including the allocation of staff time, as far in advance as it can currently. To minimise this difficulty RED would be motivated to approach senior operational managers regularly

to find out what issues may be cropping up as candidates for diagnostic study and to reach agreement on how to fit them with other work commitments. In the process, RED would automatically develop closer working relations with operational managers.

Accessibility of Results

7.48 RED is fully aware of the general problem in the world of today that its research and evaluation reports - like so much other information committed to paper - is competing for the time and interest of its potential readership. The fact that BRAC's expansion places so many demands on senior operational managers means that the competition for time and attention is the more severe. To be effective in reaching its target audience, RED must sharpen its expertise in information technology and improve accessibility to the results of its work. And if it can do this it will automatically enhance the prospects for its work being used.

7.49 As in the case of diagnostic or quick and dirty studies, improving the accessibility of RED's output will call for some relaxation of academic rigour. The most important aspects of a given study as far as operational staff are concerned are the conclusions and recommendations. Yet of the sample of RED reports reviewed by the MTE, most emphasised methodology, sampling techniques and the reporting of results. Only a few presented operational conclusions or identified issues for management review. In academic research it is important to give an account of methodology in order to demonstrate the confidence and validity that can be ascribed to the results. In the case of BRAC, however, it is not so important to give detailed accounts of methodology or data processing techniques - at least not initially. Once the attention and interest of operational staff have been captured it will always be possible to take stock of the level of confidence attached to the results before deciding what action to take either in carrying out follow-up studies if necessary or in taking direct operational decisions.

Recommendations

7.50 The summary recommendations for RED are:

- i) review and clarify the role and mandate of RED;
- ii) modify the procedures by which RED proposes, justifies and gains approval for individual elements in its work programme, with the aim of strengthening the relevance of research subject matter to operational and field issues;
- iii) improve the dissemination and accessibility of research results by (a) presenting self-contained abstracts giving conclusions, recommendations and sufficient explanation of methodology and analysis to demonstrate their validity, and (b) in consultation with senior operational managers, identifying selected research abstracts for translation into Bangla and dissemination among BRAC field offices;

- iv) reserve (initially) a modest component of RED resources for a responsive research programme based on a customer-contractor relationship with Programme Directors and the Monitoring Department, permitting customers to identify issues for investigative work and to participate in the design of diagnostic, trouble-shooting or other studies they need.

E. The Monitoring Department

Background

7.51 BRAC had already established a Monitoring Cell in 1988, prior to the inception of RDP-II/RCP. It grew out of the Research and Evaluation Division, based on an expression by RDP of its need for a full-time direct service to develop and refine its management information system. In 1990, following the commencement of RDP-II/RCP, not only was it upgraded to full departmental status but its priority was clearly to focus on the broad mainstream of work in expanding membership and savings and credit activities through these programmes.

Organisation and Staffing

7.52 The Monitoring Department (MD) is shown in the BRAC organisation chart as being managed by the Commercial Director. This appears anomalous because the administration and analysis of a management information system (MIS) would normally be expected to be a staff function attached to the management of the operational units concerned - in this case, RDP and RCP. In practice, however, the anomaly is not serious as the Department is physically located on the same floor as the Directors of RDP and RCP, with whom the Department has the closest of all working relations.

7.53 The MD has its own staff located only at the top two levels of the overall BRAC structure: at Head Office and in 12 Regional Offices. At HO level there are two full-time economists and another two POs designated as 'ad hoc', meaning that they are formally assigned to the operational programmes at the field level but have been assigned on secondment to the MD. Since being upgraded to departmental status, the MD has been steadily increasing its field staff strength - from 12 in late 1990 to 16 at the beginning of 1992, with an agreed further increase to 22 in March 1992 - all of whom are at PO level.

7.54 For data collection purposes, however, the MD relies principally on RDP and RCP field-level staff - a further practical indication both of the nature of monitoring work as a staff function and of the closeness of working relations. In the interests of data quality, the MD's regional monitors spend much of their time as supervisors of those responsible for data collection.

The Current Role of the Monitoring Department

7.55 The MD sees its role on behalf of RDP and RCP in terms of two main fields of data collection and analysis: (a) monitoring credit activities, and (b) monitoring progress in institution-building. It performs a second role, helping other operational programmes in the design of monitoring systems and data collection formats, but this is ancillary to its main responsibilities to RDP/RCP.

7.56 Monitoring credit operations Credit activities are monitored by means of three main indicators: disbursements, outstandings and credit recovery according to the predetermined schedule. These data are collected on a monthly basis but so far have been aggregated and analysed only at quarterly intervals. The reason for the monthly data collection is to instill in RDP/RCP field staff a sense of urgency and discipline in keeping close track of trends in the lending programme, especially in the context of BRAC's exposure to risk in a rapidly expanding portfolio. There are no plans to relax the frequency of data collection. On the contrary, the intention is to replace the quarterly aggregate reports with monthly analyses - staff and computer facilities permitting. Similarly, supplementary indicators such as the designation of overdue loans as doubtful, recoverable or bad debts which was carried out at quarterly intervals in 1991 will also now be done on a monthly basis.

7.57 Monitoring institution-building The system used for monitoring progress in institution-building relies on two main sets of information. The first involves a straightforward count of numbers of VOs, numbers of active members and data on savings. The second represents a more ambitious - and still essentially experimental - attempt to assemble information capable of giving some indication of the robustness and maturity of VOs. It comprises a schedule of indicators including such items as numbers of monthly issues meetings held; the degree of completion of predetermined training schedules among VO members; attendance rates at meetings; school enrolment rates; child immunisation rates; and frequency rates for the implementation of decisions taken by VOs. At first, there were 25 indicators in the schedule, subsequently raised to 30, but now trimmed back to 20. All of the individual indicators can be expressed numerically. Through a system of weighting they can then be reduced to a single numerical indicator.

7.58 The characterisation of the 20-indicator system as being still experimental is based on three considerations. First, it is still open to question whether the indicators themselves and the way in which they are numerically combined can yield a satisfactory aggregate indicator of institutional development. The problem here is that while BRAC is clear about the importance of creating well-rooted, sustainable rural institutions among its members, it has not definitively specified what this means in terms, for example, of expectations of VOs in taking spontaneous initiatives on their own behalf or of their sustainability with or without continued access to credit, access to extension services, or even access to BRAC itself. This is not a criticism of BRAC, for the experience of institution-building among the rural poor by means of outside interventions is still in its infancy. Rather, it must be recognised that the lack of definition surrounding the concept means that any attempt to monitor it will have to be accepted as at best partial and approximate.

7.59 Secondly, the MD is concerned about the reliability of data returns from the 20-indicator system. The Department relies on Area/Branch Managers to check the scores assigned by POs to individual VOs against VO monthly reports and by making their own enquiries into the reasons for particularly low or high scores or scores which do not seem to reflect their own knowledge of the status of different VOs. As noted earlier, the Department also receives feedback from its own monitoring staff at regional level who undertake spot-checks as widely as possible. Nevertheless, in the view of the MTE, it will take more time yet for the Department to satisfy itself that the 20-indicator system is a sufficiently familiar part of the routine work of field staff and that scores are based on reliable data that can be easily collected.

7.60 Thirdly, the MD is still testing different methods of applying the 20-indicator system. The issue here mainly involves coverage of the system among the population of VOs, which already stands at more than 11,000. So far, the MD has decided to exclude all VOs less than one year in existence, though strictly this removes a 'baseline' condition from any future time-series comparisons that may be drawn. The next step is to decide on a sampling system, choosing between Area Offices/Branches or VOs as the sampling frame. Current plans for 1993 are to cover a sample of 20-25% of all Area Offices/Branches and to select an age-structured sample of 20-25% of all VOs in each of them. What has still to be decided is whether to retain a portion of this large sample for recurrent application of the 20-indicator system, enabling trends within a fixed set of VOs to be observed. At the root of the difficulty in taking sampling decisions of this sort is the lack of advance knowledge about (a) the magnitude and extent of variability, and (b) the factors likely to lead to variability in progress towards institutional development among VOs in the same Office/Branch; among Offices/Branches of the same age; among different geographical parts of the country; or through time.

7.61 Limitations of the quantitative approach There are limitations and potential pitfalls in relying on quantitative indicators of progress in what is essentially the qualitative process of institution-building. Taking just two of the current indicators - the attendance rate at monthly VO meetings and the numbers of such meetings held - is sufficient to illustrate the difficulty. High attendance rates may be due as much to the strength of personality and leadership qualities of the concerned POs as to the cohesiveness and mutual commitment of VO members. Through time, and if some VOs do take greater responsibility for managing their affairs, they may decide to change the format, perhaps to reduce the frequency of meetings, as they see fit, automatically reducing their score in the current monitoring system. In both cases, the numerical information set against each indicator would give a misleading picture of the level of institutional development actually attained. Suggestions for the introduction of a qualitative dimension in the monitoring process are put forward below under issues for the further development of the management information system.

Relations with the Research and Evaluation Division

7.62 There is potential scope for some blurring of responsibilities between the MD and RED, not least because in many agencies and programmes the monitoring and evaluation functions are commonly combined in a single organisational unit. In the case

of BRAC, however, the organisational separation of the two functions is being handled quite successfully and the two units seem to have clear understandings of where their responsibilities lie. Of the two, the Monitoring Department, with its clear focus on the development of a management information system, together with its physical location at the hub of RDP/RCP in the HO building, has a more straightforward role to justify and to play.

7.63 The working relationship between the two units also seems quite close. In the MD's perspective, if monitoring data or field visits throw up issues which cannot easily be explained the next step is to approach RED and, if necessary, to collaborate in the design of special studies. As an example of how this works, studies of overdue loans in two RDP Areas and one RCP Branch have been undertaken by RED during 1991 at the request of the MD.¹¹ The MD also reports that when monitoring indicators are being designed or reviewed it is standard practice to involve RED, as for example, in December 1991 when indicators for DTW schemes, IGVD and Sericulture were under discussion. It is also standard practice for the MD to copy all significant reports to RED in draft form for review and comment.

Issues in the Further Development of the Management Information System

7.64 The Monitoring Department is doing an excellent job in developing BRAC's management information system. The MTE was unable to find any evidence of unnecessary proliferation of data collection. Rather, whenever ideas for new indicators or data collection schedules are reviewed, the Department is guided by such objective questions as for what purpose information should be collected; how and by whom will it be used; and can it be reliably collected? Against this background there are just three issues that the MTE raises for consideration, namely changes in the indicators and formats in data collection; the implications for monitoring of the recommended improvements in credit portfolio management; and adding a qualitative dimension to the monitoring of institution-building.

7.65 Frequency of format changes The combination of the still recent creation of the Monitoring Department and the rapid expansion of the range and coverage of RDP-II/RCP has led to fairly frequent changes in the formats and standard schedules for data collection. This is understandable. But the introduction of improvements must itself be carefully managed. If changes are made too frequently, field-level staff may become confused and the reliability of information collected may be affected. In addition, changes in indicators and in the data from which they are derived can affect comparability, hence the ability to observe trends through time. The Monitoring Department is fully aware of the need to avoid the pursuit of the best becoming the enemy of the good. Perhaps what is needed is the articulation of an explicit policy on this matter, including fixing the frequency of periodic reviews of different monitoring schedules and categorising proposed changes according to whether they are immediately essential or desirable but not pressing.

¹¹

RED: Causes of Overdue Loans in RDP/RCP. BRAC, 1991.

7.66 Implications of a revised credit portfolio management system Section 5 of this report has already suggested that improvements are needed in BRAC's credit portfolio management system. If accepted, most of the work in designing the new system (including, in this case, essential changes in data collection schedules) will devolve onto the Monitoring Department. Initially, it will also be the MD that will have to develop its own familiarity with the 'power' of the system to reveal more accurately and more clearly the quality of the credit portfolio. From there it will be necessary to explore how the new system might be used as the basis for taking management decisions to sustain good performance; to undertake early corrective action against possible deteriorating trends; or to overcome outright poor performance. Even then, the process of introducing the new system will have only just begun. The largest, most time-consuming task will then be to train the credit programme managers - from Programme Directors down (at least) to the level of Area/Branch Managers - in how to use it as a management tool. RED, too, will have to be made familiar with the system and what it can do. In this process the Monitoring Department will have to work very closely with RDP and RCP as well as with the Training Department and RED.

7.67 Introducing a qualitative dimension in monitoring institution-building In adding a qualitative dimension to the monitoring of institution-building, the problems for the Monitoring Department are that the indicators of qualitative progress are more difficult to design; the information itself is more difficult and usually more expensive to collect; while analysing and presenting the results can be cumbersome. In the circumstances, the conclusion of the MTE is that the Department has made a sound and rational choice of indicators. The approach being taken, given the numbers and grades of staff at its disposal, should permit satisfactory coverage in the monitoring process, albeit at some cost to the definitiveness of the conclusions that can be drawn. What is important is for the Department to continue to remind the users of the information of its limitations.

7.68 The next stage will be to use the results of the current quantitative assessments to select categories of VOs (apparently good, average or poor) for further in-depth, qualitative studies. This will achieve two purposes. The studies will be useful in themselves, showing how the level of maturity and development of VOs as institutions is reflected in the initiatives they take, in the attitudes of their members, and in social change. At the same time, the studies will serve as tests - calibrations - of the reliability of the wider-scale quantitative monitoring system. This is a specific area for collaboration between the Department and RED, for under current arrangements only RED has the capacity to undertake such studies.

F. The Construction Department

Background and Rationale

7.69 BRAC's Construction Department (CD) was set up in late 1984 with a single civil engineer who is now still its head as Senior Construction Manager reporting to the Director of Programmes. At that time, BRAC was relying exclusively on external professional services for design and supervision and on private contractors for building

Planning and Programming Issues

7.75 The principal difficulty reported by the CD is in the area of planning and programming, focusing particularly on the procedures and timing for land acquisition for new buildings. The responsibility for land acquisition rests with the concerned operational departments. In Bangladesh at the best of times land acquisition can be a highly complex and time-consuming business. For BRAC, now that it has become so large and well known, there is a particular risk of artificial inflation in the price at which land is offered for sale. In this setting, the CD reports three main problems with the current arrangements:

- i) delays in acquiring sites for planned new buildings, implying that the CD cannot adhere to planned completion dates;
- ii) acquisition of irregular plots on which it is difficult to lay out standard buildings with the correct orientation;
- iii) acquisition of low-lying sites requiring extensive land-fill, hence adding to total construction costs.

7.76 Proposed improvements In the view of the MTE, the shortcomings outlined above do not call for any fundamental changes in the disposition of responsibilities between the CD and its client departments. As the users of new facilities it is understandable that the operational departments should be responsible for selecting sites on which they should be built. At the same time, provided that the CD (a) fully informs its clients of minimum site requirements for different categories of building, and (b) adheres to its predictions of construction duration and cost once work has begun, it should not be held responsible for cost overruns owing to unusual site preparation work or time overruns owing to the late procurement of land. The underlying issue instead confirms the need for the closest possible collaboration, communication and coordination between the CD and its clients. And in view of the difficulty of acquiring suitable building sites, experience shows that if operational departments want building work to be completed on time they must begin the land acquisition process considerably earlier than they do at present.

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8. SOCIO-ECONOMIC EFFECTS, IMPACT AND SUSTAINABILITY

Distinguishing Effects from Impact

8.1 The terms of reference for the MTE refer in nine different places to a concern about the impact of BRAC's work. It is important, however, to distinguish - both in substance and time frames - between effects and impact. The effects of rural development interventions, in terms of employment, income and consumption, can be expected to appear in the relatively short term. The nature of impact, on the other hand, is usually understood in terms of longer-term change, including structural changes in the economy, in institutions, in production relations, and even in social and cultural relations. In progressing from immediate effects to longer-term impact, the concept of sustainability also plays a part. If, for example, short-term beneficial effects are temporary - if they are not sustained - they are unlikely to be transformed into real impact.

8.2 The distinction can be illustrated by reference to selected BRAC programmes. In NFPE, for example, the main effect of successful completion of a two or three year primary school course is already clear in the high rates of literacy and numeracy achieved. Supplementary qualitative effects - which may be equally important, though more difficult to measure - can be expected to involve changes in attitudes among students, including greater optimism, higher perceptions of self-worth, more ambitious expectations of themselves and their socio-economic surroundings, and the perception of wider opportunities for further personal development. For these direct, immediate effects to be transformed into real impact brings into question whether literacy and numeracy will actually enable the children eventually to enter the labour force at higher levels than would otherwise have been possible. It also brings into account the sustainability of attitudinal changes and whether higher expectations can in fact be met.

8.3 In the case of rural savings and credit activities, the simplest and most immediate effects can be expected to be higher incomes, hence higher levels of living among the target group being reached. In time, these effects should work their way through in terms of better standards of health and nutrition. Again, qualitative effects may also be expected, including, for example, improvements in the way in which women with access to credit are regarded and treated by men at the household level and within the rural community. If these effects can be sustained - with or without continuing access to credit and support services - their impact may be traced in terms of lasting social change, including change passed on to the attitudes and values of future generations.

8.4 The realisation of impact The achievement of real impact depends not just on time but a range of other factors - some beyond the control of the original intervention. The realisation of the full potential impact of the literacy effect of primary education depends on the opportunities being available to meet the expectations that are created. And this in turn depends on growth and diversity in the rural economy as a whole. Trends in the wider environment will also play a part in realising both the economic and social change impact of credit services. This is where BRAC's strategy of scaling up

its work and coverage becomes important, for if its beneficiaries were to remain small isolated pockets in an essentially hostile cultural and economic environment they would remain the more vulnerable to being circumvented or undermined by the prevailing order.

8.5 The transformation of VOs from organisations of the rural poor instigated by BRAC to become well-rooted rural institutions in their own right is another illustration of the process of moving from effects to impact. And the issues raised above with respect to the time it will take and the exogenous factors that may affect the realisation of impact apply as much to BRAC's institutional development objectives as to the impact of its work in helping individuals and groups to set up successful new income-generating enterprises. In both respects, the view of the MTE is that it is still far too soon to examine RDP-II/RCP for impact or to hold BRAC accountable for it.

Overview of BRAC's Performance on Gender Issues

8.6 BRAC's record over the past ten years on gender issues has been one of continuing advance. On grounds of need, equity and effectiveness, BRAC has responded to the logic of its own experience by increasing the participation of women - both in absolute terms and in relation to men - in all programme areas. It has made strong and largely successful efforts to support both group activities and individual entrepreneurship among women, including their move into non-traditional occupations. The benefits, both potential and actual, are positive across a broad spectrum of social and economic effects.

8.7 Women account for about 70% of total membership at present. This will probably increase, though at a slower rate than over the last decade and is unlikely to exceed 80%. BRAC has considered but rejected the possibility of focusing exclusively on women members. Though entirely feasible, prevailing structural and normative conditions in Bangladesh suggest that such a move would have been counter-productive. Besides, BRAC's comprehensive targets for social and economic change have led it to pursue the more challenging task of transforming the established oppressive patriarchal system at all levels, from the individual household, through village organisations to its own structure and working relations within BRAC itself. This is fully consistent with its general aim of 'influencing the system as a whole'.

A. Economic Effects

The Context for Economic Effects

8.8 Specific economic effects attributable to BRAC programmes are occurring in the context of changing norms, production relations and participation rates in the rural economy - particularly with respect to the position of women. The common understanding of these changes is that poverty - growing both in breadth and depth - is accelerating the pace of family break-up and forcing women to seek their own income-

earning opportunities both within and beyond the household level.¹² This growth in economic activity among women is viewed with some ambivalence. On the positive side, it appears to represent a liberalisation of traditional closed and repressive attitudes. Yet it is fuelled more by necessity than by social reconsideration of women's rights and is accompanied by severe downward trends in women's health, their nutritional status and their chances of survival. Poverty has increased the proportion of female-headed households to an estimated 15% of all rural households and as much as 25% of landless households. One in four women in the age range of 40-50 years are widowed or divorced (compared with only one in a hundred men), and the majority of these women are responsible for generating the entire household income. Even in landless households where husbands are present and able to work, research shows that women contribute a minimum of 15% of total income.¹³

General Income Effects

8.9 Over the years, RED has carried out a number of studies of the income effects of specific activities undertaken by its members drawing on credit from RDP/RCP. Most of these have shown that gross and net returns for both men and women are positive. Most recently, RED has undertaken a more general study of household income on a with- and without-BRAC basis.¹⁴ This study covered 50 male and 50 female RDP groups with access to credit and drew comparisons with control groups without access to such institutional credit services. A key conclusion of this study was that average individual incomes among the BRAC-assisted groups were some 26% higher than among the control groups.

8.10 Whether these income effects are 'worthwhile', measured against some developmental yardstick as a net increase in security of livelihood, is more difficult to determine. One approach to answering this question is to point to the eagerness with which people want to join BRAC and to gain access to credit, even for such low-risk, low-return activities as paddy husking and rural trading, suggesting that they do consider the benefits to be significant in the context of their survival strategies. On the other hand, it could be argued that even if BRAC members do not regard the benefits from such activities as being significant or secure they are still motivated to undertake them as the means of gaining access to the wider protection of the BRAC 'umbrella' and of becoming members of BRAC as a benign patron. In either case, BRAC is already aware of - and must continue to be sensitive to - the risk of reaching a level of saturation of credit for a limited number of activities at the local level, especially

¹² RED: Divorce and Break-up of Joint Family: An Analysis of Reasons and Familial Dislocations. BRAC, Dhaka. 1991.

¹³ R.I. Rahman: The Wage Employment Market for Rural Women in Bangladesh. Research Monograph. BIDS, Dhaka. 1988.
R.I. Rahman and M. Hossain (eds.): Re-Thinking Rural Poverty. BIDS, Dhaka. 1992. (Chap.8: Gender Dimensions of Poverty and Chap.9: Female-Headed Households)

¹⁴ A.M.R. Chowdhury, M. Mahmood and F. Abed: Credit for the Rural Poor - The Case of BRAC in Bangladesh. Small Enterprise Development, Vol.2, No.3. I.T. Publications. 1991.

in the growing number of areas in which there is overlap with other agencies and programmes providing credit to the rural poor.

Specific Examples of Income Effects

8.11 It would be beyond the scope of the MTE to analyse the income effects of every type of activity undertaken with credit by BRAC members. The MTE has instead examined the poultry and sericulture programmes as selected examples. The approach taken has been to draw partly on the suppositions of the relevant BRAC models and partly on analytical material based on experience and available within BRAC, in each case referring also to the results of the MTE's own field investigations. The results are summarised in Table 8.1 below.

8.12 Returns to loans for poultry activities There are three principal opportunities in the BRAC poultry programme:

- i) key rearers - who, according to the model, typically raise 10 hens and one cockerel and sell the eggs produced;
- ii) chick rearers - who receive day-old chicks and raise them until they are two months old, selling them on to key rearers;
- iii) poultry workers - who provide vaccination services and a limited amount of extension advice, receiving fee income from key rearers.

8.13 The first part of Table 8.1 shows that in each case the return on investment exceeds the interest rate being charged, justifying the investment. In the perspective of the rural poor, however, it is not so much the return on investment that counts (provided it is positive) but the absolute contribution of net income to the household and the equivalent net daily wage that can be derived. In these terms, to take part in the programme as a combined poultry worker and key rearer can be characterised as a safe and satisfactory option. It yields an equivalent net daily wage of between Tk.22.2 and Tk.30.6. Here, the steady income from vaccination services acts as a buffer against the low equivalent net daily wage of a key rearer alone at the lower range of income, shown at the top of the table as being as low as Tk.12.5. A successful chick rearer does best of all, with an equivalent net daily wage of Tk.50.0 for only 6 days work per month.¹⁵ But owing to the higher investment costs in chick rearing there is a keener risk to returns and to net income if less than maximum success is achieved, as revealed by the steep drop in equivalent net daily wage to only Tk.16.7 at the lower range of income.

¹⁵

The conversion of 12 work-days per month of 4 hours duration into the equivalent of 6 full-time days is recognised as being arbitrary when the working day for the rural poor is usually far longer than the international standard of 8 hours.

TABLE 8.1: Selected Examples of Returns in Poultry and Sericulture

Activity	Costs and Benefits	
	Lower Range	Upper Range
A. Poultry		
<u>Key Rearer</u>		
Assumptions: -loan of Tk.1,000 @ 20% -6 work days/mth		
Total investment cost	Tk.1,200	
Monthly gross income	Tk. 175	Tk. 250
Annual gross income	Tk.2,100	Tk.3,000
Annual net income	Tk. 900	Tk.1,800
Return on investment	75%	150%
Equivalent gross daily wage	Tk. 29.2	Tk. 41.7
Equivalent net daily wage	Tk. 12.5	Tk. 25.0
<u>Chick Rearer</u>		
Assumptions: -loan of Tk.2,000 @ 20% -12 work-days/mth @ 4hrs/day		
Total investment cost	Tk.2,400	
Monthly gross income	Tk. 300	Tk. 500
Annual gross income	Tk.3,600	Tk.6,000
Annual net income	Tk.1,200	Tk.3,600
Return on investment	50%	150%
Equivalent gross daily wage	Tk. 50.0	Tk. 83.3
Equivalent net daily wage	Tk. 16.7	Tk. 50.0

Activity	Costs and Benefits	
	Lower Range	Upper Range
<u>Poultry Worker</u>		
Assumptions: -loan of Tk.1,000 @ 20% -also works as key rearer -3 work-days/mth as poultry worker (PW) -6 work-days/mth as key rearer (KR)		
Total investment cost		Tk.1,200
Monthly gross income - PW	Tk. 125	Tk. 125
Monthly gross income - KR	Tk. 175	Tk. 250
Total monthly income	Tk. 300	Tk. 375
Annual gross income	Tk. 3,600	Tk. 4,500
Annual net income	Tk. 2,400	Tk. 3,300
Return on investment	200%	275%
Equivalent gross daily wage	Tk. 33.3	Tk. 41.7
Equivalent net daily wage	Tk. 22.2	Tk. 30.6
B. Sericulture		
<u>Chawki Rearer</u>		
Assumptions: -loan of Tk.2,000 @ 20% -10 work-days/mth		
Total investment cost		Tk.2,400
Monthly gross income	Tk. 400	Tk. 500
Annual gross income	Tk. 4,800	Tk. 6,000
Annual net income	Tk. 2,400	Tk. 3,600
Return on investment	100%	150%
Equivalent gross daily wage	Tk. 40.0	Tk. 50.0
Equivalent net daily wage	Tk. 20.0	Tk. 30.0

Activity	Costs and Benefits	
	Lower Range	Upper Range
<u>Nursery Seedling Rearer</u>		
Assumptions:		
-loan of Tk.6,000 @ 20%		
-full-time employment (assume 300 days/yr)		
-1.0 acre nursery		
-yield 8-12,000 seedlings/acre		
-price/seedling Tk.1.25		
		Tk.7,200
Total investment cost	Tk. 833	Tk. 1,250
Monthly gross income	Tk.10,000	Tk.15,000
Annual gross income	Tk. 2,800	Tk. 7,800
Annual net income	38.9%	108.3%
Return on investment		
Equivalent gross daily wage	Tk. 33.3	Tk. 50.0
Equivalent net daily wage	Tk. 9.3	Tk. 26.0

8.14 Returns to loans for sericulture In sericulture the amounts that have to be invested (borrowed) are relatively large, especially for establishing a mulberry nursery. As in the case of chick rearing in the poultry programme, to be a successful nursery operator seems to be an eminently satisfactory option. The equivalent net daily wage, of Tk.26.0, is considerably less than the agricultural casual wage rate (of about Tk.35 per day reported at the time of the MTE) and less, too, than the equivalent net daily wage as a successful chawki rearer. But it is the more attractive because it is based on full-time employment, obviating the need to look elsewhere for seasonal and/or part-time employment or other income-earning opportunities. Again, however, there is an element of risk. To be an unsuccessful nursery operator, with a seedling yield one-third less than a successful operator, means being tied up on a full-time basis but earning the equivalent of as little as Tk.9.3 per day.

Employment Effects

8.15 So far, BRAC studies of the employment effects of its programmes have concentrated on the small enterprises developed under the Ayesha Abed Foundation (AAF). A study undertaken in 1990 of the Betila Production Centre, for example, reached three main conclusions:

- i) there were high drop-out rates among employees, but this reflected life changes such as marriage and maternity rather than dissatisfaction with the terms and conditions of employment;
- ii) wage rates were lower than seasonal peaks in other activities, but this must be offset against the security and higher total annual income offered by year-round employment rather than the patchwork of short-term seasonal jobs;
- iii) the Centre offered a preferential increase in wage employment opportunities for poor women.¹⁶

8.16 From records of the type of activities undertaken by the rural poor using credit supplied by BRAC, it is clear that the great majority of employment generated is self-employment. Moreover, with some exceptions such as roadside restaurants, the self-employment is rarely on a full-time basis. Instead it is yet another contribution to the mosaic of activities undertaken by the rural poor as part of their survival strategies. And this is as true of the simplest activities such as paddy husking as it is of the more complex undertakings such as deep tubewell schemes. Unfortunately, little research has been done on the incremental employment created by access to BRAC credit or of comparative returns to labour in BRAC-assisted and other types of employment. This is an area which RED could usefully put on its future research agenda, including direct studies with beneficiaries of their perceptions of the returns and security of returns from credit-assisted activities in relation to other, more customary sources of income from, for example, agriculture, food-for-work and other casual employment.

8.17 Some activities supported by credit from BRAC seem to have a multiplier effect on employment opportunities. Perhaps the clearest examples of this are represented by DTW schemes. Not surprisingly, where irrigation water increases cropping intensity it also generates more demand for casual labour in crop cultivation as well as in post-harvest operations, including paddy-husking. Indeed, some estimates of the magnitude of these employment opportunities suggest that they are an essential contribution to the economic viability of DTW schemes.¹⁷ However, again there is a dearth of field data quantifying these downstream employment effects and the share of them taken up by DTW VO group members or their relatives.

¹⁶ M.R. Khan: Production and Employment Aspects of Small Enterprises for Women - A Case Study of Betila Production Centre. BRAC/RED, Dhaka. 1990

¹⁷ Mott MacDonald: Issues Arising from the Proposed Rapid Expansion of the DTW Programme. Dhaka. 1992.

Effects on Assets

8.18 Little is known about how BRAC's interventions may affect the composition and value of assets among its beneficiaries. There could be at least four categories of assets - and means of acquiring them - as a result of participation in BRAC programmes:

- i) self-acquisition - A portion of higher incomes and savings among BRAC members might be expected to be devoted to acquiring more household assets. Some studies suggest a high propensity to invest in land, with housing and housing improvements also being very popular. One estimate suggests an increase of nearly 70% in the value of household assets as a result of successful participation in BRAC programmes.¹⁸
- ii) built-in acquisition among individuals - Some of the activities set up by BRAC members with loans from BRAC automatically include acquiring different types of assets with different values and different economic lives. To the rural poor, the acquisition of cows and poultry represents a significant increase in asset value, albeit assets which will have to be renewed over a relatively short period. More lasting assets include rickshaws, poultry cages and sheds, simple box-hives in apiculture, sericulture sheds and similar ancillaries. In the case of the sericulture programme, the mulberry trees that are planted represent assets with a potential productive life in the order of 25 years.
- iii) collective assets - Collective lending schemes such as for DTWs and power tillers also include the automatic acquisition of additional assets which are shared by the participating VO members. While the financial value of such assets can be quite high, it is too early to judge what the effects of group ownership of them may be either for the group as a whole or for individual group members.
- iv) negotiated assets - There is some anecdotal evidence that one effect of the Paralegal Programme has been that BRAC members who are more aware of their legal rights have been successful in claims on inherited assets which they might otherwise have lost through ignorance or diffidence.

¹⁸

M. Hossain and R. Afsar: Credit for Women's Involvement in Economic Activities in Rural Bangladesh. BIDS, Dhaka. 1988.
Z. Ahmad: Group Approach to Empowering Women - An Emerging Development Paradigm from South Asia. Report to the Workshop on Group Approach to Development of Women in Rural Areas. Bangladesh Academy for Rural Development, Comilla. November 1991.

Entrepreneurship Development

8.19 If, as noted earlier, the majority of uses of credit are in part-time self-employed activities there can be only limited expectations of the effect of BRAC credit in stimulating the emergence of a new class of rural entrepreneurs from the ranks of the rural poor. Indeed, if entrepreneurial talent and drive are normally distributed, only limited numbers of BRAC members will ever progress to higher investment, higher risk, higher return enterprises. Even among those who try, it cannot be expected that all will succeed.¹⁹ In the circumstances, BRAC must continue - as it is - to be cautious (a) in its expectations of entrepreneurship development among its membership, and (b) in how it reacts to failure without being over-protective or otherwise interfering in the operation of market forces.

8.20 Against this background there are, nevertheless, successes as reported by BRAC field staff and confirmed during the MTE. One recent example of apparent success is the work of REP in helping women to set up roadside restaurants. This is the more interesting because it is wholly non-traditional. Indeed, REP reports that at first these restaurants met considerable local hostility even in such a relatively cosmopolitan border area as Jessore. On the other hand, the model is a simple one, the women involved have had to learn few, if any, new skills, and the results so far show very healthy cash flow and returns. Other examples encountered during the MTE included women's groups cultivating mulberry saplings in sufficient numbers to generate a prospective annual net return of Tk.20,000 and more, and poultry workers-cum-chick rearers with intensive units of over 200 chicks.

8.21 BRAC has correctly not allowed individual success stories to generate unrealistic expectations of its mainstream members. BRAC's strategy is still based on breadth rather than depth of effect. In the process, it does what it can to provide opportunities for the emergence of genuine entrepreneurial flair and ability (and to respond to it whenever possible) without forcing the pace. As time goes on and as probability suggests that the number of real entrepreneurs among its growing membership will rise, a valid area for monitoring and for research by RED will be to keep track of success as well as of failures, including the preparation of individual case histories, their aggregate returns and factors affecting success or failure.

Unplanned Effects of Access to Credit

8.22 Intervening in the complex rural economy of Bangladesh is bound to be attended by a variety of unplanned - if not wholly unexpected - effects. Research has clearly shown, and BRAC fully recognises, that there are at least three phenomena which do not adhere to programme specifications in providing access to credit to the rural poor:

¹⁹ The rate of failure of small businesses in industrialised countries is typically in the order of 30-40% within one year of start-up and 60-65% within three years.

- i) both men and women borrow from a variety of sources, including relatives, neighbours and money-lenders - and juggle their repayment obligations among them - even when they have access to institutional credit from BRAC or some other agency at lower financial cost;
- ii) a portion of funds borrowed nominally for some specified income-generating activity is actually used to relieve existing debt and/or for consumption purposes;
- iii) some of the funds borrowed are on-lent in informal money markets.²⁰

8.23 BRAC is fully aware of all these issues and takes a properly sanguine view of them. No agency providing rural credit can expect to intervene in a local economy under 'clean slate' conditions. BRAC recognises that it is one among several actors in the rural credit scene and that it will take time, if ever, to become the main actor or even to replace entirely the dependence of the rural poor on informal credit sources. One reason for this is that the two principal reasons for seeking credit among the rural poor (namely, (a) for consumption purposes during the hardest times of the year (September/October in most parts of the country), and (b) for rites of passage at the household level, principally marriage) are generally not seen as legitimate areas for lending by development-oriented credit programmes.

8.24 Evidence from the field A recent study in Jamalpur linked with BRAC's Village Studies Project has found that even where BRAC is active there is still a high propensity among women to refer to local money-lenders, especially when flexibility is required.²¹ The study has also confirmed that women with access to credit from BRAC at an annual interest rate of 16% (now 20%) themselves act as money-lenders. The amounts involved are generally small, typically in the order of Tk.100, but can yield Tk.20 per week. This return is similar to the weekly repayment obligation on a one-year loan of Tk.1,000 from BRAC. Looked at in this way, the attraction of on-lending a portion of BRAC credit must be strong if it means that other portions can be used for consumption purposes as well as for the stated reasons in the application for credit (albeit perhaps on a reduced scale) without jeopardising the ability to repay.

²⁰

See, for example, C. Maloney and A.B. Sharfuddin Ahmed: *How People in Bangladesh Save and Borrow Money*. University Press, Dhaka. 1986.

C. Maloney and A.B. Sharfuddin Ahmed: *Rural Savings and Credit in Bangladesh*. University Press, Dhaka. 1988.

J. Jiggins: *Women in Bangladesh - An Economic Strategy Paper*. World Bank/IDA, Washington DC. 1987.

M. Hossain and R. Afsar: 1988 (op.cit.)

²¹

K.L. Casper: *A Case Study on the Impact of Group Formation and Credit on 'Social Security' Networks and Exchange Relations of Women*. Jamalpur Village Studies Project. BRAC/UCLA. 1992 (draft).

8.25 The study places this behaviour in the context of socio-economic relationships in which money-lending is a 'highly valued economic institution among women'. It is a means of 'saving' surplus cash in other individuals, thereby spreading risk, increasing security, maintaining the network of relationships which are part of the fabric of rural survival - quite apart from representing a highly profitable activity in its own right. Moreover, the strong demand among large numbers of women for such very small loans at such high interest rates is an aspect of the rural economy to which agencies such as BRAC cannot possibly respond. Equally, it is an aspect of the rural economy that cannot feasibly be circumvented by means of credit regulations.

8.26 Other important conclusions of the Jamalpur case study include:

- i) the savings discipline among BRAC members is motivated principally by the desire to gain, and to preserve, access to credit, while among non-BRAC members the reasons for savings are more varied, including lending to others and to prepare for possible crises;
- ii) there is significantly greater group participation in BRAC areas, again because it is a condition for gaining access to credit;
- iii) but credit plays a much more important role in affecting relationships than does group formation;
- iv) BRAC's development initiatives are providing women with alternative resources which they value - mostly credit - and are encouraging investment over consumption as the reason to borrow, in turn promoting group participation though not a sense of solidarity.

B. Social Effects

The Context for Assessing Social Effects

8.27 Both the recording and the interpretation of social effects of rural development interventions can be hazardous, especially in societies in which family life is secluded; women's status is derived; life-cycle transitions are strong; there is considerable diversity and variability in social structures and relationships; while the methods and tools of study do not lend themselves to generalisation. In addition, it is also clear that the context for assessing social change is not itself wholly static, as revealed by earlier references to the rate and extent of family break-up affecting the greater visibility of women in the rural economy. In turn, this raises potential difficulties in attributing observable changes to a particular project or programme. Notwithstanding these caveats, there have been numerous studies of the social effects of targeted credit and women's programmes, both by BRAC and others, and while many have used different methods their results tend in the same positive directions. There is, for example, an emerging consensus that participation in savings and credit programmes increases the

awareness of rights and the desire of the rural poor - particularly women - to control their own lives and enterprises, and further, that they actually exercise these rights more often and to a greater degree than non-beneficiaries.

Difficulties of Interpretation

8.28 The interpretation of social effects can also be difficult, depending on what expectations they are judged against. For example, an unmarried girl may accrue savings from employment or from her own income-generating activity set up with credit. In turn this purely economic effect may give her more self-assurance, perhaps more self-assertiveness and control over her own resources - a positive social effect. Yet if then she were to exercise that control by deciding to use her savings to fund her own dowry there would be grounds to conclude that the process of social change had not gone nearly far enough.

8.29 Interpretation becomes the more difficult the more it relies on references to general statistical trends rather than direct investigations. As noted in the earlier discussion of economic effects, BRAC's support and assistance enables its members to acquire new assets, including land. Again, this can be judged as having a positive qualitative effect on security of livelihood. Yet studies large enough in scope to have some statistical validity show that the degree of female seclusion is closely correlated with landholding size. Putting the two conclusions together is to suggest that the successful intervention of BRAC could have negative consequences for women. On the other hand, the causality of the correlation between female seclusion and landholding could be changed if it is women's access to and successful use of credit which makes it feasible to acquire land and other assets.

Evidence of Effects in Decision-Making and Control

8.30 An issue which has been frequently raised and which also occupied the MTE is the composite question of the extent to which women (a) actually initiate ideas for the use of credit, and (b) subsequently retain control over the loans they take out and the income derived from using loans. One example is the popular use of credit for paddy-husking. This is clearly women's work in rural Bangladesh, yet in many cases it is men who must procure the paddy and who eventually sell the rice, possibly - perhaps probably - retaining the income derived from yet another demand placed on the time and effort of women. MTE field studies showed that women often cite their reasons for handing over their earnings to men or allowing men to retain the sale proceeds of paddy-husking in terms of the need to preserve the marriage. If this is correct (if, for example, men can pay off their debts instead of opting to escape from both creditors and their family responsibilities) it can be considered as having a positive social effect - especially against the background outlined earlier of the break-up of families under extreme poverty, leaving women worse off than ever. On the other hand, against the wider social targets of greater recognition of women, greater control and freedom of discretion, it must be judged negatively.

8.31 BRAC's own data confirm the fragility of marriage under the pressure of poverty.²² They also reveal that there are many different dimensions of 'family management' which might be affected by participation in BRAC programmes. But the complexity and variability of this multi-dimensional issue probably cannot be measured by a single indicator of 'control over a loan'. Nevertheless, there is encouraging evidence that within the household women do play a decisive role in their own credit-supported enterprises, though this is eroded among households with larger land holdings. Equally, men tend to take autonomous decisions in the enterprises which they set up, consulting their wives in only about a fifth of cases.²³ In sum, the control-related effects of access to BRAC credit among women include:

- i) greater financial independence;
- ii) higher status within the household and village society;
- iii) greater awareness and assertion of their rights as individuals and as groups;
- iv) better family health care, including pregnancy management;
- v) better standards of education among children;
- vi) better marriage prospects for their daughters.

Empowerment Effects

8.32 Problems of definition and measurement BRAC's objective of empowering its rural poor membership is bold, ambitious, simply stated and appealing. But the term empowerment has not yet been satisfactorily defined, nor have any of the studies in this field been able to establish a satisfactory method of measuring it. The problem extends to the wider target of social change for which there is as yet no firm ground to determine what progress there might be, how rapidly, on what scale, or with what expectations of permanence.

8.33 A variety of different indicators of empowerment have been tested by BRAC and other researchers at different times over the past decade. As early as 1983 BRAC distinguished between (a) power through group interaction, leading to changes in self-esteem, individual and group action, courage and referral of complaints; (b) power through income, including control over income, reduction in polygamy, and the acquisition of new assets; and (c) increased power in society, including reduced incidence of begging, the ability to borrow from each other, money-lending by the rural

²² I. Ara: Intervention and Change in Rural Bangladesh - Impact on Selected Socio-Economic Indicators. BRAC - RED, Dhaka. 1991.

²³ RED: Gender Differences and the Role of Women in the Households - The Case of Female Loanees of BRAC. Dhaka. 1990.

poor, the application of new knowledge and skills, and resistance to intimidation by landlords and officials. Some of these indicators, however, are strictly measures of financial benefits, with imputed effects on empowerment.

8.34 A more recent approach has been to focus on (a) behavioural change in terms of decision-making roles and sending children to school, and (b) changes brought about by organisational development, including freedom of movement, self-confidence in speaking up at meetings, self-respect and winning the respect of others, awareness of rights, and again articulating protests and complaints.²⁴ Another recent study has actually attempted to measure empowerment among women in terms of a variety of anthropological and sociological indices, including intra-household conflict, decision-making, family planning, childbearing, preference for male children, divorce, polygamy, dowry, purdah, and sexual violence.²⁵ As noted earlier, RED has also embarked on the ambitious, long-term Village Studies Project which includes a study of perceptions of the attributes of power and status at the village level.

8.35 Conceivably, even if an accepted definition of empowerment can be devised, it might eventually prove to be unmeasurable in the dynamic system of the household, the village and the rural political economy, in which the parameters move and redefine themselves over time. Indeed, it is open to question whether the rural poor will at some point in time become fully 'empowered', with no further struggles ahead in achieving fair returns to labour, in freedom from exploitation, in gender relations or in the wider development of Bangladeshi society. The elimination of alienation and oppression poses a challenge to interlocking and deeply-rooted systems of exploitation with normative, economic, cultural and ideological dimensions which it may be unrealistic to expect any one organisation, programme or project to take on. This is not to suggest that BRAC should abandon empowerment as one of its central objectives but rather to suggest that both BRAC and the Donor Consortium should not expect too much in the medium term.

C. Sustainability

8.36 From the terms of reference for the MTE, and from briefing meetings with representatives of the Donor Consortium, it is clear that questions of sustainability are close to the surface of concern. Unfortunately, the concept of sustainability has many different dimensions, including institutional, financial, managerial, environmental and technological sustainability. This opens the concept to different interpretations and understanding in different specific settings. It is beyond the scope of the MTE to reach agreement with all members of the Donor Consortium on a definition of sustainability applied to BRAC and what expectations there should be over what period of time. Nevertheless, what can be done is to suggest a framework for assessing sustainability, as outlined below.

²⁴ Z. Ahmad: Group Approach to Empowering Women. (op.cit.)

²⁵ A.M. Van Swinderen: BRAC and Social Change - Impact of Development Intervention on Women in Bangladesh. BRAC/RED, Dhaka. 1991.

Levels of Sustainability in the Context of BRAC

8.37 Within BRAC there are four main levels that need to be taken into account in establishing a rational hierarchy of expectations of sustainability:

- i) sustainability at the level of individual BRAC members - This level raises questions of the sustainability of income-generating activities set up by individuals and sub-groups using BRAC credit; the sustainability of benefits as well as credit discipline in larger, collective loan schemes; the sustainability of interest in sending children to NFPE schools; and the sustainability of social and attitudinal changes.
- ii) sustainability of VOs - BRAC expects VOs to be sustained by their membership, the acid test of sustainability being whether, at some point, they can become sufficiently well-rooted to be regarded as permanent institutions - with or without the continuation of BRAC support.
- iii) sustainability of BRAC programmes - The principal focus here is on RCP - the BRAC Bank Project - which, from its inception, has been surrounded with expectations of financial sustainability.
- iv) sustainability of BRAC - The sustainability of BRAC as an organisation is of interest to the donor Consortium because of the large amounts of development assistance being channelled through it.

Sustainability at the Level of Individual BRAC Members

8.38 The majority of activities financed in the current loan portfolio are profitable, viable, hence sustainable. Most are familiar, traditional activities with proven positions in the rural economy. BRAC members generally have sufficient skills and market knowledge to operate the activities and to adapt to changing circumstances. The most prevalent activities are also the simplest, requiring little in the way of technical support or extension services, and can therefore be carried out successfully without undue reliance on continuing BRAC staff inputs. The main caveat is that rural trading - the most popular use of credit - offers such low returns that it cannot be expected to help BRAC members to lift their levels of living much above what they were before gaining access to credit. BRAC is aware of this and field staff characterise rural trading as an 'apprentice' type activity for first-time borrowers, with the expectation that after gaining confidence they will branch out into more rewarding activities.

8.39 Among the non-traditional uses of credit, the greatest risk of unsustainability surround DTW schemes, as noted earlier in Section 6 of this report. Not only are DTWs surrounded by technical, organisational and credit discipline problems but they also require relatively high subsidies and close support services to operate profitably. This further underlines the need to consolidate rather than to expand lending in this sector. Sericulture, on the other hand, is an equally unfamiliar sector for most BRAC members but appears to hold good prospects for sustainability. At present, since the model for

individual activities and their vertical integration in the production chain is not yet fully developed, sericulture requires close support services from BRAC and will continue to do so for some years to come. But the potential for sustainable, profitable growth is good.

Sustainability of VOs

8.40 Mainstream VOs have shown themselves to be sustainable in terms of their use and repayment of credit. Because of their responsiveness to credit and to the work of GSs and POs, they are also judged to be sustainable as organisations of the rural poor. (Again, the main reservations are with respect to VOs involved in collective lending, principally for DTWs.) But VOs cannot yet be seen as institutions in their own right. In this respect, BRAC's work is still very new. The socio-economic changes that RDP/RCP and other BRAC programmes have started to bring about are as yet not fully developed. It is still too soon to show or to predict whether even the changes which have been achieved so far will be sustained by the VOs and their members.

Financial Sustainability and the RDP-RCP Transition

8.41 Clearly, RDP is sustainable as long as there are sufficient resources available from BRAC itself and its external supporters. The key question is the sustainability of RCP on the principle that individual Branches should become self-financing. According to the 4+2 model for the RDP-RCP transition, for two years after conversion to RCP, the costs of training in institution-building and skills support at the Branch level continue to be paid for by RDP. Thereafter, each RCP Branch is expected to cover all costs, including the delivery and supervision of credit as well as institutional support, skills training and extension services through a combination of interest income from lending and fees charged to VOs.

8.42 General indicators of RCP sustainability Three internationally common indicators of the 'health' of banking institutions show that at present RCP is financially sound. First, the ratio of Investments/Net Deposits of 0.4 at the end of December 1991 shows that the investment portfolio is well below the deposit base. Secondly, the return on assets (ROA) in RCP (the ratio Net Income/Total Assets - the most relevant of several indicators of profitability) is a relatively high 2.6% owing to the front-end loading provided by the Donor Consortium which gives RCP a proportionately much larger investment portfolio than most commercial banks (where an ROA of 1.0% or less is common). As its lending operations continue to expand the ROA will fall back, with predictions that it will dip below 1.0% for the first time in 1994. Thirdly, the current ratio (CR) of Current Assets/Current Liabilities signals the ability to meet liabilities that will soon become due out of assets invested in the short term, and should exceed unity for healthy operations. At the end of 1991, RCP's CR was high, at 2.7, indicating strong liquidity and a comfortable capacity to meet short-term obligations - again, a reflection of front-end loading by the Consortium. The main caveat attached to these excellent signs of financial health is that RCP is still very new and has nowhere near reached a steady state of lending. It will be necessary to monitor these indicators for some years to come before being able to assess properly their implications for RCP's longer-term sustainability.

8.43 The 1991 review of credit and savings reported that RCP is covering the operating costs of delivering credit. This only occurred in 1991, as shown in Table 8.2 below. In 1990, with only 10 Branches, RCP was unable to cover its operating costs, recording a deficit of Tk.5.1 million. Adding in the cost of support services provided by RDP, the total net cost of RCP amounted to Tk.7.7 million. The following year, however, RCP itself showed a net positive income of Tk.17.9 million. With 30 Branches in operation by the end of the year, the cost of RDP services had also risen to Tk.8.7 million. This still left a positive balance of income over total programme costs of Tk.9.2 million.

TABLE 8.2: RCP Net Income and Support Costs: 1990-1991
(Taka million)

	1990	1991
RCP Net Income	(5.1)	17.9
RDP Institutional Support Services	(1.2)	(3.9)
RDP Skill Training Support	(1.4)	(4.8)
Adjusted Net Income	(7.7)	9.2
Number of RCP Branches (by year end)	10	30
Adjusted Net Income per Branch	(0.8)	0.3

SOURCE: RCP

8.44 Procedures for charging all costs to RCP are not yet fully in place. It is not easy, for example, to determine the exact cost of supervisory and consultancy services provided by RDP technical POs, while BRAC managers do not believe that all these costs could in any case currently be borne by RCP alone or in combination with direct payments from its members. One reason for this is said to be that the first batch of RCP Branches created are not as well-disciplined as those now coming to the transition, not least because RDP sectoral training has improved. In addition, the estimates for the number of fee-payers needed to cover the cost of technical support have increased. Beyond this will come the acid test of willingness among VOs and their members suddenly to pay for services they have become accustomed to receiving free of charge. In the circumstances there is a need for BRAC to develop a specific timetable for the real transition - not from RDP to RCP but from the first two years of RCP status to full financial self-sufficiency at the Branch level. All Branches should then be monitored against this timetable, though the first batch may require longer, with further training and support.

8.45 One exception to the above suggestion is the case of DTWs. The plan is that fees for technical support to DTWs will be borne by the farmer-customers of the water supplied, not by the VO members in the collective loan schemes. This arrangement has not been adequately tested, however, and whether the fees are passed on explicitly or through adjustments in the crop shares taken by the VOs could affect the financial viability of the schemes. Another issue is the introduction of new sectoral activities in mature RCP Branches. If such activities are, as likely, unfamiliar to the members, it may be unrealistic to expect them to pay - or to pay in full - for the cost of the relatively intensive basic training they would require. In such cases, external financial support would be required.

8.46 In sum, the MTE endorses BRAC's policy of making RCP Branches fully self-financing. But the transition is not yet fully planned, nor is there a monitoring system in place: at present the monitoring system is still being designed. Indeed, until the progression to full self-financing status is fully defined, it will not be possible to finalise the monitoring system and make it operational. There is also more work to be done in setting up comprehensive accounting systems at the Branch level, including the specification of detailed costs of services provided by RDP.

Evolution Towards a BRAC Bank

8.47 RCP currently operates as a part of BRAC, an NGO without a bank charter. In the near future, consistent with the existing plan, BRAC intends to apply for a bank charter. The MTE endorses this intention and recommends that BRAC should move as expeditiously as the political environment permits. A properly chartered bank, following generally accepted norms for safe and prudent management, will help to ensure the maintenance of a permanent savings and credit institution

8.48 Issues and recommendations Nevertheless, the MTE has some noteworthy concerns about the adequacy of BRAC's current loan administration and financial management systems which are not yet sufficiently well-developed, as noted in Section 5 of this report. This is no reflection on the abilities of BRAC staff, who are generally very competent, open to new ideas, and diligent in adhering to systems and procedures. But it is important to ensure that the financial management systems used are adequate for a banking operation. Meanwhile, BRAC should take further steps to segregate banking activities while it operates RCP within BRAC and to utilise additional system-wide procedures to manage risk and to protect member deposits. A list of issues and problem areas, together with recommended action, is outlined in Table 8.3 below. It is based on the experience of other rural credit agencies, observations during the course of the MTE, and concerns raised in the 1989 Appraisal, the 1990 Annual Review and the 1991 review of credit and banking activities.

The Sustainability of BRAC

8.49 Donor concern about the sustainability of BRAC derives from (a) the magnitude of the Consortium's financial contribution since 1990, leading to significant expansion in BRAC staff strength, physical facilities and operations, yet (b) the relatively short period of time over which this financial commitment has been made. Both BRAC and

TABLE 8.3: Financial Management and Control: Issues and Proposed Solutions

Issue	Proposed Solution
<p>Loan performance data are stated in an overly optimistic way in external reporting. Reporting delinquent payments as a percentage of total loans issued generates the lowest possible default percentage.</p>	<p>BRAC should select an internationally accepted, accurate and conservative standard for the reporting of defaults.</p>
<p>Performance-to-plan reporting is inadequate.</p> <p>Expenditure budgeting is imprecise.</p> <p>Analysis of the growth patterns in the loan fund is insufficient, given the proposed size of the banking operation.</p> <p>Projections of loans outstanding are likely to be wrong given the complexity of a mixture of short-, medium- and long-term loans in a changing and growing branch portfolio.</p> <p>Ratio analysis and trend reporting is not used.</p>	<p>Create annual plans and routinely update with field forecasts. Monitor performance against both measures.</p> <p>Prepare annual budgets in the light of prior year performance; hold line managers responsible for expenditure line items.</p> <p>Prepare and analyse RCP and RDP branch profit/loss statements and prepare comparative analyses across the system.</p> <p>Give additional attention to budget analysis (average loan size; number of borrowers; loans by borrower age, by branch age, and by sector).</p> <p>Model loan outstanding patterns and develop detailed projections with sensitivity runs until patterns are detected.</p> <p>Ratio analysis and trend reporting must be used if management is to understand what actions are required to sustain successful growth.</p> <p>It may be useful to both BRAC and donors to contract with a well-qualified national accounting firm to undertake additional studies and provide technical assistance in selected areas.</p>
<p>Inadequate reporting and monitoring of delinquent accounts at the HO level.</p>	<p>Install a Late Loan Aging system to identify late-paying loans at the earliest stage so that the underlying causes can be identified and addressed.</p> <p>Additional measures should be tried to reduce losses such as:</p> <ul style="list-style-type: none"> o staff incentive systems to insure prompt loan collection; o a problem asset committee to oversee liquidation and other workouts of problem situations, especially with larger loans; o loan review systems which monitor the quality of lending decisions after the fact.
<p>The current overdue loan classification and analysis are inadequate to draw accurate conclusions about the adequacy of the reserve for loan losses. An increased expenditure to increase the loan loss reserve could be necessary.</p>	<p>When the Late Loan Aging Report of late-paying accounts is routinely prepared and trends over time are analysed, a policy can be developed so that the loan loss provision is always adequate.</p>
<p>Loans are not written off.</p>	<p>Bad loans should be charged off routinely to ensure that the balance sheet accurately reflects asset values. After charge-off, loans should continue to be "worked" to collect late payments.</p>

TABLE B.3: Financial Management and Control: Issues and Proposed Solutions (continued)

Issue	Proposed Solution
<p>Some donors reports do not follow generally accepted accounting standards. BRAC prepares reports tailored to programmatic concerns and donor disbursement schedules. As a result, some reports are incomplete or show a mixture of income/expense and fund flow statements.</p>	<p>BRAC programme reports should include all accrued income and expense and conform to generally accepted accounting standards.</p> <p>Funders of a banking operation must focus on overall financial viability and also review BRAC's financial condition from time to time.</p>
<p>Central cash management techniques may be inadequate for a geographically dispersed operation. Incentives may be necessary to encourage branch, area and regional managers to maximise investment income by moving cash to interest earning accounts as quickly as possible.</p>	<p>BRAC may have recently begun to assess a charge to branch offices for use of funds. This and other efforts to allocate costs fully and provide incentives to maximise investment income on excess funds are needed.</p>
<p>Written policies and procedures are inadequate to assure uniform quality controls.</p>	<p>An Accounting Manual should be completed and continually updated. It should be reviewed to ensure that adequate dual control procedures have been instituted to achieve effective cash management.</p> <p>The internal audit manual should be continually updated and should also be available in English for donor review.</p> <p>An investment policy should be written and approved to govern prudent risk management of depositor funds.</p>
<p>BRAC Bank will need talented senior management.</p>	<p>The BRAC Bank will require focused management committed to BRAC's objectives and excelling in bank management. BRAC executes a comprehensive strategy of which banking is just one part. The bank requires superior, specialised management.</p>

the Donor Consortium expect further assistance to be provided for the further expansion of RDP, NFPE, PLP, WHDP and other programmes representing BRAC's social and support services on behalf of the rural poor. But the members of the present Consortium cannot provide guarantees while they recognise that in the short-term the RDP-II funding package has made BRAC dependent on external assistance - at least in the short to medium term. RCP, on the other hand, was designed to be self sufficient, fuelled by the front-end loading of capital deposits from the Consortium, leading to growth in interest income as lending activities grow.

8.50 The national context for sustainability Any assessment of the sustainability of BRAC must be set against a background of heavy dependence on international financial support on the part of government as well as non-government development initiatives in Bangladesh. At an aggregate government level, the national development budget relies on external resources to the extent of more than 90%. Even some of the counterpart Taka resources required as inputs to internationally-financed development projects are derived from the sale of other sources of assistance such as food and commodity aid. This dependence also applies to implementation capacity among government agencies.²⁶ The quasi-government organisation, the Grameen Bank, and other large NGOs such as Proshika and Swarnivar also rely on external grants and credits, if not for the design of their rural development programmes, at least for their gearing up to scale. In this context, BRAC is in some respects actually less dependent on external financial assistance than many other agencies owing to its proven ability to generate its own income, as discussed below.

8.51 Capacity to mobilise further external support To the extent that concern about the sustainability of BRAC in the present Donor Consortium is motivated by lack of guarantees of continuity of funding or lack of commitment among individual Consortium members, BRAC's ability to substitute other sources of external support is an important consideration. The two key inter-related issues in forming a judgement about BRAC's capacity in this respect are (a) the quality of design and implementation of its operational programmes, and (b) confidence in BRAC among the donor community.

8.52 On the first of these counts, the judgement of the MTE is that the quality of BRAC's operational programmes puts them in the very top rank of rural development initiatives in Bangladesh. This is reflected in the high level of confidence with which BRAC is regarded by the international donor community. Indeed, BRAC is already receiving assistance from other bilateral donor agencies - and from some members of the current RDP-II/RCP Consortium - for other components of its operational work, such as WHDP. In addition, BRAC is negotiating for the largest single block of financial resources under the NGO component of the General Education Project, funded by the World Bank/IDA and a number of other bilateral donors. It is also seeking even more funding to support the target of 100,000 NFPE schools by 1997. And while it is far from

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In 1989, for example, the salaries of some 55% of the staff of the Bangladesh Rural Development Board were financed as part of the budgets of internationally-financed development projects it was responsible for implementing. (CIDA/DANIDA/IBRD/UNDP: Study on Cooperatives in Bangladesh. Dhaka. 1989.)

certain that BRAC will be able to mobilise all the resources it will need to pursue its ambitious expansion plans, its prospects of being able to mobilise further assistance are excellent.

8.53 Capacity to generate own income Among NGOs, in Bangladesh or anywhere, BRAC has shown a rare ability to generate its own income and this augurs well for its sustainability - on a larger or smaller scale, with or without external financial support. For 1990, BRAC's own income accounted for just under one third of its reported total inflow of resources. Not only this, but from 1986 to projected figures for 1991, it will have recorded an average annual rate of growth of own income of 43.3%. This is faster than the rate of growth of external financial assistance over the same period (just under 42% per annum), albeit from a smaller base level in 1986. In other words, though withdrawal of donor support would mean severe retrenchment, BRAC would still be a major NGO in its own right. Beyond this is the question of BRAC's ability to sustain its recent performance in own income. Here again, the prospects are encouraging because BRAC has sufficient experience not only to sustain its existing business activities but most likely to expand them and to diversify still further its business activities.

9. MANAGEMENT AND ORGANISATIONAL CAPACITY FOR FURTHER GROWTH

Overview

9.1 The positive conclusions presented in this report about the effectiveness of BRAC's operational programmes and their socio-economic effects among its membership provide a good proxy indication that BRAC's organisational structure and management system are themselves sound and efficient. Indeed, the MTE noted that in most of its work BRAC is as eager to ensure professional efficiency in what it does as it is to help and support the rural poor. The key issue, as reflected in the MTE terms of reference, is whether BRAC's structure, management system and internal support services are sufficient to pursue the further growth which is planned during the remainder of the RDP-II/RCP funding period and beyond without risking loss of quality and effectiveness.

9.2 The conclusion of the MTE is that BRAC does have sufficient experience, momentum and flexibility to give it a positive capacity for further growth. The very rapid expansion that has already taken place since the beginning of RDP-II/RCP has, nevertheless, produced some signs of strain - of which BRAC's senior managers are fully aware. The strain manifests itself in BRAC's training services and in issues of housing and other conditions of service; the integration of female staff; the criteria for promotion as between qualifications and experience; uncertainty about ensuring the application of initiative and personal discretion among field staff; and different work schedules required in different programmes.

9.3 While the MTE registers the strain of expansion based partly on reports from BRAC staff and managers and partly on its own observations, there is no explicit evidence so far of penalties being paid in terms of staff losses or the efficiency of field operations. Among regular staff in 1990 there was a loss of just under 11.5%. During 1991 the number of regular staff grew by nearly 27% to a total of more than 3,000, of whom only 4% were lost. Moreover, with the embargo on recruitment by government and given the generally poor employment prospects for university graduates in Bangladesh, BRAC is better placed than ever to attract and retain able new staff. On the other hand, following the 1991 level of recruitment, more than a quarter of BRAC staff had less than one year experience of the organisation, its programmes and procedures. And it is their lack of experience rather than their innate abilities which could threaten their effectiveness.

A. Organisational Structure

Recent Structural Changes

9.4 Since 1990, adjustments in BRAC's organisational structure have increased the number of Directors and have slightly extended the Executive Director's span of direct managerial authority. In 1990 there were only three full Directors, responsible for commercial activities, programmes (in effect, internal support services such as training,

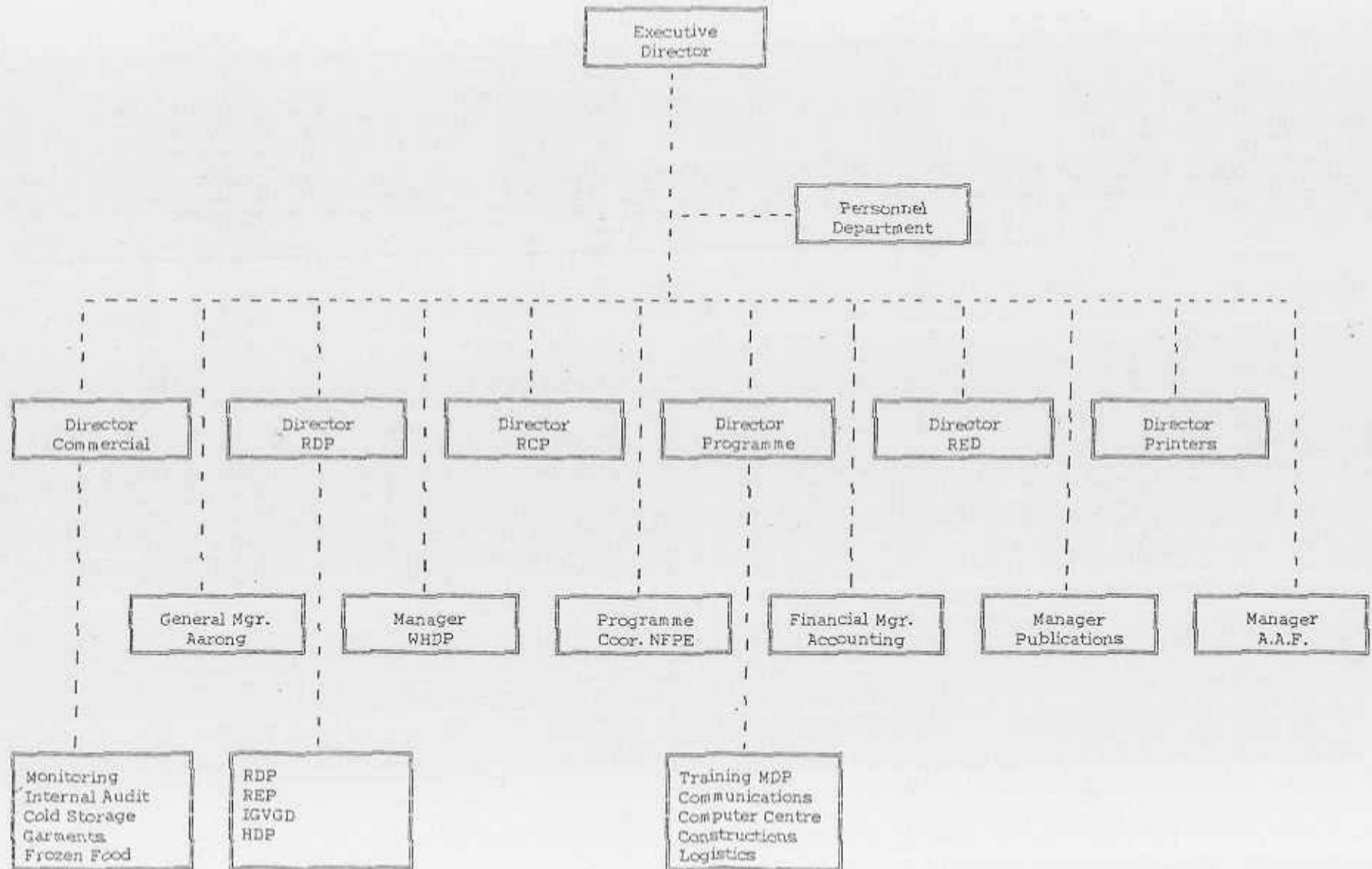
construction, communication and logistics - not operational field programmes), and BRAC Printers respectively. The heads of field programmes such as NFPE, RDP and RCP were designated as Programme Coordinators on a par with the General Manager of Aarong, the Head of RED, the Finance Manager, the Head of the Ayesha Abed Foundation and the Manager of Publications, all of whom were also accountable directly to the Executive Director (ED). Together with the Head of Personnel, occupying a staff position, the ED's span of direct authority covered a total of 12 senior managers. Changes introduced in early 1992 promoted the Programme Coordinators of RDP and RCP as well as the Head of RED to full Director status, giving a total of six Directors. At the next level down, the management of WHDP, previously under the RCP Programme Coordinator, is now shown as a separate programme with a Manager accountable directly to the ED. Thus, the number of senior managers now directly accountable to the ED has increased to 13, as shown in Figure 9.1 below.

9.5 There are four aspects of BRAC's current organisational structure which could be questioned - at least on the basis of norms and practices outside Bangladesh:

- i) the wide span of direct managerial authority of the ED, rather than introducing an intermediate level of two or three positions equivalent to Deputy ED, each responsible for programme clusters and functional categories such as finance and administration;
- ii)i) the location of the Personnel Department as a staff function to the ED when it more usually occupies a line management position;
- iii)ii) the location of the Monitoring Department under the Commercial Director rather than as a simultaneous staff function to RDP and RCP, the programmes it principally serves;
- iv)iii) the location of REP under the RDP Director alone instead of being jointly managed by and/or accountable to RCP and RDP, both of which it serves;
- v) the location of the Internal Audit unit under the Commercial Director rather than as a staff function to the ED or some other position outside the line management structure.

9.6 The conclusion of the MTE is that none of these unusual features of BRAC's structure requires immediate action. The reason is that whatever is shown or suggested by the organisational chart, the key issue is how people see their positions as managers or managed, how they behave, and how different organisational units actually operate and interact. And against these yardsticks the management relations work well. All of the senior managers occupying the wide field of direct control of the ED value the access that this gives them to the organisation's chief conceptual and practical strategist. It would probably be impossible to find outsiders - difficult even to find existing BRAC staff - who could occupy intermediate levels of management and serve as acceptable substitutes for the current ED. The location of the Personnel Department seems in no way to affect its work as an administrative and recruitment support unit to the organisation as a whole. The location of the Monitoring Department, as noted

FIGURE 9.1: BRAC ORGANOGAM - FEBRUARY 1992



SOURCE: BRAC's Directors and Senior Managers

detrimental effect on its objectivity and wide-ranging powers.

9.7 The importance of proximity and interaction More important than the formal location of BRAC's different organisational units is the ability of their managers and staff to interact easily with each other. This is particularly important because of the openness and personal contact that still characterises BRAC's management system and culture. And here, as noted in the discussion of RED and the Construction Department in Section 7 of this report, it is the rented annex building at HO level which appears to be a problem. BRAC recognises this issue and the MTE understands that there are plans to construct a new, larger office building during RDP-III. The MTE fully endorses this proposal and would recommend that any new building is designed with sufficient flexibility for expansion to avoid the need for any physical separation of HO units except, perhaps, those engaged for BRAC's own commercial interests.

B. Gender Issues in BRAC's Staffing Structure

Recruitment Policy

9.8 Since before the commencement of RDP-II/RCP, BRAC has been making special efforts to recruit more women and has been successful in attracting women applicants. Initially, however, the drop-out rate for women between induction and confirmation as members of the regular staff was around 50% - in other words, double the number of women had to be recruited to fill the target number of regular staff positions allocated to them. In the view of BRAC managers this high drop-out rate was due to four main factors, including (a) motivation only to seek a job *per se* rather than to pursue a genuine personal commitment to the rural poor; (b) misapprehension of the demands that a job with BRAC would place on them; (c) negative reactions among women's families when the type of work became clear, and (d) the unsuitable background of some women recruits, particularly middle class urban women.

9.9 For the most recent recruitment round during the first two months of 1992, the Personnel Department expects a drop-out rate of less than 5% between induction and confirmation. This is attributed to the diffusion among women's networks of better information on what is entailed in working with BRAC, reducing the number of applications from women without genuine commitment. For its part, too, BRAC is learning from its own experience, adjusting the pattern of deployment of women staff and trying to adapt the management culture to accommodate and use them effectively. Women POs are now more frequently deployed in clusters, for example, having found that women posted alone to all-male Area Offices were highly likely to drop out. A new in-service staff training module has also been introduced - Partnership and Development - in which, for example, male colleagues are being instructed to be neither too protective nor too insensitive to female staff.

Staffing Patterns

9.10 BRAC's recruitment policy is already beginning to show results. An analysis of staffing patterns (a) by programme and grade among regular staff for 1990 and 1991, and (b) by programme and by categories of regular, project and service staff for 1991, reveals

that:

- i) the share of female regular staff has increased by two-thirds during calendar 1991, now comprising 20.4% of all regular staff;
- ii)i) but the highest rate of increase has been in the very junior level of support staff (grades IA and II);
- iii)ii) the increase of regular female staff in grades III-VI (which includes POs) in 1990/91 to a total of 209 has been quite small, though taking into account new female recruits as POs still on probation brings the total up significantly to 459;
- iv)iii) the major expansion in female staffing has occurred in RDP which added 102 women in grades IV and V during 1990 and a further 73 in 1991, together representing nearly 84% of the 209 regular staff additions mentioned in item (iii) above;
- v) women accounted for just under 6% of middle and senior managers (grades VII-VIII and IX-XII respectively) by December 1991;
- vi)i) overall, women comprise 17% of all BRAC staff, derived from shares of 20.4% of regular staff, 8% of project staff and 1% of service staff.

Promotion Policy

9.11 BRAC's policy is not just to increase its share of female staff but to bring women into managerial positions as soon as possible. Accordingly, there is a 'high-flier' policy of rapid promotion prospects for the most able of its female staff and this has already led to the appointment of the first two women Area Managers in 1991/92. Yet, as the data outlined above show, the share of women in the middle and senior ranks of management is still low. This is because the current cohort of women simply do not have the length of experience and track record that characterises the majority of (mostly male) staff in positions of Area/Branch manager and above. In other words, even with the high-flier policy and with the generally good promotion prospects that rapid expansion generates, it will take time for women to work their way up the hierarchy.

9.12 The alternative would be for BRAC to look externally for women candidates for middle and senior management positions. But this would go against its long-established policy of promoting from within to ensure that senior managers have their own direct experience of and commitment to field operations with the rural poor. The MTE see no reason to abandon this policy for the sake of meeting some target quota of women in senior operational positions. Where women can be and have been brought in from the outside is in new operational programmes such as NFPE, in strictly administrative positions such as Accounts, and in technical support services such as RED, where specialised experience counts for more than experience of BRAC as such.

9.13 At junior levels, BRAC must take care in the approach it takes to promotions among

two broad categories of female staff - those recruited some time ago with generally low academic qualifications and those more recent recruits who are mainly graduates. Entry levels explain much of the female staffing pattern summarised above. The increase at the lower end is the result of the transfer of women field workers from the project staff category to PO functions under the WHDP. Most hold only school-leaving or intermediate qualifications and are in grades II and III. Though carrying out comparable work to new BA or MA entrants recruited at levels IV and V, their salaries are much lower. Many of them have also been with BRAC for 10 years or more yet face barriers to further promotion now that more graduates are being recruited. This is a specific illustration of one aspect of the strain noted at the beginning of this section - the need to recognise experience and track record as well as academic qualifications in promotion policy.

Conditions of Service

9.14 For two main reasons, BRAC has so far been fortunate in experiencing few practical difficulties over the conditions of service for its female staff. First, most of the recent recruits have been single. Secondly, the willingness of women to join BRAC designates them as social pioneers prepared to live through the type of cultural, social and attitudinal changes they wish to see in their country. Nevertheless, as noted at the beginning of this section, there are already signs of potential issues in conditions of service. These include how to retain women after marriage; how to respond to career breaks as they have children; how to respond if their husbands are transferred; and how to provide accommodation to permit husbands and wives to spend time together even if they are prepared to work apart from each other.

9.15 Attitudinal issues in the integration of female staff Two other issues affecting the conditions of service for women in BRAC are (a) attitudes and behaviour towards them in what is still a predominantly male organisational culture, and (b) the integration of new female recruits against the background of a strong institutional memory among those women who have worked with BRAC in much earlier days. Problems raised with the MTE by female staff on the first of these issues included poor communication between men and women colleagues; restrictions on their mobility; the role of Area Managers' wives as guardians/controllers of female staff; lack of leadership and support from Area/Branch Managers in confronting gender oppression among the membership; and sexual harassment. It would be surprising in Bangladesh for any organisation willing to make the sort of policy commitment of BRAC not to experience problems of this type. For however strong might be the intellectual commitment to social change it is another matter entirely to live it through. BRAC is fully aware of this and is counteracting it as, for example, through the training module on Partnership and

Development. Moreover, the willingness of female staff to articulate and discuss such problems with outsiders in the MTE is a healthy indication of their self-confidence and preparedness to confront them openly.

9.16 The second issue of the relations between longer-serving and recently-recruited women within BRAC is a specific illustration of how the pace of change can lead to differences in expectations of further change. The problems confronted by the new cohorts

of female staff are no doubt far less traumatic than those encountered by women who joined BRAC and worked in the field 10 years ago. In turn, 10 years from now the expectations of newly-recruited women probably will be - probably should be - greater than those who may now be given the impression that they expect too much.

The Women's Advisory Committee (WAC)

9.17 The 1990 Annual Review identified many of the issues raised above by the MTE and recommended the creation of a Women's Advisory Unit as a full-time professional team to (a) advise senior management on gender issues in programming and management, and (b) provide professional support to female employees. BRAC did not go this far but in January 1991 convened the WAC as an ad hoc body comprising 10 women selected by the ED, to whom the Committee reports. WAC membership was later expanded to 15, including members from each of the main programmes, with at least half the members representing Area/Branch Offices and the TARCs.

9.18 The WAC interprets its mandate as follows:

'With a view to look closely into the difficulties BRAC's increasingly female workforce might be facing in a predominantly male-run society...to watch, identify and address matters relating to 'gender adjustment' especially at BRAC camp offices in the rural areas. WAC's major task is to try and address the wrong and implement positive changes to make working relationship congenial between male and female colleagues..'²⁷

9.19 The ED has stressed two important questions he expects the WAC to ask repeatedly:

- i) how programmes can better understand and improve the lives of rural women and keep Programme Heads abreast of the shortfalls in 'gender performance'?
- ii) in what ways can working conditions of BRAC female employees be further improved so that they have equal scope for development as their male counterparts?

²⁷

WAC: Progress Report. BRAC, Dhaka. November 1991.

9.20 Progress so far The WAC held eight meetings between January and September 1991, two of which were to discuss the results of a first Workshop with female field staff in Manikganj and to plan a further series of similar Workshops in different parts of the country. These Workshops are designed to obtain feedback on the actual difficulties encountered by female staff, as well as their positive experiences. The WAC relies on the results as the basis for developing an action plan including recommendations for the establishment of appropriate organisational and procedural mechanisms for ensuring progress in the 'gender adjustment' process. WAC members report that in the three Workshops held so far there has been a trend in the points raised by field staff away from their personal problems and more towards programme-related issues. This could be a tentative indication that progress is being made in the adjustment and integration process itself and that women are learning what to challenge, and how to go about it, when to compromise, and how to define and prioritise what they see as necessary programme adjustments.

C. Management Issues

Donor Concerns

9.21 From briefing sessions and individual discussions with representatives of the Donor Consortium the main concerns about the management of BRAC are related to (a) the rate of recent and planned future growth, and (b) the absolute size of BRAC. In agreeing to fund the RDP-II/RCP package, the Consortium was clearly confident both in the models BRAC had developed for its operational programmes and in the management efficiency with which they were being applied. The first legitimate question then became whether BRAC would be able to sustain the same managerial efficiency during rapid growth? Related to this is the question of whether, in trying to preserve efficiency, BRAC's absolute size may lead it to become over-bureaucratic in its work - delivering its services and assistance as 'products', as it were, rather than through close interaction with and responsiveness to the participating membership? In sum, the donor concerns have to do with the possibility of sacrificing various dimensions of the quality of BRAC's work as a result of the rate and scale of growth.

9.22 The summary conclusion of the MTE is that there is no major cause for concern about the efficiency and quality of BRAC's work. Consistent with the indication of signs of strain mentioned at the beginning of this section, however, BRAC must take guard not so much to prevent bureaucratisation but to avoid tendencies towards a mechanistic approach - particularly in the delivery of credit.

Management Culture and Approach

9.23 Management by contact To its great credit, BRAC has retained much of the openness and personal contact with which it began in the early 1970s. And it is this which constitutes its greatest protection against becoming bureaucratic in its management system. In comparison with other organisations in Bangladesh - particularly government agencies - BRAC managers at all levels are accessible to their subordinates. They derive their authority from their experience rather than from the

exercise of hierarchical distinctions and behaviour or from physical isolation. This emphasis on personal contact is often informal - hence the MTE's endorsement of plans to construct a new HO building large enough to accommodate all HO staff under the same roof. But BRAC has also been able to formalise the personal contact through a hierarchy of meeting schedules, many of which include not just two adjacent management tiers but three. For RDP/RCP, for example, the hierarchy of meetings includes:

- i) weekly meetings between POs and GSs at Area/Branch level to review and discuss savings and loan performance and other routine matters;
- ii) weekly meetings of GSs, POs and Area/Branch Managers (AM) for weekly planning, new instructions or guidelines, and discussion of new ideas or problem issues;
- iii) monthly meetings of POs, AMs and their respective Regional Manager (RM) for work planning, new instructions/guidelines and general discussions (some RMs arrange these meetings to include clusters of Area/Branch Offices in their region, depending on transport and logistical considerations);
- iv) monthly meetings of AMs, RMs and Programme Directors (or Coordinators) with a similar agenda to those for (ii) and (iii) above;
- v) monthly meetings of RMs, Senior Managers and Programme Directors/Coordinators to report on field plans and progress, inter-programme coordination and exchange of information, and discussion of critical issues;
- vi) annual meetings of all staff levels from POs to the Executive Director to communicate corporate plans, discuss targets and raise issues;
- vii) recently a new type of meeting was held in the form of a Senior Management Workshop to discuss strategic issues and new ideas -and there are firm plans to make such workshops regular annual events.

9.24 It might appear that a schedule of such frequent meetings could leave field staff in particular with little time for their operational work with the membership. The MTE raised this issue with staff at all levels both in Dhaka and in the field. The conclusion is to confirm that these meetings are quite time-consuming but do not detract significantly from the intensity of work with the membership. In addition, time spent in meetings substitutes for time that would otherwise have to be spent in writing and reading reports, circulars, memoranda and other paperwork manifestations of a more bureaucratic approach. Field staff also mentioned two further beneficial effects of frequent meetings. First, when new instructions, guidelines, data collection formats and the like are explained to them personally, with opportunities for them to ask questions, it avoids the misunderstandings and misinterpretations that they feel would be inevitable in a system of 'management by memorandum'. Secondly, their regular meetings with managers two or more steps above them in the hierarchy gives them a sense of belonging to a human network rather than an impersonal machine.

9.25 The main caveat to this positive conclusion attaches to the monthly meetings of AMs, RMs and Programme Directors/Coordinators in Dhaka. For some AMs in less accessible parts of the country these meetings can take up to three days out of their working month, including travel time. The meetings are important to Programme Directors/Coordinators, who rely on them to keep in close touch with field issues throughout the country without having to spend nearly all their time travelling to achieve the same information flow. But there is already talk of increasing the time intervals between these meetings, initially to two months. This would be beneficial without Directors/Coordinators having to sacrifice much in the currency of their information. Moreover, some Area/Branch Managers have begun to keep 'issues books' in which they log important questions, uncertainties and other matters to raise with RMs and above. If this initiative were to be formally extended to all Area/Branch Offices it could help in setting the agenda for less frequent meetings in Dhaka.

Expansion, Promotion Prospects and Their Effects on Management

9.26 Organisational expansion brings with it a sense of confidence and optimism which provides a positive framework for good management. In the case of BRAC, the rapid expansion of recent years seems to have acted like a sustained flow of organisational adrenalin. Individual members of staff have also been aware of the promotion prospects that expansion brings with it. They have been encouraged, therefore, to think that good performance in their current grades and postings will be rewarded with rapid promotion.

9.27 There is, however, a downside to this through a combination of two main factors. First, expansion has obviously meant extensive new recruitment leading to an increasingly inexperienced team of field staff. Moreover, until July 1991 BRAC had been recruiting new Masters graduates at Level VI, just below the level to be an Area/Branch Manager. In parallel, the expansion of membership, savings and credit services, NFPE and other programmes has been surrounded by plans and targets to adhere to the predetermined growth path. The effect seems to have been a tendency among both managers and field staff to interpret performance more in terms of achieving targets than in relation to such qualitative issues as responding to a genuinely participatory process of group formation, the building up of group identity or the definition of group aspirations and priorities. In sum, one sign of strain from expansion has been a tendency towards a prescriptive, somewhat mechanistic approach to the application of the RDP/RCP model.

9.28 BRAC's senior managers are aware of the risk of loss of quality and responsiveness through the pursuit of growth. Fortunately also the majority of current senior managers have served with BRAC for many years and themselves represent its institutional memory about the importance of initiative, flexibility and the exercise of managerial discretion at the field level. And there is already evidence of promotion being denied to staff who may be models of adherence to targets but who lack initiative and responsiveness. Yet rather than just blocking the promotion of unsuitable staff, BRAC knows that it must be more pro-active in developing the skills and confidence of its existing and future managers at different levels. For this the onus is on the current Regional Managers on a day-to-day basis and on the Management Development Programme for more formal training.

Supply of Future Managers

9.29 Against the background given above about the tendency towards a prescriptive approach in following models and adhering to targets in the pursuit of growth, it is important to assess BRAC's supply position for future managers - especially the critical role of Area/Branch Managers. Table 9.1 below compares BRAC's staffing situation at the end of each of the first two years of RDP-II/RCP implementation.

TABLE 9.1: BRAC Staffing Structure - 1990 and 1991

Level	December 1990		December 1991	
	Number	%	Number	%
W/L	204	8.6	550	18.3
IA	24	1.0	26	0.9
I	12	0.5	19	0.6
II	94	4.0	294	9.8
III	357	15.1	357	11.9
IV	194	8.1	286	9.5
V	409	17.2	353	11.7
VI	792	33.4	803	26.7
VII	197	8.3	215	7.1
VIII	44	1.8	56	1.9
IX	27	1.1	31	1.0
X	11	0.5	13	0.4
XI	5	0.2	4	0.1
XII	2	0.1	3	0.1
<u>TOTAL</u>	<u>2,372</u>	<u>100.0</u>	<u>3,010</u>	<u>100.0</u>

NOTE: W/L = Without Level, including new POs serving probationary terms prior to confirmation on the regular staff

SOURCE: BRAC - Personnel Department

9.30 Table 9.1 permits only a very partial assessment of the prospective supply of new Area/Branch Managers. The large number of POs in Level VI appears to give BRAC a strong cohort of staff with the potential for promotion to Level VII as Area/Branch Managers. On the other hand, as noted above, BRAC has until recently been recruiting significant numbers of graduates directly into Level VI, many of whom still have limited

experience of BRAC and its programmes. The very large increase in probationary staff shown in the table shows that there could soon be an even larger number of middle and senior ranking POs. BRAC itself estimates that it could increase the number of Regional Managers to 60 and of Area/Branch Managers to 395. The MTE has not been able to review BRAC's criteria and assumptions in making these estimates or to carry out an analysis of the length of experience of Level VI POs. Nevertheless, the sheer number of Level VI POs suggests that it should be possible to supply an adequate number of Area/Branch Managers to sustain the current rate of expansion.

D. Training

Planning and Performance

9.31 BRAC's training activities have grown significantly in both scope and throughput in recent years. Owing to the variety of training clients, types and fields of training and physical settings in which training can be undertaken, the training programme is the most difficult to analyse in terms of what it plans to do and what its achievements are. Each TARC is responsible for drawing up its own annual training plan based on targets and guidelines issued from HO. The two TARCs visited during the MTE (at Jessore and Pabna) had submitted their 1992 training plans to HO by February 1992 and expected all other TARCs to have done the same. But by the end of February HO had not been able to aggregate a BRAC-wide programme. One difficulty - which affects both the aggregation of plans as well as regular reports on performance to plan seems to be in putting the information into BRAC's computer system and subsequently analysing it. The Training Department receives a variety of print-outs which they find difficult to collate and summarise. At the end of each year summary tables are also prepared on computer. But these can be difficult (a) to reconcile and compare with original plans, (b) to verify through cross-checking, and (c) to analyse for an indication of performance against targets. The difficulty is compounded by apparent mid-course changes introduced in the plans in terms of the number and duration of courses and their location. An example of this is the way in which adaptations have been made in the schedules for skills training.

Training Capacity

9.32 Physical facilities At an early stage after the commencement of RDP-II BRAC realised that it would have to increase training capacity to keep pace with demand from its expanding activities - demand deriving principally from the need to train new members, new staff and teachers for the overall expansion of NFPE. But physical facilities do not represent a hard determinant of training capacity. In 1990, for example, a backlog in physical facilities was already apparent. But training throughput for that year in fact exceeded the target because some courses were held in field offices and rented premises to relieve congestion in the TARCs. There are also adaptations made to training schedules from time to time, as noted above. But it is difficult to discern the extent to which these are planned changes based on experience or motivated at least partly by the need to cope with the capacity constraint.

9.33 The 1991 review of training noted the backlog in capacity but was optimistic that it could be eliminated by the end of that year. Yet BRAC has still not been able to eradicate the backlog in expanding training capacity and the view of the MTE is that the backlog could grow. The problem is not just the lengthy delay in starting work on the Comilla TARC. This has been mainly a technical difficulty in building design. More fundamentally the problem is one of planning, programming and inter-departmental collaboration, as noted in Section 7 dealing with the Construction Department. Meanwhile, the Rajendrapur MTC which was intended specifically for the MDP has been used partially in the role of a TARC. In the short run it can continue to contribute to easing the capacity limitations in existing TARCs, especially because MDP itself is far from being fully geared-up.

9.34 Staff capacity The number of full-time training staff rose by over 30% in 1991, from 51 to 67 - considerably faster than the increase in physical capacity. The selection process - involving four stages of (a) desk screening of cvs, (b) an assessment workshop, (c) a written examination in Bangla and English, and (d) a final selection from a short list - is commendably rigorous and works well. But there are signs of strain in the over-utilisation of training staff capacity. First, it seems that some TARCs are cutting corners in the standard probationary/induction arrangements. Instead of being assigned to senior trainers for a period of three months before being given sole responsibility for training members and for six months before delivering courses to BRAC staff, some trainers are being given sole responsibility after as little as one month. Secondly, trainers are being asked to take on increasingly heavy workloads. During 1990, capacity utilisation of training staff time was 102%. For 1991 - notwithstanding the increase in numbers of training staff mentioned above, the training department estimates an even higher rate of capacity utilisation.

9.35 The MTE has not been able to trace any immediate effects of the strain on training capacity on the quality of training or, in turn, on the effectiveness of operational programmes. On the other hand, some senior managers point to the ease with which rented properties can be used and the beneficial effects of keeping training and other staff at full stretch as positive factors. Nevertheless, the point is that BRAC has set its own schedules, norms, expectations and budgets for training. In respect of physical facilities and staff utilisation, it is neither adhering to its norms nor keeping up with demand - and, without remedial action, sooner or later this will take a toll on quality. In the view of the MTE, the most pressing issue is to do all possible to catch up with targets to expand the physical capacity for training, in line with the recommendations for the Construction Department in Section 7 of this report. There is also a need to select and train new training staff much earlier - in anticipation of need - to ensure that the workload imposed on them does not run the risk of fatigue and loss of quality.

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ANNEX I

TERMS OF REFERENCE

BRAC RURAL DEVELOPMENT PROGRAMME (RDP) II
AND RURAL CREDIT PROJECT (RCP)

MID-TERM EVALUATION
PROPOSED SCOPE OF WORK

1.0 INTRODUCTION

1.01 BRAC's Rural Development Programme (RDP) II and Rural Credit Project (RCP) received financial support from a Donor Consortium (DC) comprising: NOVIB, ODA, NORAD, DANIDA, AKF/CIDA, SIDA, EZE and Ford Foundation to continue its programme of expansion. As per the Project Documents signed in May, 1990, the total amount of project funding is US\$ 49 million, for the period, January, 1990 through December 1993.

1.02 The Members of the Donor Consortium have agreed, in May, 1991, to eliminate the 1991 Annual Review and to undertake a joint Mid-term evaluation to review the status of project implementation and to assess BRAC operations.

1.1 BACKGROUND

1.1.1 An Annual Review of RDP II and RCP I was conducted in November 1990. The majority of the recommendations was endorsed by the DC and BRAC in the areas of financial reporting and accounting practices and procedures. Consideration of other recommendations relating to institution building, the Non-Formal Primary Education Programme (NFPE) and BRAC's training capacity were the subject of special reviews carried out in February and April 1991. In addition, in November 1991, a financial consultant was contracted to conduct a study to review the banking system. This consultancy is expected to be completed by December 4, 1991 and the findings will provide additional useful information for the Mid-term evaluation.

1.2 PURPOSE OF THE MID-TERM EVALUATION

1.2.1 The purpose of the Mid-Term Evaluation is to assess the effectiveness and efficiency of BRAC in managing the Project, review BRAC's rate of expansion and recommend changes in the expansion strategy, if required.

1.2.2 It is specified in paragraph 52 of the Project Document that a Mid-term evaluation will be carried out in the first quarter of 1992. The main objectives of the evaluation are to undertake an in-depth investigation of the BRAC Bank Project, assessing its effectiveness in lending to the poor and financial viability and, to evaluate RDP II and make recommendations for the implementation of RDP III.

1.2.3 The evaluation team will review BRAC's performance with respect to achieving the objectives and specified targets set out in the Project Document and the Project Appraisal Report dated April, 1989. The team will assess the extent to which the recommendations of the 1990 Annual Review Mission and the four sectoral reviews, endorsed by the DC, have been implemented.

1.2.4 The Evaluators will review BRAC's plans for the development of its various programmes and the resulting demands this will put on their management systems and likely impact on the programme quality. This will include, but not be limited to, an assessment of the sustainability and replicability of BRAC's approach and comments on possible long-term withdrawal strategies on the part of the Donors.

1.2.5 To this end, Evaluators will also review BRAC's perceptions of the political, social and economic climate of Bangladesh, BRAC's ability to identify the needs and capacities of the rural poor with whom they are working and the developmental role BRAC sees for itself within the broader community of Government and other NGO's.

1.2.6 Recommendations will be prepared concerning adjustments in programme plans, including BRAC's targets and goals, felt necessary to balance economic and social project considerations.

1.2.7 As stated in paragraph 50 of the Project Document, and as required under individual Donor agreements signed with BRAC, the objectives of the Mid-Term Evaluation are to:

- 1) Establish the achievements of each programme over time;
- 2) Analyze their achievements in the context of the original objectives;
- 3) Assess whether inputs were sufficient and appropriate in relation to the objectives and achievements of the programme;
- 4) Make recommendations for the planning of future programmes.

1.2.8 These four objectives will have to be followed up since they all play an important role in terms of measuring the progress and status of project activities in relation to overall targets, such as the alleviation of poverty and empowerment of the target group, the landless poor.

1.3 SCOPE OF WORK

1.31 The evaluation team will cover, but not be limited to, the following six major areas:

BRAC Bank Operations and Financial Performance
Income Generating Activities & Socio Economic Impact
Management and Training (staff and VO members)
Organization and Institution Building
Gender Specialization
Education and other Support Service Programmes

1.32 The evaluation team, as such, will cover these six areas through eight members appointed by the Donor Consortium. It is estimated that each mission member will require four weeks in Bangladesh, during the month of February, to carry out the assignment and to complete her/his contribution to the draft report. The team leader will require an additional two weeks to coordinate the work and prepare the final report.

2. SPECIFIC QUESTIONS TO BE ADDRESSED

2.1 FINANCIAL ANALYSIS AND BRAC BANK OPERATIONS

The team will:

Assess the extent to which recommendations from the previous Annual Review Mission (1990) relating to financial management practices have been implemented;

Review the audit reports, annual financial statements for the past two years and evaluate the operations overall performance, financial viability and soundness;

Prepare financial projections for the next ten years and determine BRAC's potential for self-sustainability;

Review Donor disbursement procedures and assess the overall utilization of Donor funds for RDP II and RCP;

Review and analyze the financial reporting, new record keeping and accountancy control systems of RDP and RCP and make recommendations for qualitative and quantitative improvements;

Review the classification system of long-term loans with special reference to collective schemes and the efficiency of BRAC's credit policies;

Analyze BRAC's financial management systems, i.e., how investment decisions are made and how group members' funds are and will be utilized;

Review the institutional and legal basis of the RCP and BRAC's plans in this regard;

Evaluate the effectiveness of BRAC's management information system in relation to the above.

2.2 INCOME GENERATING ACTIVITIES & SOCIO-ECONOMIC IMPACT

The team will:

Examine the portfolio of economic activities under RDP/RCP and assess the profitability and viability of these activities;

Examine the actual record repayment of group members especially with respect to long-term loan and the economic impact for group members participating in group activities compared to individual loan activities;

Examine the economic impact on group members, paying particular attention to the impact on women and women's groups. Particular attention should be paid to whether the projects significantly improved employment opportunities and income levels for women;

Analyze the profile of income earning activities with respect to rural economy development, and assess the role of BRAC in transferring new and relevant technology to its members.

2.3 OPERATIONAL PERFORMANCE

2.3.1 Within the context of the expansion of the programme, BRAC's performance in providing credit and support services to its target group will be reviewed. The team members will:

Review BRAC's achievements with respect to operational and physical targets for the period under review;

Assess the effect of the expansion programme of RCP on BRAC's ability to deliver services to members, the quality of the services and on branch profitability;

Review the lending programme in the context of loan disbursement, loan utilization, loan structure (short-, medium- and long-term) and group (collective) loan activities;

Compare the performance of males and females in employment and income generating projects in areas such as access to credit, loan purpose & size and recovery rates;

2.4 MANAGEMENT AND TRAINING

2.4.1 A general concern is that BRAC maintains a balance between institution building (including area expansion), its organizational management system and programme delivery to its client group.

2.4.2 Assess the impact of the transfer from RDP to RCP on BRAC staff i.e. their ability to cope with the changes and their need for further training.

2.4.2 Within the context of the BRAC expansion programme the evaluation team will assess the sustainability of BRAC's institutional capabilities in terms of operating performance (i.e. organization, management, staffing and training). The following aspects will be addressed: i) overall management capability; ii) existing organizational structures at headquarters and at regional, and area offices; iii) staffing activities i.e. recruitment and promotion policies with special attention on women staff members, and; iv) training needs and capacities.

To this end, the team will:

Analyze the quality of the management structure at the field level and head office with respect to the rapid expansion in both staff and project activities;

Analyze management implications for any additional projects planned or under discussion, and BRAC's capacity;

Examine the decision-making process and personnel policies, including performance review, promotions, staff development decisions and general points such as decentralisation, delegation, participation, supervision and accountability;

Assess BRAC's progress towards providing gender-sensitive personnel and sound career planning with particular emphasis on reviewing BRAC's strategies for promoting women within the whole organization in particular the formation and status of the newly constituted Women Advisory Committee (WAC);

Examine the staffing situation with reference to the staff composition, structure, turnover and succession at all levels:

Assess the present training programme in terms of strategy, methodology, impact and relevance to BRAC's present operating environment;

Assess the impact on the quality and efficiency of the training programme (training and trainers) associated with the increase in the volume of training underway and planned;

Determine the probable demand for in-house training for both BRAC staff and VO members, required to fulfil BRAC's programme targets;

Assess the adequacy of physical training facilities (existing and planned) through the end of 1993 (in terms of coping with training of an increased number of BRAC staff members, VO group members, etc.) with respect to programme targets and objectives;

2.5 INSTITUTION BUILDING

The team will:

Examine the group identification, formation and development processes and assess the extent to which BRAC covers and penetrates its target groups and the extent to which social mobilization and empowerment of the landless poor continue to receive high priority;

Assess the state of maturity and the process of self-sustainability of the Village Organizations (VOs) by reviewing the set of indicators that have been developed and point out any constraints with regard to the formation of strong, independent VOs;

Review the status of the federation process, its structure and the role of the federations in RDP and RCP;

Assess the impact of the institution building activities such as the monthly-issue meeting, the special meetings and workshops on the institution building process;

Examine the survival rates of old groups and factors affecting the survival;

Examine the social changes generally occurring in the project areas (wage levels, household income, indebtedness and migration), and improvements in participation, position and status of women;

Assess the balance between the pursuit of economic and social goals.

2.6 SUPPORT SERVICES PROGRAMMES

2.6.1 Non-Formal Primary Education Programme (NFPE)

Review the management and logistical efficiency of the NFPE Programme and assess whether the rapid expansion will have any negative impact on the quality of the programme (trough the end of 1993);

For the NFPE programme, review the structure and efficiency of the NFPE programme personnel (trainers, Pos, FOs) and identify any problems/bottlenecks associated with staffing;

Examine and comment on the inter-cycle continuation rates of the NFPE schools;

2.6.2 Rural Enterprise Project (REP)

Examine the portfolio of economic activities under REP and assess the profitability and viability of these activities;

Review the experimental projects undertaken by REP and the marketing capability of the REP and the mechanism for transfer of technology;

2.6.3 Management and Development Programme (MDP)

Assess the past training performance of MDP and TARC in relation to targets;

Assess the role of MDP in developing the management capacity of BRAC and non BRAC's staff.

Assess the efficiency, effectiveness and sustainability of this programme;

2.6.4 Paralegal Programme (PLP)

Assess the efficiency, effectiveness and sustainability of this programme.

2.6.5 Monitoring

Assess the role of the monitoring department in improving the management control of the programmes;

Review the capacity of the existing monitoring system to retrieve facts on social and economic impacts of the programmes and point out the necessary indicators for analysis;

2.6.6 Research and Evaluation (RED)

Assess the work performed by the Research and Evaluation Department with respect to programme targets and objectives;

Assess the efficiency, effectiveness and sustainability of all sectoral programmes.

3.0 METHODOLOGY

3.1 Although the evaluation team will be responsible for the selection of the evaluation methodology, it is suggested that the study approach include the following:

Review of project reports:

- . Annual budgets
- . Project Documents and Appraisal report
- . BRAC's Annual and quarterly progress reports
- . Annual Review Report of 1990
- . BRAC Audit Reports
- . Review report on NFPE
- . Review report on BRAC's training capacity
- . Review report on the banking system
- . RED's studies

Interviews/discussions with BRAC Head Office management staff, Donor Consortium Members and the DLO;

Field work at BRAC area and regional offices including interviews with members;

Interviews/discussions with other organizations including Government Departments, UN agencies, NGOs and others as necessary.

3.2 After approval of the TORs by the DC, the team leader will be provided with various documents and data which will assist the team in starting its field work timely.

3.3 Immediately after arrival of all team members, there will be a formal briefing session with BRAC and the Members of the DC. Upon completion of the mission's work there will be a debriefing session with BRAC and the DC Members scheduled for March 1st, 1992, at which the Team will submit its draft report, and present its major findings and recommendations.

3.4 After receipt and review of the draft report, and within a two to three week period the DC will provide the Team Leader with comments and recommendations which are to be taken into account in the final report. The team leader will be responsible for coordinating the inputs from team members to ensure the timely submission of a professional-quality report.

4.0 REPORTING REQUIREMENTS

4.1 The evaluation team will provide a draft report of its findings, using the following outline:

- . Executive summary
- . Statement of findings, conclusions and recommendations
- . Indicate key issues for the attention of the end of project evaluation in 1994
- . The report as such including evidence and analysis which support findings, conclusions and recommendations
- . Appendices: including descriptions of methodologies used to carry out the study, bibliography, lists of persons/agencies visited and interviewed, and data.

5.0 TIMING AND LENGTH OF MISSION

The mission will take place in February, 1992. The team members are expected to arrive in Dhaka on February 1st 1992 for a period of four weeks excluding travel time. During this period they will carry out the field work and complete the draft report.

6.0 LOGISTICS

6.1 Although the evaluation team will be responsible for carrying out its work programme, the Donor Liaison Office will provide assistance on various logistical aspects including transportation, office and secretarial/support services and accommodation. The DLO will also assist in the scheduling of all visits, briefings and field trips as required.

7.0 TEAM COMPOSITION

7.1 As agreed at the Donor Consortium Meeting of May and November, 1991, the evaluation team will consist of a total of eight professionals as follows:

- Team Leader
- Financial Analyst
- Institutional Specialist
- Credit/Small Scale Enterprise Specialist
- Management and Training Specialist
- Education Specialist
- Gender Specialist
- Economic Specialist

7.2 Each member, including the team leader, will fulfil the following responsibilities:

Review and assess his/her assigned topic/area and complete a written report covering this topic/area for inclusion in the overall report;

Contribute to general sections of the report through participation in group meetings and through written reports as required;

7.3 The team leader will require an additional two weeks and will have the following additional responsibilities:

Prepare a draft evaluation workplan and suggested methodology prior to the arrival of the team;

The workplan should include, but not be limited to, the following:

Documentation requirements

A list of people to be interviewed

Data collection methods

Description of how the issues contained in the TORs will be addressed

Tasks involved in conducting the evaluation and assigned responsibility

Final schedule for completion of tasks

Review the evaluation workplan and methodology with the DC Members and BRAC following consultations with other team members;

Ensure that the TORs are fully addressed and that gender issues are covered comprehensively throughout the report;

Edit the final report;

Ensure timely transmission of the report to BRAC and the DC Members.