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BRAC RDP IV APPRAISAL MISSION:

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Financial Consultants Report

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EXECUTIVE SUMMARY

Final Financial and Credit Report - RDP IV Appraisal

The Executive Summary highlights the most salient points of our mission, without regard to the sequence of the Terms of Reference (TOR). The body of the report tracks the TOR point-by-point. We recommend that the Donor Consortium approve the US $54.3million funding request from BRAC for the five-year period of 1996 through 2000, subject to BRAC demonstrating that it has the mangement and business planning in place to prudently oversee the planned expansions of the sector programs.

CURRENT STATUS OF RDP AND RCP

- BRAC's loan portfolio has continued to grow at a rapid pace, with 1994 disbursements over Tk 2.1 billion (equal to US $50 million). This is up 60% over 1993 totals; excluding the branches newly opened in 1994, the existing branches increased disbursements by 53%. When incorporated into the long-term financial projections, this increase in loans outstanding suggests that RCP will be financially viable if operating costs remain reasonable.

- Loan repayment has achieved extraordinary improvements, with December 1994 APO showing that 92% of the loans outstanding have missed no payments (this does not include Housing loans, which register the lowest performance, with just 62% up-to-date). See Appendices A and B.

- BRAC has appointed a Program Manager of Credit and Savings, as well as an RDP MIS unit, indicating a true commitment to seeing the credit program succeed. We have encouraged NRAC to hire a senior manager for all of the the sector programs, as well. In addition, we recommend that BRAC maintain a strong independent Monitoring and Audit Department, to provide internal cross-checks for the RDP program and to help ensure reporting accuracy and program transparency.

- Membership loss continues at an unexpectedly high annual pace of 10% of average membership. We recommend that BRAC monitor the reasons for this loss, to help both the Donors and themselves better understand the development process and why members may drop out of the progam. See Appendix C.

MAJOR OBSERVATIONS AND CONCLUSIONS

The RDP IV Budget Proposal is for Tk. 2.17 billion, or US $54.33 million, for the five year period from 1996 through 2000. The total project cost is Tk. 4.63 billion (US$ 115.8 million), but internally-generated project income of Tk. 2.46 billion (US $61.5 million) reduces the budget request to Tk. 2.17 billion (US $54.3 million.[1]

The most significant features of the RDP IV budget request and proposal are summarized below.

- Continued expansion of RDP/RCP through the addition of 95 branches, bringing the total number of branches to 330 (30 more than the original plan of 300 branches). Branch and regional office operations, credit staff, and the loan fund requirement total Tk. 2.4 billion (US $60 million, or about 50% of the total project cost.

- Major funding requests to (1) expand the five sector program income-generating activities

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[1]All US dollar amounts assume a Tk 40 per dollar exchange rate.

throughout the RDP/RCP branch system, and (2) deepen each sector program into a more vertically integrated production system. The latter includes establishing rural commercial enterprises (or program support enterprises) to produce the key raw material inputs for the sector, such as day-old chicks and poultry feed for poultry, fish meal for fisheries, and seed production for agriculture. In addition, it includes expansion up the production chain to the marketing andselling of end-products (such as production of silk and marketing of products from all sectors).

- A large-scale expansion of the sericulture program by the year 2000. The first phase is the base level of sericulture activities included in the May draft of the Proposal for Tk. 379 million (US$ 9.4 million). BRAC had proposed a second tier expansion in 1999 and 2000 for Tk. 208 million, bringing the total investment in RDP IV to Tk. 588 million (US $14.7 million), however BRAC has removed the second tier expansion from this Proposal at the Donors' request.

- The addition of an Essential Health Program (essentially an expansion of the WHP program elsewhere in BRAC) to the current social development activities within RDP (Tk. 263 million) and a significant expansion of Human Rights and Legal Education training for members (Tk. 188 million).

- No funding for Non-Formal Primary Education has been included in the final RDP IV Proposal, as all of NFPE funding is now through a separate funding request (NFPE had represented 18.1% of the original RDP IV Proposal).

In RDP IV, BRAC plans to significantly increase its "self-sufficiency ratio," or increase the percentage of operating costs covered by internally-generated funds. This would reduce BRAC's dependence on donor funding. However, certain activities are more likely to achieve significant cost recovery than others. For example, the credit program should achieve financial self-sufficiency. The Health program and other support programs will never generate significant revenues and will therefore need to rely on continued Donor funding or cross-subsidy from elsewhere within BRAC. Although BRAC's original RDP IV proposal anticipated achieving almost complete financial self-sufficiency by the year 2001, that goal has been prudently moderated to reflect more gradual progress in reducing dependence on external funding sources. This helps ensure that cost-cutting measures do not threaten the quality and development impact of BRAC's development programs. RDP IV represents BRAC's strategic plan to improve cost-recovery and improve financial self-sufficiency in a balanced way.

We recommend that the Donors fund the expansion and deepening of BRAC's credit, sector, and social development activities that are *already* part of RDP's programs. Based on the financial and business analysis available to us, we are concerned that BRAC needs to strengthen its internal business planning and management systems to undertake the planned vertical expansion of hte sector programs. The proposed vertical integration into raw material production and marketing (these for-profit enterprises are referred to in this report as Rural Commercial Enterprises and by BRAC as Program Support Enterprises) are very different businesses than the production and income-generating activities currently undertaken by BRAC members. The scale of these investments suggest significant financial risk for BRAC unless appropriate management talent and systems are in place.

As part of the Appraisal Mission, BRAC has responded to some of those concerns by scaling back certain investments and by developing more detailed pro formas and projections for some of the Program Support Enterprises. The revised RDP IV Proposal dated July 1995 is much improved over the earlier drafts available to the Appraisal Mission. While the rational and business assumptions underlying these investments are better articulated in this version, BRAC -- like many entrepreneurs -- focuses on production costs and capacity, with little analysis of the market, competition, or management capacity. With these exceptions in the sector programs, BRAC has revised the RDP IV Budget to reflect nearly all of the recommendations from the Appraisal Team.

Based on the work completed, our general observations include:

- *Financial Self-Sufficiency*: The Social Development Programs, Special Programs, and internal Support Services will continue to need donor funding and/or cross-subsidy from RCP after RDP IV. RCP itself is just beginning to emerge from two difficult years financially and should be on solid financial footing by the end of RDP IV. The Sector Programs cost recovery plan appears to chart a course for recovering direct staff costs for providing the technical assistance for members to engage in these income generating activities. However, the programs do not forecast covering the costs of new member training, new product development (R&D), or market development.

  While the goal of financial self-sufficiency is designed to strengthen BRAC, we worry that BRAC's development mandate would not be served if development services suffered in the rush to meet a self-imposed deadline for financial self-sufficiency. We strongly support BRAC's more incremental approach of developing a sustainability workplan based on the experience of the next few years to identify which programs will need ongoing subsidy and external support and which can achieve a higher degree of self-sufficiency.

- *Cost Recovery in Sector Programs:* BRAC now has some historical experience with the costs of providing sectoral technical assistance. There is, however, less history on which to judge the service charges that are projected in the cost recovery forecast and RDP IV Budget. The Budget forecasts full recovery of all direct staff costs and head office costs for most of the sector programs by the year 2001 (with sericulture as a major exception). Our experience in working through this proposal with BRAC staff suggests that the fundamental program building blocks are just now being fully developed. We are not certain that all of these projections are based on field experience; some appear to be designed to fit the cost-recovery objectives without a realistic basis for what may be accomplishable. Although we commend BRAC's more thorough planning within each sector, we recommend that the Donors be prepared for a slower than projected path towards the cost recovery goal.

- *New Investments in Rural Commercial Enterprises (or Program Support Enterprises):* At the time of the Appraisal, BRAC provided insufficient information to evaluate the new product development and marketing line items or the investments in program support enterprises (the name for the capital investment projects meant to start immediately as for-profit businesses). Although BRAC has provided more detail since March, we believe these investments still merit real business plans that rationalize these requests and will guide BRAC's own implementation and management of these activities. The benefits of preparing a business plan are undeniable: it identifies clear objectives and action steps, focuses on markets and demand, defines management and monitoring systems, and sets performance measures and targets so management can track progress. This is particularly important for the large expansion in Sericulture.

- *Management Depth and Capacity:* BRAC's difficulty in assembling this complex proposal indicates that they need additional managers to undertake an expansion of multiple new business ventures simultaneously. While the much improved RDP IV Proposal reflects the strong skills of the existing sector managers, addtional management depth in business operations may be needed. We recommend that BRAC stagger their investments in these new commercial enterprises based on their ability to identify capable managers and develop specific business plans for each sector. Any organization that has grown as quickly as BRAC must focus on developing a strong second tier of managers. We recommend that BRAC further increase its efforts to cultivate potential managers from within BRAC's ranks and to recruit available outside talent. It may be that the most difficult obstacle to BRAC's continued innovation is the ability to find the talent to implement its ambitious plans.

- *Organizational Structure Issues*: RDP IV proposes the creation of several Program Support Enterprises that would be larger scale, for-profit businesses to support vertical integration in key business sectors. In sericulture alone, these represent 66% of the budget.[2] These investments raise the question of management oversight and structure, structuring Donor participation and investments, and the use of any surplus funds. Because we did not receive sufficient information to determine the commercial viability of these ventures, our comments speak only to the broad choices these investments present for the Donors. BRAC recognizes the value of managing these businesses separately from the RDP program, but we do not know the details of how this will be accomplished. Once the business plans are prepared, we believe funding for these commercial operations might be structured in two or three tranches with releases tied to realistic performance objectives. Because these enterprises are for-profit businesses with specific objectives, we also believe that BRAC should review whether these enterprises should be managed separately from the RDP program.

SUMMARY RECOMMENDATIONS

RDP IV Budget

- We recommend that the Donors fund this budget for US$ 54.3 million, although disbursement of funds for investments in the program support enterprises might be staged and tied to the completion of business plans and identification of management (particularly for Sericulture).

- While the revised RDP IV Proposal articulates cost assumptions and budgets clearly, it does not yet address the market and management issues of a business plan that also guide management decisions. We recommend that the Donors seek a clear development justification, business plan, and a clear understanding of the use of future earnings from these ventures. BRAC should present a well-reasoned business plan for each sector and recommend several options for the investment of future earnings (e.g. to finance future investment in each sector, to cover additional member training and sector costs, or to flow to BRAC).

  The Budget currently includes a line item under Program Income for the operating deficit or surplus generated by the Program Support Enterprises which reduces the total funding requirement from the Donors. We support this, however, the business rationale for how to invest these surpluses should be developed. The use of any surplus should be highly transparent to minimize the temptation to use it as a slush fund.

- Unless BRAC is able to offer some contrary reasoning, we believe it is reasonable for the Donors to require BRAC to contribute some of its own equity to the total financing cost of the Program Support Enterprises, much as a traditional business lender requires a business to invest some of its own resources. Although the current budget includes 100% of these investment costs[3] the Donors might ask BRAC to share in these equity investments (for 5% to 10% of each project, for example).

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[2]Total investments are Tk. 235 million, Including Tk.100 million for Grainage Centers, Tk. 100 million for Reeling Units, Tk. 15 million for a Sericulture Resource Center, and Tk. 20 million for Chowki Rearing Centers.

[3]The original RDP IV Proposal included 30% of costsfinanced by the Donors and 70% financed by banks

- While large capital investments in the production, marketing, and distribution of silk may be important strategic investments, we believe BRAC should support this expansion with a thorough business plan and budget that also identifies market demand, business risks, and clear production and development output targets. This would help the Donors understand and evaluate such projects.

- We recommend that BRAC develop a more detailed business plan for REP to justify the scale of the Donor investment requested and to give BRAC the management tools to evaluate REP's future performance against those objectives. BRAC has revised the Tk. 160 million REP budget down to Tk. 133 million.

- We recommend that BRAC prepare a more detailed explanation of the market development priorities for the sector programs. The current Budget's Market Development Program line item for Tk. 50 million is not sufficiently detailed.

Loan Portfolio:

- We recommend that BRAC managers pay special attention to the DTW, Livestock and Fisheries sectors. Historically, these were problem areas and therefore merit special ongoing monitoring.

- We once again emphasize the importance of adding the housing sector to the APO report to increase its visibility and ensure management attention. Because only 62% of principal is current in this sector, BRAC should consider appointing a special task force to investigate and recommend action for improving the repayment rate on housing loans, including any adjustments to the policy for disbursing new housing loans.

- During RDP IV, the total sector portfolio is projected to grow up to 50% of all loans outstandings (although the consultants were unable to reconcile this projection with the preliminary projections of the individual Sector Programs - see Appendix E). Therefore, the APO sectorwise report should breakdown the portfolio by each of the sector areas. Separate reporting for sectors that are small and not relevant to program staff, such as Services, should be discontinued.

- We endorse BRAC management's plan to produce a 2-page APO trend report that includes housing loans and General Loans on one page and the new sector loan portfolios (Enterprise Loans, Poultry/Livestock, Fisheries, Social Forestry, Sericulture, Vegetable and REP) on a second page. We emphasize the importance of the monthly trend report to highlight changes in performance over time.

- We urge caution and careful monitoring of the new six-month, seasonal loans in the loan portfolio so BRAC can identify its impact on both the growth and repayment rate of the loan portfolio. These should be tracked in a separate category of APO to determine repayment patterns and detect problems early. Note: Grameen introduced Seasonal Loans in 1993 and saw loan volume increase dramatically, but we do not know what impact this had on delinquency and loan repayment.

- We endorse BRAC's written policy of ending the availability of grace period loans and strongly discourage any deviation from this policy unless a pilot program is monitored separately. Like BRAC, we believe a wiser course is to conduct a pilot project with careful evaluation before starting a similar experiment system-wide.

Long Term Financial Viability

- We recommend that the Donor's accept BRAC's proposal that RCP lease branches from RDP. While this inflates the RDP IV budget by Tk 227 MM, it is in the best long-term interests of RCP. With this additional financial support, the revised long-term financial model indicates that RCP will be financially self-sustaining. The key asssumptions in this forecast are loan volume, savings levels, operating costs, and loan repayment rates.

- The model reinforces how important savings are as a source of funding for RCP. Generating a sufficient local deposit base will be essential for BRAC Bank. To improve the monitoring of this critical variable, we recommend that the Accounts Department begin to track the two different savings types (compulsory 5% of disbursements and voluntary) separately.

- We recommend that BRAC adopt a written policy for how to determine interest rates. We suggest several elements to be included in such a written policy (see page 40).

- We recommend that BRAC monitor the reasons for members' expulsion or retirement. The 10% annual membership turnover suggests that BRAC needs more information about the development process and why members leave. This would assure BRAC that its membership policies are not inadvertently forcing out members for the wrong reasons. We have no information as to whether this is the case, however, this pace of membership turnover threatens BRAC's ability to achieve financial viablility because of high continuing training costs for new members and lower savings.

Cost Recovery in the Sector Programs

- We recommend that BRAC review its progress towards cost recovery within each sector annually and revise its projections for RDP IV accordingly. We advise BRAC to set conservative targets in case the plans need to adjust. This process would be facilitated by developing management information tools for the sector programs, including sector-wise financial statements that show managers the operating costs and revenues within each sector and the variances from the planned, branchyear-wise progression.

- We encourage BRAC to input the plan for each sector into a computer cost recovery model so BRAC can adjust key variables and still forecast the full amount of cost recovery going forward. This might be developed with assistance of consultants at the next review. While BRAC has developed the management tools to monitor and manage the loan portfolio, it has not yet developed similar tools for the sector programs.

- We also encourage BRAC to develop a collection sheet for service charges at the branch level. This will ensure that there is information from both the accounts department and the Program side on what service charges are collected and from whom. Most monitoring is done verbally, at this point.

- For the Sector Revolving Loan Funds, there should be clear responsibility for collection of these loans in the Field. The Sector PAs and POs should have clear responsibility for collection of these amounts. An early warning system should also be in place to ensure that these loans are monitored and do not fall through the cracks. Two suggestions are:

  (1) Include all Sector RLFs, Enterprise loans, and REP loans on the second page of the APO report to allow senior management to review repayment performance (see loan section)
  (2) Maintain a cap on how much can be outstanding at any time in an RLF.

- We strongly recommend that BRAC appoint a senior manager responsible for all sector programs. Just as credit now has an accountable senior manager who oversees all credit and savings, the sector programs also need the focused attention of a single manager. Although the sector specialists are all very technically competent, the sector programs now warrant stronger business management.

Management and Organizational Issues

- As noted above, we recommend that BRAC identify separate mangement positions for both credit and the sector programs. This both focuses attention on each as a key "business unit," each with its own development and financial goals, and protects the integrity of credit decision making from objectives of the Sector Programs. Program Managers for RDP and RCP should also be independent from other BRAC-managed enterprises that supply or purchase goods from VO members.

- We encourage BRAC to manage the commercial entities separately from the development programs that are significantly grant-funded. While these managers must confer and coordinate, they run distinct businesses with differing objectives, and should avoid financial conflicts of interest that would impair their business or development judgments.

- BRAC's sophisticated and delicate balance between commercial and grant-funded activities should be strengthened with some formal policies concerning cross-subsidy and movement of funds among different BRAC entities. In the United States, for example, many organizations create separate legal subsidiaries to clearly define and separate business activities and ensure arm's length and transparent financial transactions between businesses. By law, American banks must maintain very separate business units to protect the credit operations from the financial risks of other ventures.

- As BRAC joins an elite group of NGOs that have become sustainable and permanent institutions, it must invest in staff development to build future managers. In microcredit financial institutions, successful managers need a breadth of understanding that allows them to balance financial viability objectives with achievement of development goals. Cultivating these future managers requires 3 tasks: efficient recruitment, staff training, and evaluation and compensation systems. While BRAC has a recruiting and training mechanism in place, regular feedback to managers on their performance is a missing component. We recommend that BRAC conduct annual performance reviews of all branch managers and above to focus their energies on both financial efficiency and development impact.

- The seeming "objectivity" of financial statements, and the temptation to use them as an easy performance gauge, causes some to fear that BRAC will lose sight of its development mission. Because of BRAC's strong organizational ethic of working in the program areas and visiting the field offices, we are less concerned. However, BRAC should address this concern head-on by formulating some development criteria or other nuanced methods of documenting impact on borrowers and members (prepared half-yearly, for example).

- BRAC should maintain a strong financial monitoring capability outside the program area. Currently, aggregate financial records can be cross-checked by comparing the Collection Sheets (from Program Area) and the Revenue and Expense ledger (from Accounts). However, the Program area would be best served by also having independent, frequent monitoring audits of this information. This would ensure (i) the Program Collection Sheets are not misrepresented by field staff who want to please superiors, (ii) better transparency of the program to outside consultants, and (iii) shorter time lag in correcting data errors than awaiting accounting reconciliation.

FINANCIAL CONSULTANTS REPORT

6.1. SOCIAL

6.1.1. Assess to what extent the credit and financial management plans are appropriate for the needs and resources of the target groups, paying particular attention to socioeconomic status and gender.

RDP IV's credit and financial management objectives for the year 2000 are:

1. The credit programs will achieve full financial self-sustainability going forward;
2. Sectoral programs will have provided sufficient start-up training to members, and the programs will be widely accepted as valuable by the members, so that service charges will fully cover ongoing program costs (refer to the Cost Recovery Section for explanation of which costs will be covered);
3. The Essential Health Care Program will collect service charges to cover some portion of its total costs;
4. Other social development programs, such as NFPE and IGVGD, will be expanded and will continue to be offered without charge; at the conclusion of RDP IV, these programs will be funded from outside the RDP Donor Consortium;
5. BRAC expenses such as RED and other Support Services will not generate revenue and therefore require ongoing Donor funding.

BRAC proposes that by the year 2000, the credit program and the sectoral programs will be financially self-sustaining, meaning that the beneficiaries will pay program costs in the same period that they receive the services. The credit and sector programs must each recover their own costs: interest on loans to pay for credit program operations, and each sector's service charges to pay for that sector's program operations. BRAC's motivation is to increase its cost efficiency and its accountability, not to transition away from its target group.

For BRAC's development mission, this plan presents three issues:

- First, is this an appropriate strategy for a development organization? Achieving 100% cost recovery is a reasonable measure of (1) whether recipients recognize the value of BRAC's service and (2) whether BRAC's expense corresponds to the wealth created. It is a disciplined approach to operational efficiency. Business development organizations in many different countries have recognized that the more their own organizations operate on the same principles as their customers, the more likely they are to succeed. From the beneficiaries' perspective, experience across cultures suggests that beneficiaries value and accept business advice more readily when they pay for it. BRAC's avowed goal in its interventions is to create wealth for VO members. Services directly designed to promote beneficiaries' economic wealth (distinguished from those directly targeting social development) seem especially appropriate for cost recovery.

- Second, as a matter of development, can BRAC reach the target group with a fee-for-service structure? In our discussions, BRAC management was quite aware and sensitive to the need to provide special outreach to the target group, both for credit and sector programs. It is logical that some beneficiaries may be so income poor and so needy of current cash, that any user fee hurts their current welfare. This would apply to loan repayments as well.

BRAC operates some programs with special subsidized efforts to reach the poorest villagers, but always with the goal of mainstreaming them into the fee-for-service model. For example, the IGVGD Food-for-Work program, jointly funded by the GOB and BRAC, explicitly targets the poorest 10% of women. BRAC estimates that more than 200 women at each branch participate in IGVGD. Women receive 20 kg of wheat for work, in order to prevent starvation. For three years, the IGVGD program subsidizes and channels women towards the poultry sector. After three years, participants should be able to join the regular RDP programs. Another example is the recent change to the weekly savings plan, increasing target savings from Tk 2 per week to Tk 5 per week. While HO has increased the weekly average target, HO expects that 10% to 15% of members will continue at Tk 2, in order to assure that members are not unintentionally priced out.

- Third, is BRAC capable of designing and delivering services that create enough member wealth so that they can pay user fees to cover the program costs? Ultimately, this is an empirical question to be demonstrated in the field. Over the last 12 months, BRAC has implemented service charges in all sectors, but to our knowledge, there are no existing branches that have achieved 100% cost recovery. As financial consultants, we can say whether BRAC's future cost recovery projections are internally consistent, meaning that if achieved, then cost recovery is possible. Some parts of the cost recovery system are out of BRAC's control, such as the market price for rice, poultry, etc. Whether the projections can be achieved is a question better appraised by enterprise experts, and ultimately tested by practical experience.

A commitment to 100% cost recovery (or financial sustainability) means measuring the costs of a program versus its revenue. To evaluate whether BRAC's commitment to cost recovery will alter its programs, one must know what costs are included and what revenues are included. Simplistically, it is akin to the dynamic of a simple balance scale, placing the revenues on one side and the expenses on the other. As charted below, BRAC does not intend to recover the costs of NFPE, Human Rights Training, or any of its Support Services.

Program	Revenues	Expenses	Related Costs Not Included
Credit Program (after graduation into RCP)	Interest Income Rent Income	Personnel: - Regional - Branch Some ongoing training All Operating Costs All Real Estate Costs HO/RO Allocation	Human Rights Training
Sectoral Program	Service Charges	Personnel: - POs and PAs Staff Training Direct Operating Costs HO/RO Allocation	Member Training Stationaries Occupancy Accountant

BRAC's philosophy is to implement its development mission while also holding some of its programs to the test of financial viability. BRAC must accomplish both development and financial viability to achieve organizational success. The benefit of this approach is that some of BRAC's programs should become financially independent. Running more cost efficiently is essential for BRAC to operate eventually as a Bank. If BRAC were ever to place a disproportionate emphasis on financial success, it might lead BRAC to overlook opportunities for grant-funded enhancements to its development programs. However, when BRAC achieves these financial goals in the year 2000, management fully expects to develop new programs and continue existing ones (e.g., NFPE) that will require ongoing Donor support.

At the end, BRAC hopes to have created an organized infrastructure of VO's and trained BRAC staff in place to deliver other development services. The discipline of cost accountability for the Credit and Sector Programs should improve operating efficiency. BRAC management finds that well-organized credit and savings programs improve the other development programs.

6.1.2. From the perspective of the beneficiaries, different sources of financial support, both formal and informal, will be compared with BRAC's support.

To our knowledge, there are few, if any, attractive alternative sources of financial support. By reputation, money lenders' usurious loans are the only widely available alternative. BRAC management reports that some agricultural banks have begun to consider smaller loans in more rural locations, but there are no substantial programs. The major NGOs and GOB programs (Grameen, Proshika and RD-12) are essentially similar in program requirements and generally do not compete in the same villages.

We have no reason to believe that beneficiaries would find alternative financial sources to be more appealing than BRAC's programs.

6.1.3. Assess the appropriateness of financial support, credit and technical assistance BRAC provides from the point of view of the beneficiaries. In particular, attention will be paid to the potential of the interventions to reduce external dependency among beneficiaries.

The possibility of reduced beneficiary dependency depends both on higher wage-earning activities and social change that enhances women's social situation. Several aspects of BRAC's programs suggest this possibility, although there is no additional hard data on this point aside form the various BRAC impact studies. Promising aspects of BRAC's credit and technical assistance programs include (i) Sector concentration which improves the possibility of unplanned economic improvements, (ii) related commercial enterprises (RCEs) that are of a larger commercial scale, and (iii) experimental Enterprise Loans that are larger than previously available BRAC loans.

BRAC's credit is increasingly channeled to sectoral programs. Today, approximately 1/3 of all loan principal is in sector programs, and BRAC management hopes to reach 1/2 by the year 2000. The sectoral lending and technical assistance focuses on links in the supply chain, in order to assemble a vertically integrated industrial chain. For example, in the poultry sector lending and training begins with the chick rearers, then to key rearers, combined with the assistance of paravets and egg collectors. In the sericulture sector, the mulberry tree monitor sells to the chowki rearer, who sells either to village reelers or to the reeling center, and so on. BRAC borrowers are not restricted from buying and selling with non-members. This sector concentration and the high number of microenterprises provides a more fertile base from which higher order economic activities may emerge: for example, distribution improvements in poultry, more diverse sericulture weaving, and design activities, and the attraction of other non-BRAC resources to the sector.

The success of BRAC's sectoral programs also creates openings for new Related Commercial Enterprises (RCEs). These RCE's -- such as Poultry Feed Mill, Fish culture Feed Meal Processing Center, Prawn Hatchery, Sericulture Weaving Centers, Vegetable and Social Forestry Seed Production Center -- supply inputs to or purchase outputs from members' sectoral activities. RCE's also buy and sell from the private market. The proposal to start these RCE's indicates that the previous microenterprise activities have become large enough to outstrip the existing supply of inputs or outputs. This is a measure of the microenterprises' success.

In RDP IV, BRAC proposes to expand its experiment with Enterprise Loans. These are loans up to Tk 25,000 for VO members who might graduate to larger economic enterprises. Providing credit, prudently, is a proven method for accelerating economic growth. This is a clear indication that some members are ready to move to slightly larger business activities.

BRAC tries to ensure the "appropriateness" and success of its programs through RED pilot tests. The high repayment track record is good, indicating that the members can succeed in these activities. BRAC field tests new sector programs in a three-step way:

1.	Rural Enterprise Project	Experimental R&D
2.	Sector Loan Funds	Pilot field tests
3.	General Loan Fund	Rollout to all members

This gradual introduction of credit, and allowing for the adjustment of loan terms is a good trial-and-error method of ensuring good "fit" for the beneficiaries. BRAC's use of credit aims at altering the social status of the poor and of women. It is "appropriate" by the measure of improved economic well being and more equal social standing with men and with local village elites, but this directly challenges social status quo.

BRAC management stated that credit can be understood as the organizing cornerstone of social development as well. Controlling an asset and believing that one can earn an income creates self-esteem. When savings and credit programs are successful, there is an immediate increase in economic wherewithal. A member is therefore less dependent on the social mores to provide economic sustenance. The ultimate effect of these social changes would be determined by more intensive field studies.

6.1.4. Review the relative importance of savings and credit for beneficiaries, and the role of savings and access to savings in poverty alleviation.

Savings and credit are one essential input, or "raw material", of economic enterprise. Savings cushion the effects of unforeseen calamities: illness, death in the family, natural disaster, crop failure. Therefore, increased savings enable a poor person to weather the external life forces that could otherwise destabilize both the individual and the family. Without savings, a person survives "hand-to-mouth" on whatever current income generating capacity he or she possesses.

Savings permit a person to change income sources and to live off of accumulated savings while waiting for the new activity to generate income. For example, waiting for mulberry trees to mature and produce leaves for sale. Knowledge that one controls savings reduces anxiety and fear of the future. Thus there is a psychic health that comes from possessing savings.

Both savings and credit permit a person to invest, that is, to deploy funds in another's enterprise. For example, investing in a fisheries pond. The shareholder may not participate actively in the day-to-day scheme management, but still shares in the end-of-season profits. BRAC members could use their savings to purchase shares, although typically VO members do not have enough savings and so must borrow to purchase shares.

Borrowing enables one to control a larger asset and therefore generate larger earnings. For example, by purchasing a cow with a BRAC loan, a woman can earn more money than in simple manual labor. Borrowing enables a person to participate in trading, an available economic activity that can introduce women into the market. For example, purchasing goods wholesale in the urban markets and reselling them retail locally; or by purchasing rice paddy and milling it in the home for local sale.

To the extent that poverty alleviation means the ability to generate income and control one's own economic choices, savings and credit are irreplaceable ingredients.

6.2. ECONOMIC

6.2.1. Undertake a budget review of the overall proposal. Review the main categories of expenditure to date and the proposed categories and levels of expenditure under RDP IV, and assess the appropriateness of the budget.

In the Draft RDP IV Proposal dated February, 1995, BRAC requested US$95 million to fund the operations of RDP for the five year period beginning in 1996 and ending in 2000. After revising the proposal with the Appraisal Mission, BRAC submitted a July 1995 RDP IV Proposal requesting US$65.0 million. Negotiations with the Donor Consortium in September and October reduced this amount to $54.3 million.

The final RDP IV Proposal (see the Proposal document dated July 1995 and the Budget dated 10 October 1995) provides signficantly more detail on the sector program expansions and addresses many of the concerns raised by the Appraisal Team. It also reflects several substantive changes from the original RDP IV Proposal dated March:

1. Elimination of NFPE as a budget item in RDP (all of NFPE is now funded separately from RDP);

2. Elimination of staff housing loans (US$4.0 million) from the Loan Fund Requirement;

3. Removal of US$827,531 from Capital Investment forr the purchase of additional furniture and fixtures for the new Head Office Building.

4. Inclusion of the projected earnings (or losses) from the Program Support Enterprises as project income, therefore reducing the total funding required (total income of Tk 37.5 million, heavily weighted to the later years of the funding period).

The RDP IV Budget is organized into six parts, reflecting the different types of activities within RDP:

I. Organizational Development and Credit Program (51.8% of total RDP IV project cost);

II. Sector Programs, or income-generating activities (25.8%);

III. Social Development Programs (10.3%);

IV. Special Programs, targeting the poorest or other specific groups (5.4%);

V. Support Services, including BRAC's internal functions (1.0%);

VI. Capital Investments (5.9%).

The overhead costs of Regional Managers and Head Office staff and support functions (including Accounts, Monitoring, Personnel) are allocated to each program as 10% of their individual budgets. All internally-generated revenue is shown as Project Income at the bottom of the summary budget and as a reduction in the Total Project Cost. BRAC shows the revenues paid by RCP to RDP (each branch is "sold" to RCP at the end of its fourth year) as one of these sources. Total project income equals 53% of the Total Project Cost and BRAC is requesting Donor funding for the other 47%.

The major elements of the RDP IV funding request are:

- Horizontal expansion of BRAC's existing development package through credit and sector programs: This includes the expansion of RDP through establishing 60 new branches and absorbing 30 branches that were previously funded by other sources (the Small Livestock Development Program, or SLDP, branches). These SLDP branches are a net benefit to RDP because they enter as year 3 branches with loan portfolios that are generating positive income and because RDP sells its branches to RCP, bringing more cash into RDP. However, this increases the total funding needs of RCP by raising the total number of branches to 330 from the 300 branches originally planned. This requires RCP to seek additional resources from RDP, which must be approved by the Donors (see discussion under RDP Budget - Capital Investment and under Long Term Financial Viability).

- Broadening and deepening of the Sector Programs: The primary costs of the sector programs are personnel salary and expenses, member training expense, and R&D (new income generating activities and market development). In RDP IV, BRAC has added new capital investments in the vertical integration of the high-growth sectors (including production of raw materials and market development). We endorse BRAC's deepening of the sector programs through increasing its ability to provide key inputs and improved technical supports, however, the capital investments and large investments in R&D must be carefully evaluated. After discussions with the Appraisal Team, BRAC agreed that certain capital investments should wait until more detailed business planning and analysis can take place to justify the investments. In addition, while some resources for new product and market development are essential in certain sectors, BRAC has reduced some of the R&D budget to better match identified needs.

- Continuance and expansion of Social Development Programs: With Non-Formal Primary Education now funded separately, this includes Human Rights and Legal Education (an expanded legal awareness training), the new Essential Health program, and the pilot program in environmental health and sanitation. These programs generate minimal revenue, yet are an essential component to BRAC's development goals.

- Continuance of existing and new Special Programs: The Vulnerable Group Development Program targets the poorest 10% of the rural poor in a program in which training and help in income generating activities is supplemented by a daily ration of wheat from the government. This program in being expanded since BRAC believes this program helps those members make the transition to successful RDP membership. In addition, BRAC will provide some assistance to small NGOs and Community-Based Organizations. (The often-discussed Urban Development Program has been deferred to some point in the future).

- BRAC Support Services and Capital Investment: We recommend that Donors fund these project costs because they are an essential component of BRAC's RDP and RCP operations. However, we have recommended that BRAC develop internal management mechanisms to ensure that Research and Evaluation (RED) is held accountable for its operating costs and the quality of its products. Capital expenditures include motorcycles and bricks and mortar for new new branches and regional offices.

Although the RDP activities all require continuing significant subsidy through the year 2000, BRAC has planned steady progress towards substantial self-sufficiency by the year 2001. As expansion stops, the maturing branches should cover most of their credit delivery costs through interest income. Similarly, the sector programs should reach near cost recovery as costs drop sharply due to fewer new members being trained and increased service charge collection. The Social Development Programs and Special Programs will continue to need subsidy each year. In addition, additional investment in the sector programs will require additional funding. The question will be how much of that subsidy will come from within BRAC versus outside sources.

Recommendation: We recommend that the Donors fund this budget for US$ 54.3 million, although disbursement of funds for investments in rural commercial enterprises might be staged and tied to the completion of business plans and identification of management.

A. Budget Overview

The five-year budget for RDP IV reflects BRAC's five-year strategy and projects funding needs for five major activities. Based on its experience of the last several years, BRAC believes that a disciplined credit program is the foundation upon which further empowerment of VO members will grow. Village Organization (VO) development is therefore included as a cost of the credit program. This section summarizes the major expenditures in each of the five budget categories. A detailed line-by-line analysis follows in the next section.

As shown in the Summary Budget Table on the following page, the main RDP IV Budget categories are:

I. *Expansion of Credit - 52% of total RDP IV expenditures:* RDP will expand by opening 95 additional branches and increasing the level of loans outstanding at each branch: RDP will open 30 new branches in 1996, 35 in 1997, and will absorb 30 "3rd year" branches from the non-RDP funded SLDP program. After 1997, no new branches will be opened and the number of branches in RDP will reduce as year Five branches transfer into RCP. At the end of RDP IV, RDP will have 0 branches and RCP will have 330. Institution-building activities have been streamlined and are viewed as necessary re-requisites for the credit program and are therefore part of the credit program's costs.

II *Sectoral programs -- 26%:* Although much of the methodology for the income-generation activities in the sector programs is the same as in RDP III, the sector programs are being refined and expanded in three ways:

(1) Geographic expansion to a larger number or in some cases all RDP and RCP branches.

(2) The addition of new income-generating activities for members that should streamline and improve the quality and volume of production. For example, BRAC is adding a new income-generating activity in poultry and livestock programs, called calf-rearers and pullet-rearers, to improve the mortality rates and economic benefits to BRAC members. In addition, BRAC is training members to become key suppliers for the production chain currently in place (e.g. egg producers and artificial insemination centers). Fisheries, vegetable cultivation, and social forestry are all being expanded both geographically and vertically.

(3) Investments in rural commercial enterprises (or Program Support Enterprises) that produce key raw materials for certain sectors or add value through further processing of the output from group members. This includes fish meal production for fisheries, egg hatcheries and poultry feed production for poultry, quality seed production for agriculture, and silkworm egg production, reeling centers, and marketing for Sericulture. These activities are large-scale and will be run by BRAC, selling outputs to BRAC members and to the market as a whole. They will be for-profit businesses that earn a financial return and face market competition.

III. *Social Development Programs -- 10 %:* This budget fell sharply with the removal of the NFPE budget to fund 14,000 schools during RDP IV and prepare for its transfer out of RDP after the year 2000. The programs remaining in this budget include Human Rights and Legal Education (an expanded and formalized paralegal training to be offered to all members), the new Essential Health program to be delivered through a mini-clinic at each RDP branch, and a pilot program in environmental health and sanitation.

IV. *Special Programs -- 5%:* As part of BRAC's renewed focus on serving the poorest 10% of the Bangladeshi population, the Vulnerable Group Development Program (or IGVGD) will expand from 36 to 56 thanas. In this program, the Government finances the credit program costs and BRAC provides sectoral technical assistance in poultry-rearing, staff, and office space. These women receive 30 Kg. of wheat through the Government of Bangladesh's Food-for-Work Program and engage in small scale income generating activities, such as poultry rearing, to move towards self-sufficiency. BRAC has found the program to be very effective in reaching this most disadvantaged group and in preparing them to be RDP members. In addition, BRAC will begin a pilot program in Urban Development and is now budgeting for ongoing assistance to small NGOs and Community-Based Organizations in Bangladesh.

V. *Support Services -- 1%:* This includes Research, Evaluation and Development (RED). RED's operating budget is usually about 1.5% of the total RDP annual operating budget, but RDP management is beginning to take steps to reduce that cost and ensure that the products from RED are closely tied to RDP priorities.

VI. *Capital Investments -- 6%:* Capital investments includes those for credit operations and the new BRAC Headquarters Building. Capital investment includes the costs of building new branches and

BRAC
RURAL DEVELOPMENT PROGRAMME PHASE IV
REVISED BUDGET SUMMARY:1996-2000

	1996	1997	1998	1999	2000	Total	%
I. Organisation Development & Credit Programme							
1.1 Organisation Development	6,043,538	5,248,176	6,112,260	7,059,660	7,412,643	31,876,277	0.7%
1.2 Branch Operating Cost	135,967,356	165,486,794	122,880,597	69,144,559	39,093,270	532,572,576	11.5%
1.3 Regional Office Operating Cost	14,914,655	18,465,257	13,527,282	7,502,654	4,241,885	58,651,732	1.3%
1.4 Staff Training and Development	10,446,781	12,745,808	9,570,943	5,535,736	3,129,820	41,429,089	0.9%
1.5 Loan Fund Requirement	504,300,000	515,110,000	355,403,000	220,537,813	141,102,525	1,736,453,338	37.5%
Sub total	671,672,330	717,056,034	507,494,082	309,780,422	194,980,144	2,400,983,012	51.8%
II. Employment and Income Generation Programme							
2.1 Poultry and Livestock	55,933,555	62,469,213	45,794,771	37,848,336	36,054,086	238,099,962	5.1%
2.2 Fisheries	34,036,175	36,317,982	38,489,474	31,929,988	30,718,668	171,492,287	3.7%
2.3 Social Forestry	18,063,623	17,535,759	17,972,591	17,516,515	18,350,223	89,438,710	1.9%
2.4 Sericulture and Silk Development	88,120,891	92,011,237	141,738,586	27,222,478	30,106,563	379,199,754	8.2%
2.5 Rural Enterprise Programme	17,595,270	21,776,139	30,186,924	31,696,270	32,579,129	133,833,732	2.9%
2.6 Horticulture and Vegetable	17,743,110	23,645,593	31,650,046	31,987,749	26,567,588	131,594,086	2.8%
2.7 Market Development Programme	13,644,708	15,867,039	14,695,503	5,673,400	0	49,880,650	1.1%
Sub total	245,137,331	269,622,961	320,527,896	183,874,735	174,376,257	1,193,539,181	25.8%
III. Social Development Programme							
3.1 Human Rights and Legal Education	30,950,308	32,869,392	37,338,940	41,851,813	44,797,336	187,807,789	4.1%
3.2 Essential Health Care	49,139,937	49,179,195	55,540,069	53,605,284	56,049,692	263,514,177	5.7%
3.3 Environment Development Programme	2,100,000	3,307,500	4,630,500	6,077,531	7,657,689	23,773,221	0.5%
Sub total	82,190,245	85,356,088	97,509,509	101,534,628	108,504,717	475,095,187	10.3%
IV. Special Programme							
4.1 Vulnerable Group Development	42,326,130	38,924,424	42,144,033	42,914,177	43,655,977	209,964,741	4.5%
4.2 Assistance to Small NGO and CBO	2,500,000	7,500,000	10,000,000	10,000,000	10,000,000	40,000,000	0.9%
Sub total	44,826,130	46,424,424	52,144,033	52,914,177	53,655,977	249,964,741	5.4%
V. Support Services							
Research and Evaluation	7,500,000	10,000,000	10,000,000	7,500,000	5,000,000	40,000,000	0.9%
VI. Capital Investment	75,716,550	78,634,710	83,812,050	19,934,303	14,039,097	272,136,710	5.9%
Total Project Cost in Taka	1,127,042,586	1,207,094,217	1,071,487,571	675,538,266	550,556,191	4,631,718,830	100.0%
US $	28,176,065	30,177,355	26,787,189	16,888,457	13,763,905	115,792,971	
VII. Project Income							
7.1 Net Interest Income on loan	106,456,500	159,074,130	153,855,295	100,373,427	67,786,294	587,545,645	12.7%
7.2 Service charge realised	16,532,670	24,031,800	31,556,440	37,418,020	39,924,225	149,463,155	3.2%
7.3 RCP Financing	173,020,000	226,470,000	441,276,000	523,503,000	319,831,500	1,684,100,500	36.4%
7.4 Surplus/(Deficit) of Programme -Support Enterprise	0	(765,879)	2,947,208	6,633,550	28,752,008	37,566,887	0.8%
Total Project Income in Taka	296,009,170	408,810,051	629,634,943	667,927,997	456,294,027	2,458,676,187	53.1%
US $	7,400,229	10,220,251	15,740,874	16,698,200	11,407,351	61,466,905	
Net Requirement in Taka	831,033,416	798,284,166	441,852,628	7,610,269	94,262,164	2,173,042,643	46.9%
Net Requirement in US $ (Exchange rate US $ 1=Taka 40	20,775,835	19,957,104	11,046,316	190,257	2,356,554	54,326,066	

regional offices, motorcycles for new staff, and about US$1 million for furniture and fixtures for the new HO building in Dhaka.

The annual funding requirement falls from US$20.8 million in 1996 to US$2.4 million in 2000. For comparison, the total funding requirement in 1994 was US$36 million.

RDP IV Branches and Transition to RCP

RDP will operate the following number of branches during RDP IV:

RDP IV Proposal	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*
# of new branches (Year 1 branches)	30	~~30~~ 35	0	0	0	0
# of SLDP* branches (Year 3 branches)	17	13				
Less: Year 4 branches sold to RCP	20	25	47	53	30	~~25~~ 35
Total # of branches - RDP	142	160	~~113~~ 118	~~60~~ 65	~~30~~ 35	0
Total # of branches - RCP	~~150~~ 140	~~175~~ 165	~~222~~ 212	~~275~~ 265	275 305	330

* Small Livestock Development Program branches will enter as Year 3 branches.

At the end of their fourth year, RDP branches are "sold" to the Rural Credit Program (RCP) and become part of the permanent credit institution. RCP was prefunded by the Donors to acquire 300 branches from RDP and to become a self-sustaining credit program. The addition of the 30 SLDP branches that had been started with non-RDP funding will require RCP to acquire 330 branches, rather than 300. While this will increase RCP's loan portfolio and should improve its financial performance, it also requires additional funding for RCP to buy those branches in the near term. BRAC has proposed that those additional resources be "given" to RCP by a change in how RCP pays RDP for branches, therefore increasing the cost of RDP by Tk. 227 million. This additional cost appears in the RDP funding request to the Donors.[4]

During RDP IV, the number of RDP branches goes up slightly and then drops sharply as branches mature to their fifth year and are sold to RCP increases each year. RCP pays cash for most of those assets, and the sale generates the strong positive cash flow for RDP shown under the line item RCP Financing in the Summary Budget.

Costs and Internally-Generated Revenues

In each of the five budget categories, the programs have different level of attainable cost-recovery and self-sufficiency. At present, the credit program continues to bear 100% of the costs of branch and regional office operations and overhead; the sector and other programs pay for their staff, member training, and program-specific costs. The credit program will generate interest income sufficient to cover all operating costs of credit delivery (excluding the cost of capital or the loan fund requirement). Although the Sector Programs are

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[4]Discussions of BRAC's credit operations must include both RDP and RCP, since they are merely the first stage and second stage of the credit program. The entire credit program will be in RCP after the year 2000 once all branches are transferred. RDP and RCP are two accounting entities within BRAC.

forecasted to generate enough service charge income to cover the direct costs of service delivery (staff salary, transportation, and training costs), the progress is very gradual and based on future assumptions. The social development programs have no or limited income sources and will always require subsidy. These, as well as the Special Programs, perform an important "pump-priming" function that enables BRAC members to participate in sustainable sector and credit programs. The table below shows the relative degree of self-sufficiency of different programs by calculating internally-generated funds as a percentage of annual operating costs (note: investments in Program Support Enterprises are excluded from annual operating costs).

RDP IV BUDGET: "Self-Sufficiency Ratios" for Selected Programs
(Internally-Generated Revenues as a Percentage of Costs)
(Taka millions)

Program		*1996*	*1997*	*1998*	*1999*	*2000*
1. Credit[5]	Internally Generated Revs	Tk. 106 MM	159	153	101	68
	Annual Operating Costs	Tk. 167 MM	202	152	90	54
	Self-Sufficiency Ratio	64%	79%	100%	112%	126%
2. Sector Programs[6]	Internally Generated Revs	Tk. 16 MM	24	32	37	40
	Annual Operating Costs	Tk. 149MM	175	167	118	118
	Self-Sufficiency Ratio	11%	14%	19%	31%	34%
3. Social Programs	Internally Generated Revs	--	--	--	--	--
	Annual Operating Costs	Tk. 82MM	85	97	101	108
	Self-Sufficiency Ratio	0%	0%	0%	0%	0%
4. Special Programs	Internally Generated Revs	--	--	--	--	--
	Annual Operating Costs	Tk. 45MM	46	52	53	54
	Self-Sufficiency Ratio	0%	0%	0%	0%	0%

[5]Includes Net Interest Income on loans, not fees collected at the branch level nor proceeds from the sale of RDP branches to RCP. Annual operating costs include staff costs, member training, branch and regional office operating expenses, and HO overhead, but not the loan fund requirement.

[6]Revenues include service charges realised, annual operating costs include member and staff training expense, staff salaries, materials and supplies, and Head Office overhead, but excludes capital investments in Program Support Enterprises on the assumption that these will not be repeated annually (see Table on page 51 for cost numbers).

5. Support Services[7]	Internally Generated Revs	--	--	--	--	--
	Annual Operating Costs	Tk. 7.5MM	10.0	10.0	7.5	5.0
	Self-Sufficiency Ratio	0%	0%	0%	0%	0%
Operating Revenues/ Operating Costs		**8.4%**	**12%**	**15%**	**16%**	**18%**
Proceeds from sale of branches to RCP		**173.0**	**226.5**	**441.3**	**523.5**	**319.8**
Total Revenues as % of Total Project Cost	***Self-Sufficiency Ratio***	**20%**	**26%**	**48%**	**70%**	**62%**
Investments in Program Support Enterprises		**65.5**	**70.5**	**78.0**	**80.5**	**60.5**

* Excluded from the Sector Operating Costs and Revenues because they may be run separately from the RDP programs. This reflects only the first phase of the Sericulture expansion.
** Shown as a percentage of Health Costs, only.

We draw three major observations from the above Table:

(1) *Credit delivery is largely self-sustaining.* When the loan fund requirement is subtracted (a 100% cost of capital that is due to RDP's grant funding status; RCP will fund loans from capital and deposits), interest income covers operating costs as branches mature and their loan portfolios grow in size. Once in RCP, the interest income should cover operating costs plus the cost of capital, according to the long term financial projections (see discussion under Long Term Financial Viability).

(2) *Sector programs can make significant progress towards cost recovery, but will continue to need additional investment to develop new products or make investments.* The sector programs serve both RDP and RCP branches. The highest costs for the sector programs are (1) training of new members, a high expense as the programs expand to all of the RDP and RCP branches, and (2) investments in commercial enterprises in sericulture, poultry, fisheries, and vegetable cultivation and general R&D. The first type of expenses will drop sharply when the programs are in place at all 330 branches and BRAC only has to train new members each year. The second type will continue to be important and will need outside funding. Service charge income will cover a high percentage of the ongoing operating costs of the sector programs once they are in place. However, these two expenses will need additional funding. BRAC management believes that profits from the Rural Commercial Enterprises should be able to fund those investments in the future. Cost Recovery is discussed in greater detail under Section 6.2.7.

(3) *IGVGD and the Social Development programs will continue to need ongoing subsidy.* BRAC may choose to cross-subsidize those areas or seek outside funding for operations beginning in 2001. For example, BRAC plans to seek government or other ongoing funding for NFPE at that time.

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[7] Includes Research and Evaluation (RED) only, not Capital Investments.

Universal Budget Assumptions

This RDP IV Budget includes only cash expenditures that BRAC is seeking from the Donors. It therefore excludes non-cash expenses (e.g. depreciation) and does not contain items for which BRAC is not seeking funding (e.g. the Irrigation sector program). All RDP branches are assumed to graduate into RCP after 4 years and become part of an ongoing BRAC-owned credit institution. Other general assumptions are:

- *Annual inflation rate:* Project costs are calculated in 1995 Taka for each year of RDP IV. The totals are increased 5% per year to reflect annual inflation and the higher amount of Donor funding required for that year's operations. This is based on the actual 1994 inflation rate in Bangladesh of 4.9%;

- *Head Office overhead:* A charge equal to 10% of project costs is added to each program's budget to reflect Head Office Logistics and Overhead. Actual expense has been 8-9%. Beginning in RDP IV, this overhead allocation will include: Monitoring (previously budgeted as part of Support Services) and the cost of Head Office and Zonal level staff for both credit and sector programs. There is one program manager or sector specialist at HO and usually 3 Zonal level managers who oversee the regions. The Accounts (Finance), Personnel, and other operating support functions are covered by the 10% overhead allocation.

- *Staff travel and transportation expense:* Primarily the cost of fuel for PO motorcycles, this is budgeted at 30% of salary and benefits for Area Managers, Pos, and Accountants. Program Assistants ride bicycles. Previously budgeted at 35% of salary, this figure has been consistently lower than budget. Given the sensitivity of this number to fuel prices, 30% is conservative yet reasonable.

- *Staff training and development:* Budgeted at 10% of salary and benefits, up from 7.5% in RDP III. Staff training costs have been high due to a high drop-out during early training of new POs and PAs. Actual 1994 expense was about 9% of staff salary and benefits. For RDP IV, training will include credit and basic financial accounting for Credit POs, sectoral program training for Sector PAs and POs, and some common training (e.g. gender training) for both.

BRAC builds a contingency cushion into its budget through both the inflation assumption and individual cost assumptions, rather than as a separate line item. For example, staff training costs have been over budget due to the rapid growth of programs, but the cost per person is probably between 7.5% and 10% of salary. The financial consultants have tried to identify where such assumptions are reasonable and have discussed them with BRAC to ensure they match actual experience.

B. Line-By-Line Budget Review

This section is organized around the five major sections of the budget. The numbers and sub-numbers correspond to the detailed budget produced by BRAC. The revenue line item is also discussed within the relevant section.

I. Credit

The budget for credit operations has five major components, each of which are discussed below. The credit program currently bears 100% of operating costs for branch and regional offices. Loan volume, and therefore interest income, is driven by loans outstanding.

Regarding the overall credit operations, the revenue from the sale of branches to RCP provide more cash than RDP needs to lend through its shrinking # of branches. Therefore, the credit-related operations contribute a positive cash inflow beginning in 1999 because of the RCP branch purchases.

Projected Loan Fund Requirement - RDP IV
Taka millions

Millions of Taka	*1994A*	*1996*	*1997*	*1998*	*1999*	*2000*
General Loan	168	472	447	301	176	102
Housing Loan - Members		59	47	34	19	14
Housing Loan - Staff	21	0	0	0	0	0
Enterprise Loan		10	20	20	25	25
Total Loan Requirement	168	504	515	355	220	141
Less: Sale of Yr. 4 branch loan portfolios to RCP		173	226	441	523	320
Net Loan Fund Requirement for RDP	168	331	289	(86)	(303)	(179)

As shown in the earlier table RDP credit operations reach breakeven without the RCP financing even sooner when the capital required for the loan fund is excluded.

1.1 Organizational Development (VO Organizing and Institution Building)

BRAC has adapted the Village Organization organizing activities and institution-building activities into a six-week training program activities into a more streamlined, and lower cost, six-week orientation and a series of issues-based meetings. In 1994, Institution Building included Functional Education, Paralegal, and Leadership training (all under the name Social Awareness Education, or SAE) at a cost of Tk. 41.5 million. From 1995 onwards, BRAC categorizes the upfront VO organizing and annual VO workshops as part of the cost of delivering credit. Annual costs are projected to be Tk. 6.0 million, Tk. 5.2 million, Tk. 6.1 million, Tk. 7.1 million, and Tk. 7.4 million during RDP IV. These costs total Tk. 32 million during RDP IV and reflect the cost of organizational development with Village Organizations in RDP and RCP.

In the original RDP IV budget, BRAC assumed a flat Tk. 25,000 for the five-year period. During the financial consultants mission, BRAC refined this into a more specific plan and assumption, raising the total cost during RDP IV to Tk. 30.4 million.

1.2 Branch Operating Costs

The budget includes cash operating expenses for each branch multiplied by the number of branches each year (each branch is in RDP for a full year, since new branch openings and sales to RCP occur January 1). Branch expenses here include overhead and credit staff only. All sector program staff are reported under the Sector program budgets. Depreciation (non-cash) and interest on BRAC funds (an internal accounting adjustment) are not shown in this budget.

Branch Operating Costs - Per Branch in RDP

Category	*1994 Actual*	*1995 Forecast**	*1996 -2000 Budget*
Salaries & Benefits: - Manager - 2 Program Organizers(Credit) - 1 Accountant - 10 Program Assistants(Credit) - 1 Service/Cook	Tk. 609,788	Tk. 595,000	Tk. 607,000
Travelling & Transportation (30% of AM, PO, Acct. salaries)	Tk. 61,895 (20% of salaries	Tk. 82,800 (30% of salaries)	Tk. 86,400 (30% of salaries)
Travelling & Transportation (10% of Program Assistant salaries)			Tk. 30,000 (10% of salary)
Recurring Expenses: - Rent, if needed, utilities - Office stationary - Maintenance - Gen'l expenses	Tk. 88,400	Tk 72,000	Tk 72,000
Head Office Overhead (10%)	Tk. 14,355	Tk. 86,760	Tk. 76,560
Total Cash Expenses Per Branch	**Tk. 834,864**	**Tk. 786,000**	**Tk. 875,160**

* Source: Accounts Department

Although salary levels have remained the same as in RDP III except for annual inflation increases, BRAC is reducing the number of POs at RDP branches from 3 to 2 (effective late 1994). Each Credit PA will now visit 3 VOs per day. The average size of a VO has dropped, however, so the number of members per PA will stay the same (about 110). In addition, Travelling & Transportation is now budgeted at 30% of salary, not 35%, reflecting revised travel patterns implemented in 1994 to reduce costs. These revised branch operating costs are reflected in the 1995 forecast. The total cost in 1996 is projected to be slightly more than a 5% increase over 1995 due to recognizing travel and transportation expense for Program Assistants (budgeted at 10% of salary, or Tk. 30,000 per branch). Subsequent years' expense growing only at the rate of inflation.

Although BRAC has had difficulty maintaining low branch operating costs in recent years, the budgeted levels appear reasonable if they can achieve the 1995 cost reduction and reassign staff quickly. However, if RDP no longer opens new branches, the average salary level may increase as fewer young POs and PAs are being introduced. Therefore, BRAC may face additional pressure on average staff costs. Overall, BRAC is focused on controlling branch operating expenses, but time will tell whether these costs remain low enough to maintain RCP's financial viability.

1.3 Regional Office Operating Costs

This table compares actual regional office operating expense to budget amounts in RDP IV.

Millions of Taka	1994A	1995F	1996B	1997B	1998B	1999B	2000B
RO Operating Cost	6.16		14.9	18.4	13.5	7.5	4.2

Regional Office operating expense is projected to be Tk. 949,000 per office per year starting in 1996, compared to Tk 616,000 in 1994. The annual cost will be higher than current levels due to the addition of 3 new credit PO staff at the regional office level. With only two PO staff per branch, additional staff are needed to fill in during staff vacations, training, and other absences. The total expenditure grows and then declines due to the falling number of branches in RDP. The number of regions is projected to be 14, 17, 12, 7, and 4 between 1996 and 2000. Of these, slightly less than 50% pay rent for temporary space. In addition to the Accountant and Auditor, BRAC plans one computer operator and one computer in each Regional Office during RDP IV to help with data entry (for the sector programs, in particular). Other office costs are projected to remain constant.

1.4 Staff Training and Development

As mentioned under Universal Assumptions above, staff training and development is budgeted at 10% of salary and benefits for Program Assistants, Program Organizers, Area Managers, and Accountants and is therefore driven by the number of those staff in a given branch or region. This number will reappear for staff in each Sector program, the Social Programs, and the Special Programs. Including the 10% allocation for Head Office and inflation adjustments these amounts range from Tk. 10.4 million in 1996 to Tk. 3.1 million in 2000, reaching a total of Tk. 41.4 million.

1.5 Loan Fund Requirement:

Shown in the Table at the beginning of this section, the loan fund requirement is the amount needed to finance the lending program in RDP. It is estimated by the forecasted growth in loan loans outstanding for all branches during the year. This captures the increase in loans outstanding and the additional amount of funding required above money available through loan repayments. The Loan Fund includes three types of loans:

- *General Loans*[8]: Nearly 95% one year loans, these include all loans for sectoral activities and traditional income-generation (e.g. paddy husking, rural trading, rural transport). Loans outstanding per branch are forecasted based on the assumed growth of the model branch which, for Years 1 - 4, has been relatively consistent with actual loans outstanding. The effective interest rate is about 25%.

- *Housing Loans*[9]: Housing loans to members are forecast separately because they are 1 - 3 year loans and carry only a 10% interest rate (since they are not income generating investments). Although growth has been much lower than projected in RDP III, management would like housing loans to be

[8]The types of General Loans and loan policy changes adopted by BRAC are discussed in the Status of the Loan Portfolio section.

Housing loans are described in detail under Status of the Loan Portfolio.

10% of disbursements.[10] Most housing loans will be disbursed in RDP branches, since people usually upgrade their roof or home only once.

- *Enterprise Loans*: A new component, Enterprise Loans are meant to provide a pool of loans for those members who have demonstrated significant success in their income-generating activities and who are ready to establish a micro-business that may employ other workers. These loans will be slightly larger and perhaps of longer term than General Loans and will require approval of the Program Manager. The objective of this loan product is to help selected members move to higher level economic activities, or running micro-businesses. The interest rate is expected to be the same as for General Loans.

The projected amounts by loan type are shown above in the table on Projected Loan Requirement at the beginning of the credit section (page 11). The total loan fund requirement is Tk. 1.89 billion, or 32% of the total project costs. The Net Loan Fund Requirement is much smaller (as shown on page 11) due to the sale proceeds from RCP and interest income on loans. We believe the loan volume assumptions are reasonable. The Model Branch assumptions for loans outstanding have been met by year 1-4 branches in 1994 and the forecast of loan volume is consistent with that history.. Note: Loan volume has been far below forecast for RCP branches (years 5-10) and is discussed in detail under Long-Term Financial Viability.

2. Sectoral Programs

BRAC encourages members to invest their loans in five sector programs that BRAC believes provide higher income-generating potential than traditional activities of paddy-husking, rural transport, and rural trading. Although about 70% of the loan portfolio is currently for traditional income generating activities, BRAC hopes to grow these sector activities to 50% of the loan portfolio by the year 2000. (During our visit, the Program Staff and the Accounts Staff had not reconciled the financial objective -- to growth the sector activities to 50% of the portfolio -- with the program activity goals. See Appendix E.) The total sector program budget has the following components, each discussed in detail below.

[10]The repayment rate on housing loans has improved. See discussion of housing loans in the Status of the Loan Portfolio section.

	Sector	Total Taka - RDP IV	% of Total Project Cost
2.1	Poultry & Livestock	Tk. 238.1 million	5.1%
2.2	Fisheries	Tk. 171.5 million	3.7%
2.3	Social Forestry	Tk. 89.4 million	1.9%
2.4	Sericulture and Silk Devel.	Tk. 379.2million	8.2%
2.5	Rural Enterprise Program	Tk. 133.8 million	2.9%
2.6	Horticulture and Vegetable	Tk. 131.6 million	2.8%
2.7	Market Development	Tk. 50.0 million	1.1%
	Total Sector Programs	Tk. 1,193.5 million	25.8%

Please also refer to Appendix D. The sector programs are expected to achieve long term cost-recovery after the year 2000. The concept is that after its fourth year of engaging in a type of activity, a branch's service charges should cover the ongoing operating costs of providing ongoing technical assistance, an allocation of Head Office and Regional Office overhead, and a small budget for ongoing staff training and refresher courses for members. Service charges are **not** projected to cover training of members, rent, occupancy expense, or other shared costs with the credit program, or any future new program development. Therefore, the cost of new market and product development and investments will need to raised from other sources. This budget anticipates BRAC's funding needs for those purposes through the year 2000. After the end of RDP IV, however, BRAC management believes the profits from the Rural Commercial Enterprises will finance additional investments in each sector. (See Cost Recovery for a more detailed discussion.)

Each sector program budget has five main components:

(1) *Staff costs for providing technical support:* There are sector PAs at the branch level and a sector PO covering a certain number of branches (usually 10, or all the branches in a given Region). This include salaries, travelling and transportation, and staff training expense.

(2) *Training Costs for Group Members:* Driven by the number of new members trained per branch, the number of branches where the activity shall occur, and the cost per training. In addition, this includes refresher courses given to group members who received the training a year ago and who are currently engaged in the activity. Numbers 1 and 2 are both driven by the number of branches and number of members participating in the program.

(3) *R&D and New Product Development:* New in RDP IV, BRAC has budgeted a certain amount in every sector program (and in REP for all non-sector activities) for (a) experimental project materials and (b) a revolving loan fund. These are used to finance pilot income-generating activities by members. The product is developed with funds from the Experimental Materials budget and the test loans are funded from the sector Revolving Loan Fund until it has been proven in the field. Once proven, it is available to all members through the general loan portfolio. Non-sector specific or new sector activities will be funded in REP, particularly small enterprises (like carpentry shop, mechanics shop, women-owned restaurants).

In addition, BRAC is now budgeting for market development activities, particularly within sericulture and silk development. The Market Development line item for all sector programs is Tk. 50 million, however, BRAC believes the majority of these funds will be used for Sericulture.

(4) *Investments in Rural Commercial Enterprises:* Equity investments in certain business activities that provide essential inputs (e.g. 1 day old chicks) or key outputs (e.g. a reeling factory for silk) to

the sector programs and remove constraints on member income-generating activities. Examples of such constraints include the limited supply of 1 day-old chicks from the government-owned hatchery, the poor quality and limited supply of silkworm eggs from the government source, and scare supply of fish meal to support the expanding fish culture activities. See the table showing Sector Capital Investments in RDP IV (at the end of this section).

These are a new and important part of BRAC's strategy to build market demand and supply. BRAC is requesting Donor funding for the upfront capital -- operating losses and/or profits will be the responsibility of BRAC. The total amount of funds for these investments is Tk. 505 million, of which Tk. 440 is for sericulture (Tk. 290 Mmin phase 1, Tk. 150 MM in phase 2). According to the Director of Field Operations, profits from these investments will stay within the sector programs to fund future market development and growth.

(5) *Service charge income:* Fees are paid by members for the technical assistance support they receive from BRAC staff. Service charges have been phased in during 1993 and 1994 as a way to allow BRAC to provide sector training to members on a sustainable basis. The market test of those fees will occur during RDP IV.

Overall, growth in staff costs and member training costs (areas 1 and 2) are driven by expansion of the sector program and by RDP opening new branches. The R&D, new product development, marketing, and Rural Commercial Enterprises (areas 3, 4, and 5) are new expansions in the Sector Programs.

While the financial analysts have reviewed and revised these numbers with BRAC staff, we depend upon the Sector Program Consultants to review the underlying assumptions about growth and program design. BRAC has revised its original RDP IV Budget to delay some of the large capital investments in sericulture (the silk spun mill, modern weaving factory, and Dying and Printing Factory) and to change the financing assumptions for the Grainage Center and Reeling Factory (both originally planned to be 70% bank financed, now 100% BRAC financed). In addition, BRAC has reduced the REP RLF by Tk. 30 million at the Financial Consultants' request.

2.1. Poultry & Livestock

The growth in Poultry & Livestock is due to (1) higher number of members participating in each branch, and (2) growth through newly opened branches. A well-proven development tool for BRAC, the program is now benefitting from several improvements based on RDP III experience:

- To improve survival rates of 8 week-old chicks and of young calves, BRAC has introduced both the pullet rearer and the calf rearer training. These women buy the chicks/calf and raise them until they are adults before selling them to Key Rearers or Model Cow/Goat Rearers. (see Sector Chart in Appendix).

- BRAC is focusing on Model Rearers who can raise up to 15 birds or three cows or goats. The Model Rearers achieve better profitability and can pay the service charges to BRAC.

- BRAC has organized the production of 150,000 chicks per month through member-owned mini-hatcheries and a few BRAC-owned small hatcheries. The member-owned mini-hatcheries, made of rice husks, have been very successful and many members want to participate in the activity. This also addresses BRAC's shortage of 1 day old chicks for the entire Poultry program and reduces its dependence on the irregular supply Government and the few private hatcheries.

- Artificial Insemination centers have been created where BRAC has trained experienced paravets to do the AI procedure. These appear to be profitable to the paravets, who charge Tk. 10 per insemination, and will be expanded.

Total inflation-adjusted cost in RDP IV is Tk. 238 million. Staff costs and training represent 52% of the total five year Budget. Member training is 14% of total expenditures, and declines as the last new branches are opened. Capital investments are 22% of the budget, including 3 poultry farms for Tk. 10 million each and a feed mill for Tk. 15 million. Both types of capital investments appear to be essential inputs for the BRAC members' income generating activities. Therefore, these investments will leverage BRAC's existing investment in the chain of poultry and livestock related activities.

Budgeted service charge income is based on the sector-wise analysis and forecasting conducted by each sector specialist. The financial consultants and the Accounts Department verified these calculations and have inserted them into the budget. The service charge forecasts are discussed in detail under Cost Recovery on page 42.

2.2 Fisheries

Total RDP IV Budget is Tk. 171.5 million. The Fisheries program is expanding to bring more decimels of water under cultivation. The basic program has stayed the same, but the number of branches covered and the number of fish pond farmers per branch have increased. Staff-related costs are more than 50% of the budget, while member training is about 7%. In RDP IV, the Fisheries program plans to serve many more branches and to collect more service charges. The newer items for RDP IV are:

- a line item for new product development and experimentation with new sector activities;

- The addition of a second Fisheries PA at each branch due to the high number of members per branch engaging in fish culture (based on the recommendation of the Fisheries Consultants with the Appraisal Mission);

- Tk. 20 million in capital investments for a five feed meal processing plants and five prawn hatcheries (as can be seen in the Fisheries Consultants' Report, these prawn hatcheries and feed meal centers are expected to break even relatively quickly and turn a profit);

The Fisheries Program is discussed in greater detail under the Fisheries Consultants' Report.

2.3 Social Forestry

Total RDP IV Budget: Tk. 89.4 million. While smaller than many of the other sectors, Social Forestry has begun a rapid expansion to approximately 175 branches (those with arable land suitable to cultivation). During RDP III, this category included vegetable cultivation, which has become a separate sector activity in 1995. Social Forestry includes three member activities:

- Nursery: Growing saplings and young trees of various food-producing varieties (lemon, mango, banana, etc) and selling these young plants to local farmers and villagers to plant near their homes. The growing season is winter and spring and most sales occur during the planting season of July and August. Members take a loan to buy the seed stock or grafted varieties and to finance the growing period.

- Grafting Nursery: More recently introduced, BRAC is training members in grafting of certain high export quality or cash crop fruit trees (e.g. mango and lemon) that are not widely cultivated throughout Bangladesh. For example, the mango trees of a certain region produce the best fruit, but they are not widespread in the country.

- Agroforestry: For an individual farmer or village member, this allows them to cultivate a plot of land with a planned mix of short-term (vegetables), medium-term, and long-term crops to spread cash flow throughout the year. BRAC has developed a model plot layout and mix of crops that optimize the land available and income earned.

Like other sector programs, the largest costs are a Program Organizer at each Regional Office and a Program Assistant at each branch that will be engaged in the activity. The PAs focus on mulberry plantation at present, and their cost should probably be under the sericulture program. BRAC's sector specialist also anticipates implementing the Social Forestry program into only 175-200 branches based on the soil conditions and availability of land, rather than in all 330 branches. The current budget reflects a PA at all 330 branches and thus overstates this amount slightly.

In addition to staff costs, the Social Forestry Program will establish a Mother Tree Center as the basis for their grafting program at a cost of Tk. 450,000. This is budgeted for 1996.

2.4 Sericulture and Silk Development

Total RDP IV Budget: Tk. 379 million. Sericulture is by far the largest sectoral program, representing 8.2% of the total RDP IV Project Costs and 17% of the total funds requested from Donors. Over 60% of the total amount is for investments in Program Support Enterprises. The text of the Revised RDP IV Proposal describes the program more clearly than earlier drafts and provides additional budget assumptions regarding the operating costs and expected cash flows from the RCEs. The largest obstacles to BRAC's sericulture program have been the poor quality of silkworm eggs (reducing the yield of Disease Free Layings, or DFLs) and the lower yields from minimally-trained rearers who produce the cocoons. Test marketing appears to confirm that the quality of silk produced can be high and has a market. However, these points need to be developed further in the business plan, and BRAC has not addressed the risks to expanding these activities so substantially. The number of members participating is found through the member training line item and the service charge forecast is again discussed under Cost Recovery.

Staff Expense
Sericulture is item 2.4 in the Budget. In addition, it may represent a large share of item 2.7, the Tk. 50 million allocated to Market Development. Staffing includes: A Sector Specialist and three Zonal specialists at Head Office (their costs are part of the 10% Head Office overhead allocation); Regional Program Organizers who cover multiple area offices and is usually based at the Regional Offices (33), Program Assistants who monitor the participating member activities at the Branches (1 per branch). Two new positions are: Rearing Managers, Program Organizer - Seed Zone, and Grainage Assistants who have monthly salaries of Tk. 6,000, Tk. 5500, and Tk. 3500, respectively.

Staff Training and travelling and transportation expenses are at the standard rates of 10% and 30% of salary and benefits, respectively. In addition, BRAC has budgeted Tk. 630,000 over the five years for overseas training (to be spent in 1998, 1999, and 2000).

Replacement and Maintenance of Mulberry Trees
At the recommendation of the Sericulture consultants, BRAC has eliminated the Tk. 85 million line

item for the planting of replacement mulberry trees since the supply of trees and leaves is far more than projected demand. However, BRAC has included Tk 17 million for tree improvement and maintenance in the Conditional Provision (phase 2) of the Sericulture Budget.

Member Training
This is training of group members in the various types of cocoon production activities. It is driven by the number of new members being trained, not existing participants, times cost per trainee. The training and member activities are:

- Progressive Silk Farmer
- Chawki Rearers (early stages of silk worm rearing)
- General (or Silk Worm) Rearers (later stages, to cocoon production)
- Reeling workers (few in number, but Tk. 10,000 per trainee)
- Sapling Nursery (Nursery and roadside plantation of mulberry trees)
- Bush plantation (ditto, but in acres rather than roadside)

Of the above, the Rearers and mulberry tree sapling growers take loans from the RDP credit program.

R&D and Market Development
BRAC budgets Tk 2 million per year on R&D during RDP IV. There is no line item specifically for market development in sericulture, but the Market Development Program for all sectors (item 4.7) has a Tk. 50 million budget. A significant portion of that budget is earmarked for sericulture. In addition, BRAC has budgeted Tk. 2 million for a consultancy in 1996.

Capital Investments
As shown in the table below, the sericulture budget for RDP IV originally included seven types of large capital investments. The Grainage Center, Sericulture Resource Centers, and Chawki Centers are necessary inputs to improve the quality of silk production (better quality Disease Free Layings, or DFLs, and better rearing practices). The numbers of each were reduced, however, based on input from the Appraisal Team. The Reeling Centers were argued to be an essential production capacity to produce market viable silk. The Silk Spun Mill, Modern Weaving Factory, and Dying and Printing Centers were all significant capital investments for which BRAC has not yet developed a full business plan. BRAC has decided to eliminate those latter investments from the RDP IV budget because the need for them was not yet well defined and the financial costs were not fully estimated. The table below summarizes the sericulture-related capital investments, now all forecast to be 100% financed by BRAC.

Sericulture Capital Investments/Rural Commercial Enterprises - RDP IV

Investment	*# of Units - RDP IV*	*Unit Cost*	*Total Investment*
1. Chawki Centers	400	Tk. 50,000	Tk. 20 million
2. Sericulture Resource Center	3	Tk. 5 million	Tk. 15 million
3. Grainage Center	10	Tk. 10 million	Tk. 100 million
4. Modern Reeling Centers	10	Tk. 10.0 million	Tk. 100 million
5. Silk Spun Mill DELAYED	1	Tk. 25 million	Tk. 25 million (70% bank financed)
6. Modern Weaving Factory DELAYED	3	Tk. 30 million	Tk. 90 million (70% bank financed)
7. Dying and Printing Factory DELAYED	1	Tk. 50 million	Tk. 50 million (70% bank financed)
Total Investment (excluding #5, #6, and #7)			Tk. 235 million
Total Funding Request (100% of items 1 -4)			Tk. 235 million (US$ 5.9 million)

We have not seen any pro formas for these investments to show capital costs, working capital required, cash flow statements, or project break-even. Importantly, no losses or income streams are shown in the Budget. BRAC is asking Donor funding for its upfront investment only.

Service charge income is projected to be relatively small for sericulture, totalling only Tk. 17.0 million over five years. The cost recovery assumptions are discussed in detail under Cost Recovery (page 42).

Recommendation: While these capital projects in the production, market development, and distribution of silk may be strategic invesiments, we believe BRAC should support the sericulture investment requests with a more thoroughly developed business plan and budget, as well as clear projected development outputs. These must be grounded both in production capacity assumptions (which BRAC does very well) and in market-demand assumptions (which are less well-defined). This would help the Donors understand and evaluate such projects.

2.5 Rural Enterprise (and Craft Development) Project

- Total RDP IV Budget: Tk. 133.8 million. REP's role is to develop non-sectoral, experimental income generating activities and to conduct pilot programs to fully evaluate an activity before RDP and RCP distribute loans on any scale. With the creation of the Sector Revolving Loan Funds, REP will focus particularly on small-scale enterprises and micro businesses. This suggests that REP should get smaller in size and have fewer staff. In 1994, the budget was about Tk. 6 million, but was overspent and totalled Tk. 19 million. During RDP IV, REP forecasts a budget of Tk. 17.6 million in 1996, a dramatic increase from actual expense in 1994. For the 5 year funding period, REP has budgeted Tk. 133 million, but has not detailed how these amounts will be spent other than in general categories. After discussions with the Donors and the Appraisal Team, BRAC reduced this budget from Tk.168 million.

BRAC forecasts 20 REP Program Organizers and 40 Program Assistants. In addition, there is a budget line item for local and international consultants for Tk. 1 million per year. The other budget sub-categories are:

Local and International Consultants	Tk. 5 million
Experimental Project Materials	Tk. 40 million
Rural Craft Centers	Tk. 22 million
Crafts Training (and supplies)	Tk. 10 million

When pressed, BRAC could not provide detailed rationales for these estimates, but reduced them from earlier projected levels for rural craft centers and crafts training. This item might be front-loading the possible costs BRAC may need to incur after the year 2000 to continue developing the sector programs. Because BRAC has vowed to reach full cost recovery by the end RDP IV, it is building a large buffer into the REP budget for anticipated future funding needs. BRAC anticipates receiving no service charges from REP participating members because these are pilot programs not yet well developed.

Recommendation: We recommend that BRAC develop a more detailed business plan for REP to justify the scale of the Donor investment requested and to give them the management tools to evaluate REP's performance against those business objectives. With that satisfactory information, the Donors should fund this line item.

2.6 Horticulture and Vegetable

Total RDP IV Budget: Tk. 131.6 million. The vegetable sector has been very successful in nurturing small scale businesses and encouraging a large number of BRAC members to participate in vegetable cultivation. The rapid expansion of this activity has lead BRAC to separate it from the Social Forestry sector effective in 1995. This program encourages both cultivation of a plot of land (for which members often borrow), or as smaller scale cultivation around the family home. BRAC has also promoted this program heavily to increase the supply and consumptions of fruits and vegetables among the rural landless to improve nutrition. According to BRAC, the only constraints on the growth of this sector are the availability of land and program staff. BRAC plans for this activity to be in 260 branches (again due to the availability of arable land).

Training of members includes training for farmers, fodder crop cultivation, crop diversification, and seed production. The significant capital cost is the construction and operation of a Seed Production Center in which hybrid seeds will be cultivated and then sold to those farmers raising seeds to multiply the supply. Two seed production centers are planned at a cost of Tk. 15 million each.

2.7 Market Development Program

The purpose of the Market Development Program is to create a pool of funds to finance the will focus particularly on small-scale enterprises and micro businesses. This suggests that REP should get smaller in size and have fewer staff. In 1994, the budget was about Tk. 6 million, but was overspent and totalled Tk. 19 million. During RDP IV, REP forecasts a budget of Tk. 17.6 million in 1996, a dramatic increase from actual expense in 1994. For the 5 year funding period, REP has budgeted Tk. 133 million, but has not detailed how these amounts will be spent other than in general categories. After discussions with the Donors and the Appraisal Team, BRAC reduced this budget from Tk.168 million.

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2.7 Market Development Program

The purpose of the Market Development Program is to create a pool of funds to finance the development or new market development strategies. According to BRAC management, most of this will be used for sericulture, but the details of how these funds might be spent is not yet determined. The necessary investment in Market Development is discussed under the Sericulture Report.

Major components of this budget item include: salaries for one marketing manager, three designers, seven quality controllers, seven senior marketing managers and 14 marketing officers; working capital of Tk. 5 million in 1996 and Tk. 7.5 million in 1997 and 1998; and BRAC has budgeted nearly Tk. 6 million for foreign consultancies and foreign travel cost.

Recommendation: Again, we recommend that BRAC prepare more detailed proposal identifying its major market development priorities for the sector programs and their relative costs. At present, there is not sufficient detail in this line item to justify the Donor's investment.

III. Social Development Programs

Both NFPE and the Essential Health Program were reviewed by independent consultants as part of the RDP IV Appraisal Mission. The revised Project Proposal has eliminated NFPE from this funding request and therefore it is not part of the final budget and is not described below. This section summarizes the major elements of the budget for Essential Health, but defers to the independent consultants report for more detailed analysis of the budget and revisions that may have been negotiated with BRAC.

3.1 Human Rights and Legal Education

BRAC has revised its paralegal course for all new members to cover familiar issues more deeply and introduce people to the concepts that are part of the Bangladeshi constitution, etc. The HR & LE is one course with several in-depth modules. It appears to be the same amount as the former Functional Education, leadership training, and paralegal courses offered in the past. However, it is separate and will get its own materials and information for dissemination to members.

Actual expenses include a PO in every region and a PA at every branch to provide these services, and a small amount for teaching materials and workshops. All BRAC members are anticipated to participate in this revised training. Total program cost for RDP IV is Tk. 187.8 million, or nearly 3.2% of total expenditures.

3.2 Essential Health Care

As part of RDP III, BRAC will create a streamlined version of the existing WHDP program to run through the RDP and RCP branches. Like WHDP, the program will rely on the Shebikas in the villages to buy medicines from the branch and sell them at a slight profit (with no salary from BRAC). In addition, the health worker will promote clean water and sanitation and help distribute and sell concrete slabs and rings. Although BRAC originally envisioned a structure with a medical doctor in every region, the health consultant encouraged them to address more basic care and test the medical clinics concept at the branch level as a pilot program. BRAC plans to implement 300 clinics at an additional cost of Tk. 37 million. The complete impact of the program design changes are described fully in the Health consultants report. The overall budget impact is to revise the cost of the Essential Health program to Tk. 263 million (US $6.7 million), or 4.4% of the total RDP IV Budget.

Any significant cost recovery in the Essential Health program is unlikely, according to the Health Consultant. BRAC is considering internal funding sources from elsewhere in BRAC. For example, development or new market development strategies. According to BRAC management, most of this will be used for sericulture, but the details of how these funds might be spent is not yet determined. The necessary investment in Market Development is discussed under the Sericulture Report.

Major components of this budget item include: salaries for one marketing manager, three designers, seven quality controllers, seven senior marketing managers and 14 marketing officers; working capital of Tk. 5 million in 1996 and Tk. 7.5 million in 1997 and 1998; and BRAC has budgeted nearly Tk. 6 million for foreign consultancies and foreign travel cost.

Recommendation: Again, we recommend that BRAC prepare more detailed proposal identifying its major market development priorities for the sector programs and their relative costs. At present, there is not sufficient detail in this line item to justify the Donor's investment.

III. Social Development Programs

Both NFPE and the Essential Health Program were reviewed by independent consultants as part of the RDP IV Appraisal Mission. The revised Project Proposal has eliminated NFPE from this funding request and therefore it is not part of the final budget and is not described below. This section summarizes the major elements of the budget for Essential Health, but defers to the independent consultants report for more detailed analysis of the budget and revisions that may have been negotiated with BRAC.

3.1 Human Rights and Legal Education

BRAC has revised its paralegal course for all new members to cover familiar issues more deeply and introduce people to the concepts that are part of the Bangladeshi constitution, etc. The HR & LE is one course with several in-depth modules. It appears to be the same amount as the former Functional Education, leadership training, and paralegal courses offered in the past. However, it is separate and will get its own materials and information for dissemination to members.

Actual expenses include a PO in every region and a PA at every branch to provide these services, and a small amount for teaching materials and workshops. All BRAC members are anticipated to participate in this revised training. Total program cost for RDP IV is Tk. 187.8 million, or nearly 3.2% of total expenditures.

3.2 Essential Health Care

As part of RDP III, BRAC will create a streamlined version of the existing WHDP program to run through the RDP and RCP branches. Like WHDP, the program will rely on the Shebikas in the villages to buy medicines from the branch and sell them at a slight profit (with no salary from BRAC). In addition, the health worker will promote clean water and sanitation and help distribute and sell concrete slabs and rings. Although BRAC originally envisioned a structure with a medical doctor in every region, the health consultant encouraged them to address more basic care and test the medical clinics concept at the branch level as a pilot program. BRAC plans to implement 300 clinics at an additional cost of Tk. 37 million. The complete impact of the program design changes are described fully in the Health consultants report. The overall budget impact is to revise the cost of the Essential Health program to Tk. 263 million (US $6.7 million), or 4.4% of the total RDP IV Budget.

Any significant cost recovery in the Essential Health program is unlikely, according to the Health Consultant. BRAC is considering internal funding sources from elsewhere in BRAC. For example, one source of revenue could be the difference between the 25% interest rate on RDP and RCP loans and the effective average interest rate of 27%-29% that is actually realized. This 2-4% interest could pay for up to a third of the annual budget for the health program.

3.3 Environment Development Program

The main thrust of this new program is water sanitation. Formerly buried within the WHDP programs, this program is basically the water sanitation effort that BRAC has been promoting across Bangladesh through WHDP. This involves the establishment of nearly 1000 rural water and sanitation centers with a revolving loan fund for the purchase of the equipment. According to BRAC, WHDP has had significant experience in implementing these centers and has good control over both costs and revenues. This program will expand this same activity to more locations in which RDP operates. Total cost during RDP IV is Tk. 23 million, or US$575,000.

IV. Special Programs

4.1 Vulnerable Group Development

As part of BRAC's renewed focus on serving the poorest 10% of the Bangladeshi population, the Vulnerable Group Development Program (or IGVGD) will expand from 36 to 56 thanas. In this program, the Government finances the credit program costs and BRAC provides sectoral technical assistance in poultry-rearing, staff, and office space. These women receive 30 Kg. of wheat through the Government of Bangladesh's Food-for-Work Program and engage in small scale income generating activities, such as poultry rearing, to move towards self-sufficiency. The wheat supplement lasts for two years. BRAC has found the program to be very effective in reaching this most disadvantaged group and in preparing them to be RDP members.

This program started in the 1980s as a joint venture between BRAC and the Government of Bangladesh. Women join an IGVGD branch as IGVGD members. There are perhaps 3-5 per village, so IGVGD travel longer distances for a single branch than in RDP.

The total RDP IV budget for IGVGD is Tk. 210 million. Staffing includes Thana program managers, IGVGD PAs, and Poultry PO and PAs in the field to provide technical assistance. There is little overlap between the RDP poultry sector staff and the IGVGD poultry sector staff, since the IGVGD staff spend more time with individual borrowers. BRAC plans to continue the IGVGD program because it appears to be an effective way of reaching the poorest 10% of Bangladesh's landless.

4.2 Assistance to Small NGOs and Community-Based Organizations (CBOs)

Budgeted at a total of Tk. 40 million during RDP IV, this line item is important to BRAC for two reasons. First, BRAC is receiving an increased number of inquiries from small NGOs and CBOs in Bangladesh who seek BRAC assistance or want to implement a school program similar to NFPE and needs to cover those costs. Second, BRAC needs to build stronger relationships with the smaller Bangladeshi NGOs who often have criticized BRAC for not sharing information or of being aloof.

In the original budget, BRAC also included Tk. 100 million for an Urban Development Program. According to BRAC management, BRAC has been considering the addition of a development program that would target the urban neighborhoods of Dhaka. The Director of Field Operations has visited the Proshika program in Dhaka and several other NGOs to gain a better of understanding about how all they manage these programs. Given the uncertainty of when BRAC might start an urban program and the as yet undetermined scale, BRAC has reduced this line item from Tk. 100 million to zero..

V. Support Services

In RDP III, Support Services included the cost of Research and Evaluation, the Monitoring Department, and capital investments in bricks and mortar and vehicles. For RDP IV, the Monitoring Department has become a part of the Internal Audit Department and is now an expense covered by the 10% overhead allocation for Head Office Logistics and Support. BRAC needs to maintain some of its internal cost centers, like Monitoring and RED, to provide needed information and services to internal audiences (both Monitoring and RED) and external audiences (perhaps just RED). Monitoring, for example, is a key part of the internal checks and balances and gives the program staff valuable insight into what variations are happening in the Field. However, the costs of these internal departments must also be watched carefully since they face less "market pressure" to be cost-effective.

5.1 Research, Evaluation, & Development (RED)

This internal department evaluates current programs and produces research papers on various topics relevant to BRAC's development activities (mostly within RDP). In 1994, RED's budget was about 1.5% of the annual RDP operating budget, but the actual Taka expenditures increased sharply in 1994. RED is technically under the oversight of the RDP Director of Field Operations, but seems to have operated as a relatively autonomous unit for many years. Because RED is a support function with no exposure to the discipline of market forces, it must be careful to balance its costs with the benefits it provides to the rest of RDP.

In January 1995, BRAC senior management met with RED and the Monitoring Department (part of Internal Audit and Monitoring, a cost covered by the 10% Head Office Logistics and Management Support) to ask them to refocus their monitoring and assessment activities to credit, savings, and membership. In addition to asking them to focus in those areas during the year, senior management asked them to "cost" their products so the department "buying" their services can evaluate whether the price is worth the end product. A frequently used management technique to control internal cost centers, this approach creates some internal accountability to their peers to encourage cost reduction. It is important to note, however, that BRAC may have made a policy decision that RED will also provide information for external audiences and that the full price of their products must therefore include the costs of those other services. The Financial Consultants assume that the budgeted costs for RED are for the most part reasonable, based on 1994 expense. However, we recommended that BRAC management consider internal mechanisms to create accountability and constructive pressure to control costs.

VI. Capital Investment

Total capital investment during RDP IV is budgeted to be Tk. 272 million, or US$6.8 million, less the sale proceeds and lease income from assets sold to RCP. There are several components:

Branch Building Costs: The cost of building a new branch is Tk. 1.6 million (including land for Tk. 230,000, building for Tk. 1.2 million, and furniture, fixtures and equipment for Tk. 120,000), and BRAC plans to build 95 new branches in 1996 through 1998. In addition, new motorcycles for new POs totals Tk. 20 million.

Regional Office Costs: About 50% of the Regional Offices are in rented space because they may shift location as they cover different combinations of branches. Fixed capital costs are furniture and fixtures and vehicles (budgeted for 10 in 1996).

Head Office Costs: The investments for Head Office include (1) Tk. 15 million for vehicles (10 in 1996), and (2) adding computers to the Field level (the Regional Offices) is projected to cost Tk. 33 million. Total Head Office costs total Tk. 58 million during RDP IV.

These expenses appear reasonable and are based on historical costs. These amounts are reduced by (1) the sale proceeds of fixed assets from RCP (Tk. 52 million over 5 years), and (2) lease income on the land and buildings of the branches sold to RCP (Tk. 64 million). This is the accounting change referred to earlier and under the discussion of Long Term Financial Viability. During RDP II and III, RCP purchased the land and buildings of branches from RDP for cash. To avoid the squeeze on RCP resources imposed by buying 330 branches rather than 300, and to save cash at RCP, these transactions are now structured as a 20 year lease. This effectively spreads the cost of buying those assets over a longer time frame and saves RCP a significant amount of cash during 1998 and 1999, when high numbers of branches are transferring to RCP. This is discussed further under Long Term Financial Viability.

Offsetting Revenue: Net Interest Income and 2% Loan Loss Reserve

We agree with BRAC's forecast of loans outstanding in RDP based on a review of actual performance in 1994 relative to internal targets. The 25% nominal interest rate produces an effective interest rate significantly higher than 25% (27%-29%) when a member pays off their loan in 46 weeks rather than taking the full 52 weeks allowed on account of holidays and other days when no VO meetings occur.

BRAC is continuing it's practice of allocating a loan loss provision equal to 2% of disbursements. This amount builds the un-allocated portion of the loan loss reserve for unexpected problems. This practice reflects conservative management and is a good way to build the loan loss reserve during a period of high loan growth. Because the quality of BRAC's loan portfolio has improved greatly over the past several years, we recommend that BRAC and the financial consultants revisit this assumption during RDP IV to ensure that this assumption is not overly conservative.

6.2.2. In collaboration with the other consultants, suggest possible alternative budget scenarios based on likely assumptions, program modifications, or funding possibilities.

Several different budget scenarios were tested, as described in the section discussing Long-term Financial Projections (6.2.4.). Other modifications to operating assumptions were developed side-by-side with BRAC staff involvement. These changes are reflected in the various drafts that have been produced during the consultants' on-site work.

6.2.3. Review the latest status and composition of the loan portfolio of RDP/RCP, and the impact on the portfolio of such changes as may be proposed during RDP IV, e.g., in respect of loans for specific purposes such as housing, livestock and DTW.

From January through December 1994, RDP and RCP disbursed Tk. 2.1 billion in new loans for microenterprise and housing (equal to US $50.9 million). This is a 60% increase over 1993's total disbursements of Tk. 1.3 billion. RDP started 20 new branches in 1993 which disbursed Tk 98 million of the total. Excluding the new branches (in order to compare the performance of the same branches from 1993 to 1994), disbursements increased from Tk. 1.3 billion to Tk 2.0 billion, a 53% increase.

At the end of 1994, the term mix was 91% short term, 7% medium term and 2% long term. This continues the trend over the last few years of a greater proportion of short-term (1-year) loans. In 1989, BRAC anticipated a term mix of 57% short term, 37% medium term, and 6% long term. BRAC has had lower loans outstanding figures in recent years than expected in the 1989 Project Document, and this is due, in part, to this shift towards shorter term loans. Long-term loans build up the outstandings faster than short-term loans because they are not paid back so quickly. The experience with one-year loans suggests that borrowers receive sufficient economic benefit that they are able to repay in one year. Historically, BRAC's experience is that loans over one year have poorer repayment histories. In the last year, repayment discipline and information tracking systems have improved markedly, so there is reason to believe that it will not return as a problem. In this regard, BRAC has adapted its lending practices to the lessons in the field.

BRAC disbursed Tk 40.9 million in Irrigation loans, which is the reselling of shares in the Deep Tube Wells. BRAC repurchased these DTW shares because of low profitability of each DTW, and issues of how best to organize members to manage the schemes. At the time of the repurchase, these loans were particularly slow in repayment. The other sectors with many loans over one year were Livestock (mentioned below) and Fisheries.

> **Recommendation:** We recommend that BRAC managers pay special attention to the DTW, Livestock and Fisheries sectors. Historically, these were problem areas and therefore merit special ongoing monitoring.

At December 1994, RDP + RCP loans outstandings stood at Tk 1.5 billion (including housing loans). This is an increase of 50% from the end of 1993. Of the total loans outstanding, 33% were for activities for which BRAC provided special sector supports. These activities are Agriculture and Horticulture, Fisheries, Sericulture, Poultry and Livestock and Irrigation. The major activities are in the traditional areas of Rural Trading (30%) and Food Processing (22%), although these two areas declined 6% as a portion of the portfolio in 1994. The areas with special sector supports increased by 4% as a portion of the portfolio in 1994, with most of the increase due to Agriculture, which rose from 9% of December 1993 outstandings up to 13% at end of December 1994. See Appendix A.

(2) Repayment of the Loan Portfolio:

BRAC's dramatic success in improving the collection of its loans is an ideal example of management direction translated into action. See Appendix A. During 1994, BRAC continued to reduce the portion of the portfolio with <u>any</u> payments past due, from 20% to 8% at the end of 1994. For comparison, in early 1992, the portfolio showed over 65% with at least one payment past due. This improvement stems from BRAC management's willingness to deal with the issue head on. All observers of this organizational transformation should recognize this signal achievement.

The most stubborn poor paying sector does not regularly show on the APO report: Housing. This sector finished the year on the improvement trend, but still only 61% of the loans were up-to-date as of December 1994. At this point, 19% of the housing loans had missed over 50 weeks. During 1994, housing loans increased 200%, from Tk 43 million outstanding to Tk 123 million. Housing loans currently bear a 10% interest rate, so BRAC suspects that some members may be diverting the funds to other income-generating activities. See Appendix B.

> **Recommendation:** Add the housing sector to the APO report for visibility. BRAC should appoint

a special task force to investigate and recommend action for improving this situation, including any adjustments to the policy for disbursing new housing loans.

At December 1994, the sector with the highest late payments continued to be Livestock: taken as a whole, Livestock is 9% of loans outstanding, but it represents 23% of loans that are over 26 weeks past due. The program staff is already devoting special attention to collecting investigating the causes of this anomaly. As an example of program changes, Livestock loans were 2 to 3 years long in the past, but in 1994 BRAC shortened the term to one year. Of the Tk 169 million in 1994 livestock loan disbursements, only 10% were for a period over one year.

Today, there are Tk. 3.7 million in loans outstanding in Sericulture, only 0.3% of the entire portfolio. Given the proposed RDP IV sector emphasis on Sericulture, it must be mentioned that this sector is not currently a strong performer. Whereas 92% of the total portfolio is up to date in payments, only 83% of the Sericulture sector is. This indicates sub-par performance that should be watched for any signs of weakness during the next few years as this sector grows.

Recommendation: During the RDP IV project, the total sector portfolio is to grow up to 50% of all loans outstandings (The preliminary projections of the Accounts Staff and the Program Staff do not reconcile -- See Appendix E). Therefore, the APO sectorwise report should breakdown the portfolio by each of the sector areas. Separate reporting for sectors that are small and not relevant to program staff, such as Services, should be discontinued.

Recommendation: We endorse BRAC management's plan to produce a 2-page APO report that includes housing loans together with General Loans, and a second APO schedule for the new sector loan portfolios: Enterprise Loans, Poultry/Livestock, Fisheries, Social Forestry, Sericulture, Vegetable and REP.

(3) BRAC Loan Policies - Effective in January, 1995

The following summarizes BRAC's loan policies in place at the time of the Appraisal Mission. Please see Appendix K for a chart summary.

- Loan Sizes: The first loan can be up to Tk. 4,000 (increased from Tk. 3,000), second loan up to Tk 6,000, and third loan up to Tk. 10,000. Members must have savings equal to 2%, 5%, 10%, and 20% for the first, second, third, and fourth loans, respectively. Members are eligible for housing loans only if they have saved an amount equal to 25% of the loan.

- Elimination of Group Trust Fund and Insurance Holdbacks: Based on dissatisfaction voiced by members about the mandatory deduction of 4% of any loan disbursement for deposit into a group savings account, BRAC will no longer deduct either 4% for GTF or the 1% previously deducted for insurance. Five percent will continue to be deducted from disbursements as compulsory savings for individuals. The net result is that borrowers receive 95% of a loan amount in cash upon disbursement, rather than 90%.

- Interest Rate: Effective January 1, 1995, BRAC has increased its interest rate from 20% to 25%. In the field, weekly payments are calculated on 15% flat rate (which assumes weekly repayments over 46 weeks). Payments are calculated on a 46 week basis, but BRAC assumes that VOs will not meet every week and the actual number of payments will occur over a 52 week period. Result: For the borrower, the weekly payment amount increased from Tk. 22 per week to Tk. 25 per week on a Tk 1,000 loan. Because the number of payments are calculated on a shorter term (46 weeks), the effective interest rate for the borrower is actually 29%. For BRAC, the total amount of interest collected on a Tk. 1,000 loan is Tk. 150 versus Tk. 118. In conclusion, the higher interest for the borrower remains small relative to the income generated with the loan. For BRAC, the additional income is crucial to its financial self-sufficiency.

- Loan Approvals: Loan requests are approved by the Branch Manager, unless more than 1 year in maturity or if borrower is a late payer on previous or existing loan, or if loan size is larger than loan ceiling.

- Seasonal Loans: Offering 26 week loans for vegetable and fish cultivation (calculate at 10% flat rate), no grace period. Borrowers pay 100 Taka interest on a Tk. 1000 loan, or two-thirds of the interest due on a one year loan.

    Recommendation: We urge caution and careful monitoring of the volume of the new six-month, seasonal loans in the loan portfolio so BRAC can identify its impact on growth of the loan portfolio. Note: Grameen introduced Seasonal Loans in 1993 and loan volume increased dramatically.

- Grace periods: Given for loans starting in 1994 for loans where activity did not generate income right away. Given grace periods of 3-6 months for fish cultivation and vegetable cultivation. Estimated at 5-10% f portfolio, but no way to segregate those loans. Appear to have had a poor collection experience, because are curtailing program in 1995.

    Recommendation: We endorse BRAC's written policy of ending the availability of grace period loans and strongly discourage any deviation from this policy unless a pilot program is monitored separately. Encourage pilot project with careful evaluation before starting a similar experiment system-wide.

- Enterprise Loans: Special purpose loans up to Tk. 25,000. Any loan over Tk. 10,000 requires Nabi's's approval. Objective: To grow certain borrowers into more complex economic activities or create job opportunities (e.g. Dairy farms, reeling centers). Customers would be of 3 types: (1) experienced BRAC VO members with ability to manage larger business, (2) employers of the landless, and (3) non-Members who are the near landless. Estimate that maybe 15% of BRAC VO members may be able to grow into larger enterprises.

    For enterprise loans, borrowers will need more technological support from BRAC and these businesses will be charged higher service charges (for Fisheries Hatcheries, for example, service charges will be Tk. 1,000 per year). Reeling centers and dairy farms will also need larger volume of activity and more technical assistance. BRAC management noted that a big challenge will be for BRAC staff to think of these customers as businesses, not as beneficiaries.

- Housing loans are now on the sector-wise list that the Manager of Credit and Savings, Mr. Nabi, tracks and he now is holding AO Managers accountable for General Loan and Housing Loan.

- Sericulture loans should be identified as a separate sector on the sector-wise APO report. Although this sector uses fewer loans to members than others, it is growing rapidly and any slow repayment cannot be tolerated.

- Restaurants are currently recorded as Rural Trading. This represents Tk. 16 MM as of end of 1994, so BRAC will break it out as a separate sector. Services is not large enough to warrant a separate category of the sector-wise portfolio analysis.

- Portfolio Analysis: There is evidence that BRAC is using the tools of sector-wise analysis to better identify problem areas in the loan portfolio. For example, the head of RDP focused on the lower repayment rate/high delinquency rate on livestock loans and questioned why repayment was so slow. The sctor specialist went to Mr. Nabi, the Credit Program Manager, for help. Nabi asked for computer print out of all Livestock borrowers branch-wise to see who were late payers and to identify which branch managers to speak to.

- Workout and problem loans: (1) Branch Managers can request an additional PA in their branch to help with collection of bad loans or late payers. We encourage BRAC to develop a specialist capacity to handle difficult loans, since regular PAs will not have time to focus on problem borrowers. (2) the Program Manager of Savings and Credit produces a Defaulters List that allows him to identify where the worst defaulters are located andwhich branches are responsible.

Other BRAC Policy Revisions

- Weekly Savings: Weekly savings are now Tk 5, up from Tk. 2. Although this higher level is the target and is strongly encouraged, savings contributions of Tk. 2 will be permitted to ensure that the poorer beneficiaries can continue to participate. BRAC estimates that 10-15% of any branch's members may save at the lower rate. See Appendix H for actual 1994 data.

- Membership Fees: No longer charging a Tk 10 closing fee to cover "closing costs," BRAC now charges a flat Tk 10 annual membership fee per year. Use of this amount is unclear: According to the Accounts Department, it will be used by the VOs for materials for meetings, therefore showing not as income but as a liability on the branch's balance sheet. Alternatively, program staff are considering using those funds as part of the Emergency Fund to cover life insurance. This would generate Tk 57,000 for each 3rd year branch, for example, in a year, an amount equal to more than 5% of branch operating costs per year.

- BRAC has several pools of funds and income sources at the branch level:

  - 50% of GTF (the portion not refunded);
  - Difference between 25% official interest rate and an effective rate of 27-29% creates a possible source of funds for cross-subsidy;
  - Membership fee of Tk. 10 per year (income or held for their account?);
  - Existing Insurance Fund previously collected and now held by BRAC (now totals Tk 49 million compared to an average annual cost of about Tk 5 MM in payments.

  BRAC is considering how to use these funds on an ongoing basis and whether some of these sources would be used to cross-subsidize the Essential Health Program, for example.

6.2.4. Review projected financial performance during RDP IV, in particular levels of savings, likely loans outstanding, and overall profitability.

RCP is only just emerging from a difficult two-year financial period. Beginning in 1993, it was clear that branches suffered both revenue shortfalls and expense ove runs from:

1. Low loans outstanding, which diminished interest income;

2. High branch operating expenses, due to limited management attention and the need for more staff to collect slow paying loans;
3. Savings are behind targets, which reduces the available funding for RCP.

In 1994, branches improved in all regards. Nonetheless, to preserve RCP's financial health, BRAC did not charge RCP the discretionary 9% annual debenture that was built into the original model.

We incorporated recent changes in operating policy into the RCP long-term financial projections with BRAC Accounts department, and tested the sensitivity of future projections on key variables. The Base case assumptions include the following modifications from earlier models:

- Loan interest rate increase from 20% to 25%;
- Savings deposit interest rate decrease from 9% to 6%;
- 1994's term mix of short/medium/long term loans;
- Higher branch operating expenses;
- Expected savings withdrawal rate; and
- Elimination of GTF and return to members.

The most important variables tested, and the different values for each are listed in the table:

Variable	Appendix for further analysis	High Assumption	Consultants Assumption	Low Assumption
Loans Outstanding	Appendix F & G	1994 Targets (See attachments and graphs)	1994 Actuals (See Attached graphs)	20% below 1994 Actuals (See Attached graphs)
Savings (Members Own)	Appendix H	1994 Targets = Tk 5 / week	1994 Actuals = Tk 2 / week	1994 Actuals = Tk 2 / week
How RCP pays for the real estate in the branches that come from RDP	Appendix I	Leased	Bought	Bought
Number of Branches		330	300	300

The variables were tested in different combinations, and their effect on RCP's financial health is displayed below. The full printouts are in Appendix J:

Scenario	Loans O/S Assumption	Savings Assumption	Lease/Buy Assumption	Number of Branches	Incremental Effect on RDP IV Budget	Weakest Year of RCP (with balance in Investment acct)
1	High	High	Lease	330	+ Tk 227 MM	1995 Tk 105 MM
4	Low	Low	Buy	330	None	2001 (Tk 427 MM)
5	Low	Low	Lease	330	+ Tk 227 MM	1999 Tk 151 MM

7	Low	Low	Buy	300	None	2001 (Tk 204 MM)
8	Low	Low	Lease	300	+ Tk 227 MM	1999 Tk 345 MM

Together with BRAC staff, we examined eight scenarios. The five scenarios that provide the most information are presented here. We used the original numbering from our records and from BRAC's records, which explains why the table lists Scenarios # 1, 4, 5, 7 and 8. The full printout of these scenarios is attached as the final Appendix.

For RCP to maintain a positive Investments account (which allows it some financial buffer), some incremental funding must come into RCP. The last two columns show that incremental additional funding could be wrapped into the RDP IV request (to be described momentarily), or could conceivably go directly to RCP. The long-term financial projections predict that RCP requires a small additional subsidy to ensure an adequate financial cushion for RCP's health as a permanent development finance institution..

The first scenario is the RDP IV Proposal. So far, the targets established in 1994 for loans outstanding and savings are above historical performance (see Appendix F and G). There is not yet demonstrable evidence that branches can perform at these levels. The second two variables must be decided with Donor consultation. The RDP IV proposal takes the high version of each of the above assumptions. Under such a scenario, RCP is financially sustainable.

BRAC proposes that the RCP branches lease the land and building of the graduating RCP branches, rather than purchasing it outright. RCP would still purchase the loan portfolio and the savings per the original plan. The 1989 RCP Project Document dictated that RCP would purchase RDP assets, including land and building, when the branches "graduated" after their 4th year. If the land and building are leased instead, then RDP will not receive the expected up-front cash from RCP. The proposed leases will run 20 years (straight-line paydown), equal to 5% of the asset price annually. Therefore, by proposing that RCP will lease the RDP land and building, the RDP IV proposal implicitly benefits RCP by saving it the purchase cost of the branches' fixed assets. This keeps extra money in RCP and allows RCP to earn interest on it as well. This also inflates the necessary RDP IV request by the amount of the foregone purchase revenue. The cumulative additional cost to RDP of the lease arrangement is Tk 227 MM from 1995 through 2000. See Appendix I.

If, however, the high targets for Loans O/S and Savings are not achieved and instead, future performance follows the 1994 pattern, the donors may choose (i) to fund RDP the extra amount to permit RCP to lease branches from RDP, or (ii) to fund RCP directly. Taking the lowest of the above four assumptions, RCP will have a capital need of Tk 467 million, incurred in the years 1999 through 2002. The lowest assumptions are close to the original 1989 RCP Project Document. That Document contemplated a fixed asset purchase for RCP and only 300 branches.

> **Recommendation:** Balancing the cost of ongoing financial support to achieve the sustainability of RCP, and the lowest cost method of achieving this, we recommend the Donors accept BRAC's proposal that RCP lease branches from RDP. This inflates the RDP IV budget by Tk 227 MM. With this additional financial support, the low assumptions indicated that RCP financial patterns can sustain themselves.

> **Recommendation:** RCP's current financial situation emphasizes the importance of generating a sufficient local deposit base. To improve record keeping, we recommend that the Accounts Department begin to track the two different savings types (compulsory 5% of disbursements and

voluntary) separately.

6.2.5. Review the consequences of the propos[illegible]d increase in the interest rate on loans from 20% to 25%, and recommend the policy and criteria which should in future serve to determine the appropriate rate of interest on loans. This will be assessed both from the perspective of the beneficiaries and their capacity to pay interest, and form the point of view of recovering costs for BRAC.

Current Situation

Beginning in January 1995, BRAC raised its interest rate from 20% to 25% on a declining balance calculation. BRAC instituted several other changes at the same time that reduce the out-of-pocket expense to the borrower. Here is a comparison showing the effect of all the changes:

	Old System	**New System**
Sample Loan	Tk 1000	Tk 1000
Size of Weekly Installment	Tk 22	Tk 25
# Payments	52	46
Total Collected (after refund for any surplus)	Tk 1118	Tk 1150
Expected Repayment Period	56 weeks	52 weeks
Effective Declining Interest Rate (if paid in min. time)	23.3%	33.2%
Effective Declining Interest Rate (if paid over max. time)	21.6%	29.3%
Group Trust Fund	Tk 40 (4% of the loan)	None
Insurance Fund	Tk 10 (10% of the loan)	None
Total Paid by Member during life of the loan	Tk 1118 Realizable Tk 50 Savings Tk 40 GTF Tk 10 Insurance Tk 1218 TOTAL	Tk 1150 Realizable Tk 50 Savings Tk 1200 TOTAL

Two administrative items:

- Under the old system, BRAC expected to receive 52 payments, but would allow borrowers up to 56 weeks to pay (due to holidays). The new system contemplates receiving full payment within 52 weeks, but in order to account for holidays, BRAC now calculates 46 payments. The effective interest rate depends upon whether the borrower pays in the minimum or the maximum allowable time period. The longer time period decreases the effective interest rate.

- Under the old system, BRAC would collect Tk 22 per week for 52 weeks, for a total of Tk 1144. At maturity, BRAC would rebate Tk 26 to bring the total collected down to Tk 1118. This rebate was difficult to track, especially when borrowers were often delinquent on their regular payment. The new system dispenses with this process.

In the above example, the rate hike increases the weekly installment by Tk 3 per week. This is partially offset by the elimination of both GTF (automatic 4% of the loan) and the Insurance Fund (automatic 1% of the loan). With those eliminations, over the life of the loan, the borrower now pays Tk 12 less.

Other international micro-credit institutions charge more than this rate. Bank Rakyat Indonesia (BRI) charges its borrowers an effective rate above 35% annually; BKK in Indonesia charges above 50% in annual interest. A recent World Bank study comparing micro-credit institutions urged BRAC and other Bangladeshi micro-credit institutions to increase their rates to achieve financial sustainability.

While BRAC's policy making in this regard must account for local perceptions, this rate increase reflects the true costs of delivering credit. RDP requires grant funding to cover its costs, and RCP has been only slightly profitable over its life.

<u>Future rate increases</u>

BRAC (and other Bangladeshi NGO's) originally set their interest rates at 16% because this was the prevailing rate of the Bangladesh Bank. To our knowledge, this rate did not give primary consideration to the cost of the program.

Since that time, BRAC and other NGOs have become more conscious and more experienced in managing their program costs. Interest rates have been set with an eye towards both the long-term financial viability of the programs and the members' ability to repay the loans. Balancing these objectives is ultimately the responsibility of BRAC management and the BRAC board of directors.

<u>Recommendation</u>: We recommend that BRAC adopt a written policy for how to determine interest rates. We suggest the following elements of a written policy:

1. At a minimum, interest revenue (and therefore interest rates) should be sufficient to cover:
   - credit staff salaries,
   - training,
   - direct costs (travel and stationeries),
   - depreciation on offices, furniture and real estate used by the credit staff
   - a fixed Taka amount for RO and HO management of the branch.

   This equals the cost of delivering credit <u>at the branch level</u> plus a fixed Taka amount for oversight. If the oversight is a percentage of RO and HO costs, then overhead may become bloated

2. Changes to rates should be submitted to the BRAC board for their formal approval and to the Donors for their approval (if the change comes in the middle of a program period). After the program period, the BRAC Board should assume full responsibility for these decisions.

3. Changes to the interest rate should include a written justification in order to provide a rationale and prevent arbitrariness. The written justification should include and be

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based upon the annual budget approved by the Board (and the Donors if during a project period).

6.2.6. Review the level of branch operating costs and the likely changes in these costs as a result of the recent changes in VO numbers and membership, and any further changes proposed under RDP IV.

We flagged the problem area of high branch operating costs in December 1993 and again in October 1994. Since that time, BRAC has appointed a cost review committee comprised of senior staff from Accounts and from Program area. Implemented changes that began to be introduced in late summer 1994 include:

1. VO can be formally constituted with 30 members, rather than delaying until 50 villagers join. This speeds the process of lending to those members as well.
2. With the smaller number of VO members, PA's now visit 3 VOs per day, rather than two.
3. Traveling routes have been rationalized to reduce travel costs.
4. The Annual Operational Plan with the BM's is more formalized and the BM's are held more accountable for achieving it.
5. Variable costs under the BM's control are his responsibility to control

6.2.7. Review the system and achievements to date to recover the costs of the technical inputs to the sector programs, and consider what changes should be introduced to ensure full recovery of all such sectoral expenses by the end of RDP IV.

BRAC has further refined its commendable strategy to achieve consistent cost recovery on the sectoral program technical assistance it provides to its members. In preparing the RDP IV proposal, RDP sector programs have had to reach greater clarity on the "model branch" assumptions and how the multiple branches of RDP will attain their cost recovery goal by 2001. We have several observations:

- BRAC has wisely reviewed the service charges currently in place and reduced their application to one or two member activities where the borrower can straightforwardly recover or pay the service charge from selling her product. For example, poultry service charges will only be collected from the chick rearers who pay a Tk 1.5 service charge when they buy one-day old chicks. This cost can be passed on in the price she charges to the Key and Model Rearers. In addition, BRAC is trying to concentrate the number of participants in a particular activity in a branch territory in order to increase operating efficiency.

- Most service charges are paid in cash and collected by the Credit PA at the branch. If the fee is not paid, it is the responsibility of the Sector PA to revisit the member to collect payment. Although deductions from a project account at the branch or area office usually yield a higher collection rate (e.g. for Irrigation loans), payments in cash encourage the borrower to accept business and development responsibility for payment and BRAC to provide quality service to earn the fee. Across many cultures, the experience has been that group members value technical assistance more if they have to pay something for it; in turn, this forces the service provider to provide quality service.

(1) Overview

The costs and revenues of providing sector technical assistance for all RDP and RCP branches are part of the RDP Budget. Service charges paid by members were introduced by BRAC in 1993 to help the technical assistance program cover its operating costs. BRAC's plan is to increase the amount of service charges and streamline the costs of delivering the technical support by the year 2000 so that each branch is able to cover the costs of personnel and all regional office and head office overhead by the fourth year of each sector' operations at the branch. Overhead costs include the technical support by sector specialists and general management overhead (Accounts Department, Personnel, etc). Note: The credit program continues to bear the shared costs at the individual branch, with no allocation to the Sector programs. Service charges will not cover the costs of developing new programs or products, or of developing new markets (mostly for sericulture) and that cost will continue to require subsidy. BRAC hopes that internally generated revenues from the Rural Commercial Enterprises in each sector will pay these costs in the future.

Most service charges are collected in the field by the Credit PAs at the weekly VO meeting. Irrigation service charges, which are deducted from the project account at the branch, have a very high rate of collection. Similarly, the charge per chick in poultry is collected as part of the price of the chick paid by the chick rearers and deposited directly into the branch. If someone does not pay, the Credit PA reports it to the Sector PA who is responsible for revisiting the member to collect payment. There are no collection sheets for service charges at this time, so all service charge collections are reported through the Accountant when the Credit PA deposits the mornings collections. Each Sector Specialist at Head Office tracks the cost recovery performance in their sector. The cost recovery targets are based on the model branch assumptions of how many members are engaged in a certain activity multiplied by the service charge fee structure.

(2) Cost Recovery in 1994:

Cost recovery in 1994 was better than in 1993. Amounts varied from target due to slower or faster expansion of the program, supply constraints, and poor crop yields by members.

Sector	*1994 Target*	*1994 Actual*	*Variance*
Poultry and Livestock	Tk. 5.9 million	Tk. 4.9 million	- 18%
Irrigation	Tk. 4.97 million	Tk. 3.48 million	- 30%
Fisheries	Tk. 1.7 million	Tk. 2.86 million	+ 65%
Social Forestry and Vegetable	TK. 5.2 million	Tk. 4.0 million	- 23%
Sericulture	Tk. 3.3 million	Tk. 1.8 million	- 47%
REP	Tk. 0	Tk. 0.05 million	
IGVGD	0	Tk. 1.5 million	

Poultry and Livestock: Poultry & Livestock service charges were below target primarily due to a shortage of chicks and therefore fewer chicks purchased by the Chick rearers. Through the end of 1994, service charges were collected at several points: from the Chick rearers (Tk. 1 per chick), from the goat rearers and cow rearers, and by selling the rearers a Vaccination Card which listed the 6 vaccinations needed from the paravets. Beginning in 1995, service charges will be collected only from chick rearers and model goat and cow rearers only (model rearers raise 3 or more cows or goats, rather than 1 or 2, and benefit from more technical assistance from BRAC). BRAC has found that key rearers (only 20% of whom take a loan for this purpose), goat rearers, and cow rearers do not need training and therefore should not pay service charges.

Irrigation and DTWs: Cost recovery continued to go well for this sector, primarily because service charges are deducted from the VO's Project Account at the branch. In 1994, BRAC revised it's service charges to Tk. 120 per acre for the Boro cultivation (changed from a sliding scale of Tk, 100, Tk. 125, and Tk. 150 depending on the year of operation). According to the internal Irrigation Report: 1993-94 Boro Season, the rate of service charge recovery was 98% for Tk. 2.8 million, compared to 88% in the 1992-93 Boro season. However, much of this was paid in crop rather than in cash and the price of rice was very low. Therefore, the profits to the DTWs were minimal. Going forward, BRAC has said that it will require service charges to be paid in cash.

Fisheries: Charging Tk. 5 per decimal of water body, the fisheries service charges are collected when the fish are harvested and paid in cash by the members. This service charge will continue through RDP IV. Collection was over the target amount because the fisheries program has expanded more rapidly than expected and there were more water bodies under cultivation (because members find fisheries very profitable and more members borrowed for this purpose).

Social Forestry and Vegetable: Service charges for vegetables have been charged at Tk. 2 per decimal for the summer crop and Tk. 3 per decimal for the winter crops, or Tk 5 per year per decimal. These will continue at this rates. IN 1994, collection for Vegetable cultivation was very good, however, BRAC set the target on the assumption that all payments would occur before December 31 when the winter crop is not actually harvested until January or February. Therefore, it appears as far below target. Social forestry has been a small sector until 1995 and RDP IV. It included nurseries (Tk. 150 per decimal per year).

Beginning in 1995, social forestry will have 3 activities that each generate service charges:

Nursery	Raising small trees and bushes for sale to private farmers and village members (including lemon, mango, and other fruit trees). The service charge is Tk. 150 per year and is collected in July and August, which is the peak planing (and therefore selling) season. Customers are village members and farmers.
Grafting Nursery:	A newer activity, grafters raise trees and shrubs that require grafting to expand a high quality supply of certain fruit trees that in the past have only been cultivated in certain regions. These include mangoes, litchee, and hybrid lemons. Service charges are Tk. 300/year because these require more focused attention from the Social Forestry PAs.
Agroforestry:	The highest number of members engage in this activity and raise a diversified set of crops within a certain area. These are designed to include vegetables (short-term crops), medium-term crops, and longer-term crops so the farmer receives income several times through the year and can therefore pay a loan. Service charges are Tk 3/decimal per year.

Vegetable will become a separate sector in 1995. The service charges are the same for all activities, including vegetables, spices, and a new maize program where seeds are provided by the government to increase production.

Sericulture: Up through 1994, service charges in sericulture have been collected from the mulberry tree caretakers depending upon the age of the trees. This reflects BRAC's focus on tree plantation during RDP III because trees take 4 years to mature and become good producers of mulberry leaves. Collection was below target because (1) members would lie about how old their trees were to pay a lower service charge, and (2) the quality of DFLs has been very poor and caretakers sold fewer leaves (and generated less income) than

BRAC had originally forecast.

Beginning in 1995, BRAC will charge service charges only from cocoon rearers and also for technical assistance to mulberry rearers. Most mulberry caretakers will also become chawki rearers and general rearers, so service charges will only be paid on the basis of DFL produced (Disease Free Laying, or one batch of eggs from a butterfly and one batch of cocoons). Rearers usually buy 50 DFL on a single rearing tray. Chawki rearers raise the silk worms through the first several stages of development that require a certain amount or type of mulberry leaf and then sell them to General Rearers. General Rearers will raise the worms through the final stages of producing cocoon and then sell those cocoons to a reeling center or, if damaged, to a local hand spinner. The amount of service charge will increase from year 1 through year 3 because a Rearer's production quality increases with experience and they can produce higher quality, and more valuable, cocoons. Mulberry tree production is directly related to sericulture and has been moved to this sector from Social Forestry. It focuses on sapling producers (mostly roadside) and bush plantation (farm production which yields higher quality leaves for better quality silk production).

Rural Enterprise Project: REP shows a very small amount of service charges generated from some of the experimental projects and is not part of the calculation of Service Charge Targets.

IGVGD: IGVGD members participate in the poultry rearing program and chick rearers pay service charges. Those should be netted against the costs of managing the IGVGD program because IGVGD does not use the Poultry sector field staff to provide technical support. This amount should increase as IGVGD expands to 56 thanas.

The service charges that will be charged from 1995 forwards are:

Sector	*Activities*	*Types of Service Charges*	*Characteristics/ Comments*
Poultry/Livestock	Chick Rearers Pullet Rearers Key Rearers Model Rearers Poultry Worker Egg Collector Feed Producer Calf Rearer Cow Rearer Model Cow Rearer Goat Rearer Model Goat Rearer	Chick Rearers Tk 1.5/ per chick Model Cow Rearers Tk. 50 per year Model Goat Rearers Tk. 20 per year	Higher price than in 1994, paid upon purchase of chick. Model rearers need more training because they rear 3 or more animals. All branches.
Irrigation	Per Deep Tube Well	TK. 120 per acre irrigated per year.	Flat rate started in 1994 Cash payment only. 700 DTWs in operation.
Fisheries	Hatcheries Carp Nursery Fish Farmers (carp, Thai Sarputi)	Carp- TK 3 per/dec. TS - Tk. 8/dec/yr Tk. 1000/hatchery/year Tk.	Same as in 1994. Most branches.
Social Forestry	Nurseries Grafting Nurseries Agroforestry (avg. 50 acres)	Tk. 150/year/decimal Tk. 300/year/decimal Tk 5/yr/decimal	Will expand, but limited to perhaps 170 branches due to limited availability of land.
Sericulture	Tree caretakers Chawki Rearers General Rearers Reeling Center Worker Progressive Silk Farmer Sapling Nursery Bush Plantation	Rearers: Yr 1 Tk. 30 per DFL Yr. 2 Tk. 40 per DFL Yr. 3 Tk. 50 per DFL	
Vegetable	Vegetable and spices Maize cultivation	Tk. 5/decimal/yr.	Maize roll out in RDP IV. Expansion in numbers of members.

(3) Implications for RDP IV

According to BRAC, most members now accept the concept of service charges and most of them pay them. The service charge forecast for RDP IV is driven by three factors: the number of members participating per branch, the number of branches participating in the sector, and the type and amount of service charges collected.

1. # of members per branch: Increasing the number of members participating per branch or the number of chicks produced over time. The number of members engaged in a sector activity increases in the branch during its first four yeas of activity. During RDP IV, BRAC also plans to increase the participation rate per branch.

2. # of branches: In RDP IV, BRAC is expanding with the 95 new branches and among the existing branches. Although poultry can be undertaken everywhere, many sectors are not going to be active in all branches.

3. The service charges collected: RDP will benefit from BRAC's focusing its service charges on key producers within the production chain and from those who benefits the most from, and require the most, technical assistance. This has been refined over time through experience (e.g. more flat rates rather than graduated because members don't like to pay an increase).

A branch has fixed costs of personnel and overhead allocations for delivering technical assistance to members. The biggest variable costs are training of new members to undertake the activity. Once members are trained, they then receive refresher courses each year. Therefore, total costs decline over time and settle at a certain annual level. Revenues increase steadily over the first 4 years of the activity in a branch and then level off. The number of members involved and the efficiency of their production increases over the first 3-4 years of the branch's life in the sector. Therefore, BRAC has forecasted a Model Branch for each sector in which revenues gradually increase and cover the costs of delivering the services by year 4 of its activity. BRAC wants all of its branches to be Year 3 or Year 4 branches in the sector programs by the year 2001. At the financial consultants' request and using a standard format, each sector specialist prepared a Model Branch forecast (see Appendix).

As a second step, the Sector Specialists forecast how many Year 1, year 2, year 3, and year 4 branches would exist in each year or RDP IV to generate a budgeted amount of service charges to be collected each year. The Cost Recovery targets for RDP IV are included in the Budget and in a summary table on the following page.

Based upon the Model Branch for each sector and the progress of each branch to their "maturity" in all sectors, BRAC forecasts that each sector will progress towards Cost Recovery during RDP IV. Total funding needs are projected to fall to Tk. 7.7 million in 2001.

Projected Sector Program Cost Recovery During RDP IV, excluding capital investments costs (Taka millions)

Sector	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*
1. **Poultry/Livestock:**						
Total costs*	42.3	47.5	33.7	26.9	24.7	16.8
Service charges Realized	5.9	9.6	13.2	15.4	16.4	19.7
Net fund requirement	36.4	37.9	20.5	11.5	8.3	(2.9)
2. **Fisheries**						
Total costs	14.6	18.1	21.4	17.1	18.0	15.1
Service charges	4.4	6.4	7.9	9.3	10.1	12.1
Net fund requirement	10.1	11.7	13.5	7.8	7.9	3.0
3. **Social Forestry:**						
Total costs	17.4	19.7	20.4	20.7	21.6	17.5
Service charges Realized	0.5	0.8	1	1.2	1.4	1.7
Net fund requirement	16.9	18.8	19.4	19.4	20.3	15.9
4. **Sericulture:**						
Total costs	60.1	71.9	72.6	34.7	34.4	16.5
Service charges Realized	3.3	9.2	16.4	20.6	22.9	27.5
Net fund requirement	56.8	62.7	56.2	14.1	11.5	(11.0)
5. **Horticulture & Vegetable**						
Total costs	14.7	17.8	18.6	18.3	19.2	14.9
Service charges Realized	6.6	7.9	9.1	9.9	10.2	12.3
Net fund requirement	8.0	9.9	9.5	8.3	9.0	2.7
TOTAL NET FUND REQUIREMENT	128.2	141.0	119.1	61.1	57.0	7.7

* Inflation adjusted costs that grow 5% per year.

This table reflects the following assumptions which are shown for each sector in the Budget:

Revenues:	Service charges (see appendix for calculations)
Costs:	Staff salaries and benefits at the branch (PAs) PO salary and benefits (usually 1 PO per 10 branches Traveling & transportation (30% of PO salary) Staff training and refresher courses for members (5% of above total) HO and RO overhead (10% of all of the above, though it may fall to 5%) Training of Group Members Motorcycles for new POs
Costs do not include:	Capital investments Experimental or new product development costs Accumulated losses from previous year's operations

The Model Branch calculations in the Appendix show staff training and refreshers at 5% and do not show the cost of training new group members after year 4 on the assumption that branches would reach an equilibrium in the number of members participating. This assumption is highly unlikely given the annual dropout rate faced currently of 10% of members per year. Training of new members may continue as a significant cost if those trends continue.

Our conclusion is that BRAC does have a plan for steady improvement towards cost recovery in sector programs, but that some sectors are unlikely to reach full cost recovery (such as social forestry). Also, if BRAC finds a need to increase the member:staff ratio in fisheries, the cost recovery of that sector will fall unless higher service charges can be charged. Finally, the projection for sericulture seems optimistic, even though the budget shows revenue at 90% of actual projected service charges. This will be covered more thoroughly in the Sericulture Report.

We have several recommendations related to Cost Recovery for the Sector Programs:

Recommendations:

- Set a more realistic target than full cost recovery by 2001 to provide some cushion in case targets cannot be met. Although BRAC and the other sector consultants will decide on the best forecasts for each sector, we advise BRAC to set conservative targets in case the development plans need to adjust. Sericulture, for example, appears to be optimistic forecast given how far away it is and BRAC's minimal experience with new high producing DFLs.

- Develop a cost recovery model that will be able to produce a final product similar to the table above so BRAC can adjust key variables and still forecast the full amount of cost recovery going forward. This might be developed with assistance of some consultants at the next review, however, we believe BRAC should focus on how these variables change and have better tools for forecasting and tracking cost recovery progress.

- Develop a collection sheet for service charges at the branch level. This will ensure that there is information from both the accounts department and the Program side on what service charges are collected and from whom. Most monitoring is done verbally, at this point.

- For the Sector Revolving Loan Funds, there should be clear responsibility for collection of these loans in the Field. The Sector PAs and POs should have clear responsibility for collection of these amounts. An early warning system should also be in place to ensure that these loans are monitored and do not fall through the cracks. Two suggestions might be:

  (1) Include all Sector RLFs, Enterprise loans, and REP loans on the second page of the APO report to allow senior management to review repayment performance (see loan section)

  (2) Maintain a cap on how much can be outstanding at any time in an RLF.

- Appoint a senior manager responsible for all sector programs: Just as credit now has an accountable senior manager who oversees all credit and savings, the sector programs also need the focused attention of a single manager. Although the sector specialist are very technically competent, the growth in the sector programs warrant stronger business management and coordination.

6.2.8 In order to ensure sufficient operating capital for a BRAC Bank or credit program, assess whether there will be sufficient funds available from members savings to increase loans outstanding to the targeted levels, or whether additional external capital is likely to be required.

These issues are discussed in detail in the long-term financial projections, Section 6.2.4. and is presented in full in Appendix J.

6.2.9. In the event of a shortfall of credit capital, explore the various mechanisms available to BRAC to access funds from commercial banks, private sector sources and/or GOB at concessional rates of interest.

In RDP IV, BRAC has proposed to increase indirectly RCP's capital base by leasing new RDP branches rather than purchasing them outright. This is discussed in Section 6.3.4. and is analyzed in Appendix I. In the event that outside capital is necessary to support RCP, BRAC management has identified the following sources:

- The GOB has established the PKSF Foundation to receive outside donor funding and lend it to micro-credit institutions at 2%. To date, the PKSF fund has lent $10 million (??). Therefore, if BRAC were to seek additional capital through PKSF, the fund would have to grow substantially. PKSF constitutes an available institutional channel, but without the current resources to satisfy a BRAC capital need.

- If BRAC were to receive a bank charter, it could access a low-interest borrowing window at the Bangladesh Bank at 4%. However, the trade-off is that the BB would require BRAC to comply with a government cap on rates for agricultural loans.
- Finally, BRAC could borrow directly from commercial banks at the prevailing market rate.

6.2.10. Review the consequences of the proposed raise in weekly savings from Tk. 2 to Tk 5 for (potential) beneficiaries.

In January 1995, BRAC increased the mandatory weekly savings level from Tk. 2 to Tk. 5. This change partly responds to the need for higher savings to support the expected loan volumes. For this reason, the new savings policy is important to RCP's long-term financial viability.

At the same time, BRAC eliminated the GTF and the Insurance payments; both were previously levied at loan disbursement. BRAC reports that in January and February, it has not been difficult to collect the larger amount, but too little time has passed to judge this.

Although some members save more than Tk. 2 per week voluntarily, the average for all BRAC members in 1994 was Tk 1.8 per week (see Appendix H). This includes the effect of some members leaving during the year. There appear to be large differences amount branches of different ages, with notable low savings in Branch Years 3, 6 and 9. BRAC should investigate this further.

BRAC management has directed that each VO may have up to 20% of its membership saving at the Tk. 2 weekly level, so that no extremely poor members are forced out through this new savings policy. This policy change bears further investigation once there is a longer track record.

6.3. INSTITUTIONAL

6.3.1. Review BRAC's policies and proposals in respect of loans outstanding, in light of the latest and likely future levels of loss and VO closures.

After the major membership consolidation in late 1992, BRAC has continued to shed both inactive members and multiple members from the same family. Although RDP and RCP together recruited 279,337 new members, they lost 105,553. This loss equals 10% of the average 1994 membership. Inactive or non-participating members lose their interest in the VO for some reasons. Apparently, not all VO members stay for a lifetime; do they use VO membership -- under what circumstances do people join and do they leave? What happens during their membership? Collecting and analyzing these reasons could help BRAC maintain and improve its relevancy to the needs profile of new and older members.

> **Recommendation:** We recommend that BRAC monitor the reasons for members' expulsion or retirement. The membership turnover suggests that more information about the development process is needed. This would assure BRAC that its membership policies are not inadvertently forcing out members for the wrong reasons. We have no information as to whether this is the case, however, this pace of membership turnover is important to watch.

BRAC's Sector Programs include several interrelated enterprises that buy and sell from each other (For example, in Sericulture, the proposed Grainage Center would sell to the VO members, who in turn, sell to Reelers, Spinners, Weavers and Printers). As envisioned, each BRAC-managed enterprise will have different financial resources and financial obligations. In this complicated mix of business units, principles of sound management and prudent financial supervision require (1) that each business unit receive clear organizational incentives for its performance (e.g., stand-alone financial statements), and (2) that each business unit's independent decision making be protected from the influence of other BRAC operating units.

In practice, we recommend that BRAC:

1. Maintain separate Program Managers for Credit and Sector Programs, to protect the integrity of credit decision making from line-reporting relationships in the Sector Programs. Credit judgments (such as determinations about ability to pay, and the profitability of the proposed scheme) should be insulated from program areas (which should provide market knowledge and perhaps references on the skills of particular applicants). As a permanent development finance institution, the Credit Program's judgment as to creditworthiness and ability to repay must be independent and respected. If the reporting lines are blurred between the two programs, then neither program will operate to maximum potential. Each program's goals and achievements must be given the resources to succeed and the room to accomplish these goals.

2. Manage of RDP functions (Credit and Sector Programs) should be independent from other BRAC-managed enterprises that either supply or purchase goods from VO members. Compared to the BRAC-managed larger scale enterprises, the Credit and Sector Programs work in a village setting. Managers in both areas will, of course, be responsive to the other's needs, however, their first loyalty should be to their home enterprise. The Credit and Sector Programs should represent the interests of VO members, while the RCEs will be run with primary goal of making their enterprise financially viable and producing its own range of positive development effects.

3. Manage the commercial entities separately from programs that are wholly grant-funded, in order to protect managers from financial conflicts of interest that would impair their business judgments in repaying bank debt. BRAC commercial enterprises that require outside bank financing should be

legally isolated from Donor-funded enterprises, and managed and financed apart from other BRAC activities. This ensures that the commercial managers will have independent revenue and expense records to control their operations, and will be fully responsible for meeting bank obligations. BRAC should seek in-country legal advice on how to protect BRAC assets and Donor contributions from any bank claims in the event an RCE fails.

In discussions with BRAC, we sketched out a possible structure:

HO

Monitoring / Audit

Credit   Sector Extension   RCEs   Social Development

We support this structure, emphasizing that there must be strong, autonomous managers in each division; if not, then the structure suffers from over-centralization. To achieve growth, BRAC must continue to develop another tier of senior managers. Too much centralization may be as damaging to an organization's efficiency and accuracy as too much management diffusion.

Recommendation: BRAC's sophisticated and delicate balance between commercial and grant-funded activities should be honored, as much as possible, through formal policies concerning cross-subsidy and movement of funds among different BRAC entities.

Recommendation: BRAC is one of the few development organizations in the world that will groom managers who must balance the need for financial viability while achieving development results with its target group. Human and community development cannot be adequately captured in financial results. Managers (from the branch level up) deserve annual performance review that would summarize both financial efficiency and development impact.

Recommendation: The seeming "objectivity" of financial statements, and the temptation to use them as an easy performance gauge causes some to fear that BRAC will lose sight of its development mission. Because of BRAC's strong organizational ethic of working in the program areas and visiting the field offices, we are less concerned. However, BRAC should address this head-on by formulating some development criteria or other nuanced methods of documenting impact. We believe half-yearly reporting is sufficient. This might include personal stories or other nontraditional information. We share in the general consensus that the Quarterly Statistical Report is less helpful than it might be.

Donor Funding of Commercial Enterprises

The successful introduction of new income-generating activities for BRAC's 1,000,000 members opens up new business opportunities for related commercial enterprises (RCE). For example, by increasing vegetable cultivation, BRAC creates a demand for higher quality seeds. By increasing the production of silk cocoons, BRAC creates an source that can supply a more automated silk production process. In RDP IV, BRAC requests that Donors help the start-up of several commercial ventures that would buy or sell to other Sector enterprises. As proposed, the RCEs would be started with 30% Donor funding and 70% commercial bank financing.

We recommend that the Donors consider the following issues in deciding whether to fund an RCE:

How do these RCEs serve BRAC's development objectives? BRAC's activities in traditional microenterprise, which target the landless poor, are more familiar to most Donors. In expanding its economic development activities to new frontiers, BRAC could help the Donors by listing the development outputs from the RCEs, such as:

- Human Development Effects: number of jobs created, salary scale for new jobs, transferability or "ladder" of learned job skills;
- Community Development Effects: peripheral external benefits;
- Physical Development Effects: improved physical surroundings, renovated buildings, recovered land, road improvements, etc.

Which RCEs are highest priority? Possible criteria include:

- "Multiplier Effects": In BRAC's targeted sectors, there are certain key enterprises that will have "multiplier" effects in assisting other businesses. Typically, these are businesses that buy from or supply many others (e.g., a single Grainage Center that provides silkworm eggs to an entire region). An RCE with "multiplier effects" stimulates others' economic activities and should therefore be a high priority RCE.

- Release pent-up demand or supply: As business sectors grow, the supplier-customer links may occasionally get out of balance. For example, producers may make too much of one ingredient (e.g., too many cocoons and not enough reelers), or producers may demand more of an ingredient than is available (e.g., not enough day-old chicks to supply all the Poultry Key Rearers). An RCE that releases these bottlenecks can have important positive impact.

- Linkages to the Target Group: In the supply chain of a business sector, RCEs that are either immediate suppliers or customers of the beneficiaries will have the greatest positive impact on beneficiaries' income. For example, a fish processing center could purchase fisheries' output and therefore directly affect members' welfare, but a hypothetical new Dhaka grocery store that sells processed fish may be too distant from benefiting the members.

- Unique Supplier Effects: RCEs that offer a unique and essential business input are important to the business sector's success. For example, without silkworm eggs, the whole Sericulture sector suffers. On the other hand, an RCE that offers an improvement that is already widely available (an enhancement effect) -- for example, an improved fish food that increases fish production but does not change the fundamental economics of the business -- is not as strategic an investment.

RCEs should be evaluated as businesses, and as such, require sufficient business plan and financial projections. During our visit, BRAC did not present adequate explanation and support that would be necessary to raise money from a private commercial bank. A well-presented business plan would include description of the market, customers, competitors, costs, proposed managers and their background, and three years of financial projections, including a monthly cash flow until the enterprise breaks even.

> **Recommendation:** We believe the current version of the RDP IV proposal does not provide sufficient business information to evaluate the RCEs in Sericulture, Fisheries, and Poultry/Livestock. We recommend that the Donors seek a clear development justification, business plan and proposal for the handling of future earnings. This business plan is especially important for Sericulture.

How should future earnings be handled? If these RCEs are commercially successful, then BRAC may generate earnings. The Donors options include (1) to allow BRAC to spend the earnings in a pre-agreed upon manner; (2) to structure the Donor investment as a preferred stock or recoverable grant that entitles the Donors to recover any available surplus; or (3) to structure a more formalized Donor review to provide veto-power only over the use of any available surplus.

> **Recommendation:** We recommend that the Donors consider several options for handling future earnings streams once BRAC presents a well-reasoned business plan, since the available cash flow will depend upon the nature of the RCE. We recommend that the use of any surplus should be highly transparent to minimize the temptation to use it as a slush fund.

Should BRAC contribute some of its own equity? It is customary for the funder of a commercial venture to ask the business operator to invest some of his own funds in the project. This owner's equity provides some assurance that the operator will look after the investor's interests as carefully as the operator's own.

> **Recommendation:** Unless BRAC is able to offer some contrary reasoning, requiring BRAC to contribute some of its own equity appears to an appropriate policy for RCEs as much as traditional commercial enterprises. We recommend that the Donors ask BRAC to share in the equity investment in these RCEs. We recommend a minimum BRAC investment of 5% to 10% of the total project.

6.3.2. Review and assess capability of BRAC staff at Head Office, Regional and Branch levels, and the instruments available to monitor, analyze and manage credit and finance.

Since 1992, the RDP Program Staff has become more involved and responsible for credit and savings performance. Late paying loans (and to a lesser degree, low savings) are actively managed in discussions between HO and the field. Two important organizational changes merit special notice:

1. As of December 1, 1994, RDP/RCP has appointed its first Program Manager for Credit and Savings, Mr. Atiq Nabi. Mr. Nabi's career with the RDP Program give his opinions important weight with field staff. We think Mr. Nabi brings credibility to the position and his appointment indicates the importance that BRAC places on this task.

2. RDP has created an internal information-tracking unit named RDP-MIS. This is a healthy improvement insofar as it indicates a new level of seriousness about receiving information that is immediately useful to program staff. The unit is currently designing a quarterly branchwise report, which we believe will (and should) include both APO data and monthly financial statements. Branchwise reporting and branch-level accountability is essential for BRAC to sustain fast growth.

In this regard, we are encouraged by BRAC's evolution, although the requisite reports are not designed and the concept not yet tested in the organizational culture.

<u>**Recommendation:**</u> BRAC should maintain a strong financial monitoring capability outside the program area. Currently, aggregate financial records can be cross-checked by comparing the Collection Sheets (from Program Area) and the Revenue and Expense ledger (from Accounts). However, the Program area would be best served by also having independent, frequent monitoring audits of this information. This would ensure (i) the Program Collection Sheets are not misrepresented by field staff who want to please superiors, (ii) better transparency of the program to outside consultants, and (iii) shorter time lag in correcting data errors than awaiting accounting reconciliation.

6.4. ENVIRONMENTAL

6.4.1. Working with the other consultants, assess likely costs and/or savings involved in proposed program interventions in order to make them more environmentally sustainable.

We defer to the recommendations of the other consultants in this area.

Appendices A - K

BRAC LOAN PORTFOLIO SECTORWISE ANAYSIS
January – December 1994

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Taka (million)	970	1,016	1,016	1,034	1,057	1,081	1,112	1,135	1,152	1,209	1,269	1,318
Social Forestry	10%	11%	11%	11%	11%	11%	11%	11%	12%	12%	13%	14%
Vegetable	4%	4%	4%	4%	4%	5%	5%	5%	5%	6%	6%	6%
DTW Operation	1%	1%	1%	1%	1%	1%	1%	1%	1%	0	0%	0%
DTW Purchase	6%	7%	7%	7%	7%	7%	7%	7%	6%	4%	5%	5%
Fisheries	2%	2%	2%	2%	2%	1%	3%	4%	4%	4%	4%	4%
Livestocks	10%	10%	9%	10%	8%	8%	8%	8%	7%	8%	8%	8%
Poultry	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Cottage Industry	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%
Sericulture	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Services	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Rural Transport	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%	4%
Rural Trading	35%	34%	34%	34%	34%	35%	35%	35%	35%	35%	34%	34%
Food Processing	26%	26%	26%	26%	26%	26%	25%	25%	25%	25%	24%	24%
Health	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Miscellaneous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
NIBL**									3%	3%	2%	2%
Total	104%	105%	104%	105%	103%	104%	105%	106%	[illegible]	105%	105%	105%

APO	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total												
Past due												
0 wks	80%	81%	80%	80%	83%	86%	85%	86%	85%	88%	88%	92%
1–4 wks	5%	6%	6%	6%	5%	4%	5%	4%	4%	4%	4%	2%
5–12 wks	3%	4%	6%	4%	4%	3%	3%	3%	4%	3%	2%	1%
13–25 wks	4%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%
26–50 wks	5%	3%	3%	3%	3%	3%	3%	3%	2%	2%	2%	2%
>50 wks	4%	3%	3%	2%	1%	1%	4%	1%	1%	1%	1%	1%
NIBL**									3%	2%	2%	2%
	101%	100%	101%	98%	99%	100%	103%	100%	102%	100%	99%	100%

NIBL: These are Non-Interest Bearing Loans, which are those loans that BRAC managers believe are not collectable during this time period. When a loan is on non-accrual, no interest charges are building up; this is an appropriate method of making sure that the income statement does not show interest revenue that, in fact, will never be collected. NIBL loans should include those from borrowers who will never pay for reasons such as: extreme poverty, defiance, death, migration, family death, or physical incapacity.

BRAC provided us this information only from September 1994 onward.

APO Social Forestry Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	88%	89%	90%	90%	92%	95%	94%	94%	95%	95%	95%	97%
1–4 wks	4%	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%	1%
5–12 wks	2%	2%	3%	3%	2%	1%	1%	1%	1%	1%	1%	1%
13–25 wks	2%	1%	1%	2%	2%	1%	1%	1%	1%	1%	1%	1%
26–50 wks	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
>50 wks	2%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
	100%	98%	99%	100%	100%	101%	100%	100%	100%	100%	100%	101%

APO Vegetable Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	97%	97%	97%	97%	97%	97%	96%	96%	96%	96%	96%	97%
1–4 wks	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
5–12 wks	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
13–25 wks	1%	0%	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%
26–50 wks	1%	1%	1%	1%	1%	0%	0%	1%	1%	1%	1%	0%
>50 wks	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	100%	101%	100%	100%	101%	100%	99%	100%	100%	100%	100%	100%

APO DTW Operation Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	95%	92%	93%	93%	93%	91%	94%	95%	98%	89%	89%	86%
1–4 wks	1%	4%	2%	1%	0%	0%	1%	1%	0%	8%	4%	11%
5–12 wks	1%	2%	3%	4%	3%	0%	0%	2%	1%	2%	5%	2%
13–25 wks	0%	2%	1%	1%	3%	3%	2%	1%	0%	1%	1%	1%
26–50 wks	0%	0%	0%	1%	1%	3%	1%	0%	0%	0%	0%	0%
>50 wks	0%	0%	0%	0%	0%	2%	2%	1%	0%	0%	0%	0%
	97%	100%	99%	100%	100%	99%	100%	100%	99%	100%	99%	100%

APO Poultry Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	88%	82%	83%	82%	82%	86%	84%	83%	84%	84%	85%	90%
1–4 wks	1%	8%	5%	4%	4%	4%	4%	3%	3%	3%	3%	2%
5–12 wks	2%	2%	6%	7%	5%	3%	4%	5%	4%	3%	3%	2%
13–25 wks	2%	2%	2%	2%	4%	4%	4%	4%	4%	4%	4%	2%
26–50 wks	3%	3%	2%	3%	3%	2%	2%	3%	3%	3%	3%	3%
>50 wks	3%	3%	3%	2%	2%	1%	1%	2%	2%	2%	1%	1%
	99%	100%	101%	100%	100%	100%	99%	100%	100%	99%	99%	100%

APO Cottage Industry Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	89%	88%	88%	88%	89%	90%	89%	89%	90%	89%	90%	94%
1–4 wks	3%	5%	5%	4%	3%	4%	4%	4%	3%	4%	3%	2%
5–12 wks	1%	2%	3%	4%	3%	2%	3%	3%	2%	3%	2%	1%
13–25 wks	2%	2%	1%	2%	3%	2%	2%	2%	3%	2%	2%	2%
26–50 wks	2%	2%	2%	2%	1%	1%	1%	2%	2%	2%	2%	1%
>50 wks	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
	98%	100%	100%	101%	100%	99%	99%	100%	100%	100%	99%	100%

APO Sericulture Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	98%	83%	76%	76%	72%	74%	73%	74%	74%	76%	78%	83%
1–4 wks	0%	15%	10%	5%	6%	5%	5%	3%	3%	3%	2%	2%
5–12 wks	0%	0%	14%	16%	10%	6%	7%	6%	5%	5%	4%	1%
13–25 wks	0%	0%	0%	2%	11%	11%	10%	8%	7%	6%	5%	4%
26–50 wks	0%	0%	0%	0%	1%	2%	3%	7%	8%	9%	9%	8%
>50 wks	0%	0%	0%	0%	0%	1%	2%	2%	3%	2%	2%	1%
	98%	98%	100%	99%	100%	99%	100%	100%	100%	101%	100%	99%

APO DTW Purchase Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	96%	96%	97%	96%	97%	96%	95%	96%	99%	98%	98%	97%
1-4 wks	1%	1%	0%	1%	0%	1%	1%	0%	0%	0%	0%	2%
5-12 wks	1%	1%	0%	1%	1%	0%	1%	1%	0%	1%	1%	0%
13-25 wks	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
26-50 wks	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
>50 wks	2%	1%	1%	0%	1%	1%	1%	1%	0%	0%	0%	0%
	101%	100%	100%	100%	101%	100%	100%	100%	100%	100%	100%	100%

APO Fisheries Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	80%	79%	81%	83%	85%	92%	93%	94%	94%	95%	95%	96%
1-4 wks	1%	4%	2%	2%	2%	1%	1%	1%	1%	0%	1%	1%
5-12 wks	2%	1%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
13-25 wks	3%	3%	2%	2%	2%	1%	1%	1%	1%	1%	1%	0%
26-50 wks	10%	10%	9%	8%	7%	2%	1%	1%	2%	1%	1%	1%
>50 wks	4%	4%	3%	3%	3%	1%	1%	1%	2%	1%	1%	1%
	100%	101%	99%	100%	101%	99%	98%	99%	101%	99%	100%	100%

APO Livestocks Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	62%	63%	66%	65%	66%	71%	71%	71%	75%	76%	77%	85%
1-4 wks	5%	5%	6%	7%	6%	5%	6%	5%	5%	5%	5%	3%
5-12 wks	4%	4%	5%	5%	5%	4%	4%	4%	4%	4%	4%	3%
13-25 wks	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%	3%	2%
26-50 wks	9%	8%	8%	8%	7%	6%	6%	5%	5%	4%	4%	3%
>50 wks	15%	14%	11%	11%	11%	10%	10%	10%	9%	7%	7%	5%
	100%	99%	101%	101%	100%	100%	101%	99%	102%	100%	100%	101%

APO Services Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	71%	72%	74%	73%	74%	79%	79%	79%	81%	81%	86%	91%
1–4 wks	8%	9%	5%	5%	4%	4%	4%	5%	4%	4%	5%	3%
5–12 wks	4%	4%	7%	7%	4%	3%	3%	2%	2%	2%	2%	1%
13–25 wks	4%	5%	4%	4%	7%	6%	6%	5%	5%	3%	2%	2%
26–50 wks	6%	5%	4%	4%	4%	4%	4%	5%	5%	6%	3%	2%
>50 wks	6%	6%	6%	6%	7%	4%	4%	4%	4%	4%	1%	1%
	99%	101%	100%	99%	100%	100%	100%	100%	101%	100%	99%	100%

APO Rural Transport Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	70%	74%	79%	79%	81%	85%	86%	87%	89%	89%	90%	94%
1–4 wks	5%	4%	5%	6%	4%	3%	4%	3%	3%	3%	3%	1%
5–12 wks	3%	3%	3%	3%	3%	2%	2%	2%	2%	1%	1%	1%
13–25 wks	4%	4%	3%	3%	3%	2%	2%	2%	2%	2%	1%	1%
26–50 wks	8%	7%	5%	5%	4%	4%	3%	3%	3%	2%	2%	2%
>50 wks	10%	8%	5%	5%	5%	4%	4%	4%	3%	3%	1%	1%
	100%	100%	100%	101%	100%	100%	101%	101%	102%	100%	98%	100%

APO Rural Trading Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	82%	81%	81%	80%	82%	85%	84%	85%	87%	87%	88%	92%
1–4 wks	5%	7%	7%	7%	6%	5%	5%	5%	4%	5%	4%	2%
5–12 wks	3%	3%	5%	6%	5%	3%	3%	3%	3%	3%	2%	1%
13–25 wks	3%	3%	3%	3%	4%	3%	3%	3%	3%	3%	3%	2%
26–50 wks	3%	4%	3%	3%	3%	1%	3%	3%	3%	3%	3%	2%
>50 wks	6%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
	102%	99%	100%	100%	101%	98%	99%	100%	100%	101%	100%	99%

APO Food Processing Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	78%	80%	81%	79%	81%	84%	82%	83%	85%	83%	84%	90%
1–4 wks	7%	6%	7%	9%	7%	6%	7%	6%	6%	7%	6%	3%
5–12 wks	4%	4%	4%	4%	4%	3%	4%	4%	4%	4%	3%	2%
13–25 wks	5%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	2%
26–50 wks	5%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	2%
>50 wks	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
	100%	99%	101%	101%	101%	100%	100%	100%	101%	100%	99%	99%

APO Health Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	91%	93%	91%	91%	89%	91%	90%	89%	89%	84%	83%	88%
1–4 wks	1%	2%	4%	4%	5%	3%	4%	5%	4%	6%	7%	5%
5–12 wks	1%	0%	0%	0%	1%	1%	1%	1%	1%	3%	3%	2%
13–25 wks	1%	1%	1%	1%	0%	0%	1%	1%	1%	1%	1%	1%
26–50 wks	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%
>50 wks	4%	3%	3%	3%	3%	3%	4%	3%	3%	3%	3%	2%
	99%	100%	100%	100%	99%	99%	101%	100%	99%	99%	99%	100%

APO Miscellaneous Past due	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
0 wks	70%	73%	75%	71%	74%	80%	67%	72%	73%	73%	73%	83%
1–4 wks	9%	9%	9%	10%	9%	9%	18%	10%	7%	6%	6%	3%
5–12 wks	7%	7%	6%	6%	6%	3%	8%	10%	9%	6%	5%	3%
13–25 wks	5%	4%	3%	6%	4%	3%	3%	3%	5%	8%	9%	6%
26–50 wks	8%	7%	6%	6%	6%	3%	3%	3%	4%	4%	5%	4%
>50 wks	2%	1%	1%	1%	0%	2%	2%	2%	2%	3%	3%	2%
	101%	101%	100%	100%	99%	100%	101%	100%	100%	100%	101%	101%

BRAC HOUSING LOAN PORTFOLIO ANALYSIS

(January – December 1994)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total (Tk millions)	43	43	42	45	48	54	60	n/a	81	95	109	123
Past Due												
0 wks	41%	30%	30%	35%	40%	45%	49%	n/a	56%	58%	60%	61%
1–4 wks	33%	6%	6%	6%	6%	5%	6%	n/a	8%	8%	9%	11%
5–12 wks	5%	5%	5%	4%	3%	3%	3%	n/a	4%	4%	5%	4%
13–25 wk	1%	8%	7%	6%	5%	4%	3%	n/a	3%	2%	2%	2%
26–50 wk	2%	16%	16%	15%	14%	12%	9%	n/a	6%	4%	3%	3%
51–100 w	8%	19%	20%	19%	17%	16%	15%	n/a	13%	19%	9%	14%
>100 wks	10%	16%	16%	15%	15%	15%	15%	n/a	10%	5%	.9%	5%
Total	100%	100%	100%	100%	100%	100%	100%	n/a	100%	100%	97%	100%

RDP + RCP Members Admission & Dropout During 1994

Branch Age	12/31/93 Members	January New.	January Loss	February New.	February Loss	March New.	March Loss	April New.	April Loss	May New.	May Loss	June New.	June Loss
Total	833,894	30,827	6,075	29,927	7,014	27,125	8,179	25,501	8,826	21,238	7,392	22,861	14,074
Yr 9	57,997	465	283	859	753	509	4,356	698	498	593	313	396	1,222
Yr 8	109,868	1,097	1,601	1,342	1,408	1,317	724	1,380	937	1,206	1,201	1,207	2,422
Yr 7	110,983	1,224	1,372	1,206	1,317	1,014	696	471	1,630	714	1,750	1,230	2,037
Yr 6	107,012	1,672	668	2,216	917	1,417	398	1,304	1,971	926	1,445	980	3,619
Yr 5	109,820	2,983	1,090	2,362	1,107	1,795	558	1,186	1,321	1,026	880	1,440	2,156
Yr 4	152,113	3,391	602	3,345	588	5,059	902	2,746	1,797	2,513	1,399	2,330	1,851
Yr 3	105,282	4,658	106	3,431	101	2,051	79	2,836	84	2,129	126	2,691	187
Yr 2	72,715	15,172	348	4,661	823	3,353	457	4,297	580	2,551	268	3,277	535
Yr 1	0	0	0	9,995	0	10,220	0	10,054	2	9,278	1	9,062	0
PCRDP	8,104	165	5	510	0	390	9	529	6	302	9	248	45

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Branch Age	July New.	July Loss	August New.	August Loss	September New.	September Loss	October New.	October Loss	November New.	November Loss	December New.	December Loss	Total New	Total Loss	12/31/94 Members	Loss to New Member Ratio
Total	18,230	7,952	18,255	7,031	17,363	8,785	26,270	9,064	27,042	10,758	14,098	10,383	279,337	105,533	1,007,698	38%
Yr 9	523	662	607	501	1,158	930	1,556	621	1,221	540	687	842	9,272	11,521	55,748	124%
Yr 8	1,379	935	1,049	859	1,270	1,147	2,258	1,210	1,637	1,425	1,362	1,787	16,504	15,656	110,716	95%
Yr 7	696	1,301	939	723	1,478	1,274	3,537	1,244	1,839	1,610	1,173	648	15,521	15,602	110,902	101%
Yr 6	1,056	1,369	855	1,329	1,650	1,239	2,548	1,358	3,970	1,517	1,658	1,754	20,252	17,584	109,680	87%
Yr 5	1,126	920	2,095	1,046	1,564	1,056	3,698	1,354	1,808	922	1,860	2,074	22,943	14,484	118,279	63%
Yr 4	2,139	1,629	1,936	1,687	2,033	1,849	3,583	2,236	5,542	2,100	2,613	1,870	37,230	18,510	170,833	50%
Yr 3	1,866	499	1,916	321	1,879	231	2,406	364	2,292	1,892	1,357	515	29,512	4,505	130,289	15%
Yr 2	2,174	573	2,607	463	1,622	745	1,926	553	2,564	623	2,123	586	46,327	6,554	112,488	14%
Yr 1	6,952	3	5,906	8	4,507	9	4,561	59	6,028	38	1,752	277	78,315	397	77,918	1%
PCRDP	319	61	345	94	202	305	197	65	141	91	113	30	3,461	720	10,845	21%

Sector Budget Analysis
Composition of Total RDP IV Budget 1986–2000
(Tk millions)

Sector	Staff Salary & Training	%	Member Training	%	New Product Dvpmt	%	Capital Investment	%	HO & RO Allocation	Total Budget*	Service Charges	% Cost Recovery
Poultry/Livestock	109.5	53%	28.7	14%	4.0	2%	45.0	22%	19.0	206.2	60.4	29.3%
Fisheries	60.5	47%	10.6	8%	17.5	14%	20.0	16%	11.8	129.0	38.1	29.5%
Social Forestry	75.9	82%	1.7	2%	5.0	5%	5.0	5%	6.4	92.8	4.9	5.3%
Sericulture – Core	154.0	48%	34.7	11%	10.0	3%	175.0	54%	29.4	323.0	72.3	22.4%
Sericulture – RCE	0	0%	0	0%	0	0%	117.0	100%	0.0	117.0		
Sericulture – Total	154.0	35%	34.7	8%	10.0	2%	292.0	66%	29.4	440.0	72.3	16.4%
REP	15.6	11%	27.0	19%	85.0	59%	0.0	0%	15.4	143.0		
Vegetable	50.1	49%	5.7	6%	5.0	5%	30.0	30%	10.6	101.4	43.7	43.1%
Mkt Dvpmt Program	0.0	0%	0.0	0%	50.0	100%	0.0	0%	0.0	50.0		
TOTAL	619.6	35%	143.1	8%	186.5	11%	684.0	39%	122.0	1,755.2	291.7	16.6%
H.Rights & L.Ed.	91.7		62.0		20.0		0.0		15.3	189.0	?	

* Total BUdget may not equal sum of columns due to exclusion of small budget items.

8% mem training → direct benefit
92% BRAC devlpt → indirect benefit.) is this an accurate interpretation.

BRAC LOAN DISBURSEMENT FORECAST (1996–2000)

Sector Loans:	Target	Actual 1994	1996	1997	1998	1999	2000	Total
Poultry	Disbursements (in million Taka)	169 (Pltry + Lvsk)	56	68	76.7	86.9	65.8	353.4
	% of Total	8%	1%	1%	1%	2%	1%	1%
	Number of loans							
Livestock	Disbursements (in million Taka)	(above)	143.3	162.7	234.3	175.5	245.6	961.4
	% of Total		4%	4%	5%	3%	4%	4%
	Number of loans							
Fishery	Disbursements (in million Taka)	85	200.1	257.8	328.3	382.7	412.2	1581.1
	% of Total	4%	5%	6%	6%	7%	7%	6%
	Number of loans							
Sericulture	Disbursements (in million Taka)	n/a	25	37.5	50	62.5	50	225
	% of Total		1%	1%	1%	1%	1%	1%
	Number of loans		5,000	7,500	10,000	12,500	10,000	
Vegetable & Horticulture	Disbursements (in million Taka)	275 (Veg + S.F.)	200	225	250	275	300	1250
	% of Total	13%	5%	5%	5%	5%	5%	5%
	Number of loans		40,000	45,000	50,000	55,000	60,000	
Social Forestry	Disbursements (in million Taka)	(above)	16.1	24.5	32	38.8	45	156.4
	% of Total		0%	1%	1%	1%	1%	1%
	Number of loans		3,500	5,000	6,400	7,550	8,600	
Total Sector Loan Disbursements			640.5	775.5	971.3	1021.4	1118.6	4527.3
% of Total Disbursements			20%	20%	23%	22%	22%	22%
Loans for Traditional Activities:			3,125	3,805	4,210	4,678	5,010	20,829
% of Total Disbursements			83%	83%	81%	82%	82%	82%
Total Disbursement Target (Tk millions)		2,137	3,766	4,581	5,182	5,700	6,129	25,357
% of Total Disbursements		100%	100%	100%	100%	100%	100%	100%

Note:	These figures do not include Irrigation (which amounted to 3% of disbursements in 1994) and Housing (which was 5% of 1994 disbursements).
Conclusion:	In the RDP IV document, BRAC states its intention to make sector loans 50% of the portfolio. These preliminary data from BRAC are not consistent with that objective.

BRAC LOAN DISBURSEMENT FORECAST (1996–2000)

Supporting Schedules

No. of Branches Branch Age	1996	1997	1998	1999	2000
1	30	35	0	0	0
2	40	30	35	0	0
3	47	53	30	35	0
4	25	47	53	30	35
5	20	25	47	53	30
6	30	20	25	47	53
7	21	30	20	25	47
8	19	21	30	20	25
9	20	19	21	30	20
10	20	20	19	21	30
11	10	20	20	19	21
12		10	20	20	19
13			10	20	20
14				10	20
15					10
Total	282	330	330	330	330

Disbursements for Model Branch (Tk 000)

Branch Age	1996	1997	1998	1999	2000
1	3,750	3,750	3,750	3,750	3,750
2	6,600	6,600	6,600	6,600	6,600
3	9,800	9,800	9,800	9,800	9,800
4	12,425	12,425	12,425	12,425	12,425
5	14,000	14,000	14,000	14,000	14,000
6	16,000	16,000	16,000	16,000	16,000
7	18,000	18,000	18,000	18,000	18,000
8	20,000	20,000	20,000	20,000	20,000
9	22,000	22,000	22,000	22,000	22,000
10	22,000	22,000	22,000	22,000	22,000
11	22,000	22,000	22,000	22,000	22,000
12	22,000	22,000	22,000	22,000	22,000
13	22,000	22,000	22,000	22,000	22,000
14	22,000	22,000	22,000	22,000	22,000
15	22,000	22,000	22,000	22,000	22,000

Total Projected Disbursements (= # of Branches x Model Branch Disbursements)

Branch Age	1996	1997	1998	1999	2000
1	112,500	131,250	0	0	0
2	264,000	198,000	231,000	0	0
3	460,600	519,400	294,000	343,000	0
4	310,625	583,975	658,525	372,750	434,875
5	280,000	350,000	658,000	742,000	420,000
6	480,000	320,000	400,000	752,000	848,000
7	378,000	540,000	360,000	450,000	846,000
8	380,000	420,000	600,000	400,000	500,000
9	440,000	418,000	462,000	660,000	440,000
10	440,000	440,000	418,000	462,000	660,000
11	220,000	440,000	440,000	418,000	462,000
12	0	220,000	440,000	440,000	418,000
13	0	0	220,000	440,000	440,000
14	0	0	0	220,000	440,000
15	0	0	0	0	220,000
Total	3,765,725	4,580,625	5,181,525	5,699,750	6,128,875

BRAC SECTOR LOAN DISBURSEMENT FORECAST (1996–2000)

SECTOR.WK1

Supporting Schedules

Sector	Targets	1996	1997	1998	1999	2000
Poultry	No.of Poultry Worker	1,500	1,750	0	0	0
	Key Rearers	35,000	32,500	17,500	0	0
	Chick Rearers	700	650	350	0	0
	Pullet Rearers	1,245	1,245	1,245	0	0
	Model Rearers	2,490	2,490	2,490	0	0
	Hatchery	410	410	410	0	0
	Feed Seller	30	35	0	0	0
	total no. of borrowers	41,375	39,080	21,995	0	0
	Loan disbursement (Tk million)	56.0	68.0	76.7	86.9	65.8
Livestock	No. of Cow rearers	21,500	37,600	44,700	49,500	49,500
	No. of Goat rearers	21,500	37,600	44,700	49,500	49,500
	Total no. of borrowers	43,000	75,200	89,400	99,000	99,000
	Loan disbursement (Tk million)	143.3	162.7	234.3	175.5	245.6
Fishery	Carp/prawn polyculture	156.3	201.6	256.5	297.0	320.8
	Sarputi culture	25.1	30.8	37.3	41.0	43.0
	Carp nursery	14.0	17.5	21.0	24.5	28.0
	Prawn	2.9	7.1	12.9	19.0	20.4
	Small hatchery	1.8	0.9	0.6	0.6	0.0
	Loan disbursement (Tk million)	200.1	257.9	328.3	382.1	412.2
Sericulture	No. of Silkworn Rearers	5,000	7,500	10,000	12,500	10,000
	Avg. loan size (Taka)	5,000	5,000	5,000	5,000	5,000
	Loan disbursement (Tk million)	25.0	37.5	50.0	62.5	50.0
Social Forestry	Forest fruit nursery					
	Number of Borrowers	2,400	2,800	3,000	3,000	3,000
	Avg. loan size (Taka)	4,000	4,000	4,000	4,000	4,000
	Loan disbursement (in 000 Tk)	9,600	11,200	12,000	12,000	12,000
	Grafting Nursery					
	Number of Borrowers	100	250	400	550	600
	Avg. loan size (Taka)	5,000	5,000	5,000	5,000	5,000
	Loan disbursement (in 000 Tk)	500	1,250	2,000	2,750	3,000
	Agroforestry					
	Number of Borrowers	1,000	2,000	3,000	4,000	5,000
	Avg. loan size (Taka)	6,000	6,000	6,000	6,000	6,000
	Loan disbursement (in 000 Tk)	6,000	12,000	18,000	24,000	30,000
Total for Social Forestry		16.1	24.5	32	38.8	45
Vegetable & Horticulture	No. of borrowers (in 000)	40,000	45,000	50,000	55,000	60,000
	Avg. loan size (in 000 Tk)	5,000	5,000	5,000	5,000	5,000
	Loan disbursement (Tk million)	200	225	250	275	300
Total Sector Disbursements (Tk millions)		640.5	775.6	971.3	1,020.8	1,118.6

RDP/RCP MODEL BRANCH
Assumptions v. Actual

Age	Characteristic	1989 Proj. Doc.	91/92 Rev'd Budget	1993 Int'l Targets	1994 Int'l Targets	1993 Actual	1994 Actual	Consultants Estimate
Yr 1	# of Members	2,500	2,500	2,500	3,200	3,333	3,122	
	# of Loans	600	700	1,200	2,500	954	1,595	
	Avg Loan Size (Tk)	1,600	1,600	1,200	1,500	1,705	2,045	
	Yr–End O/S (Tk)	612	679	851	2,053	1,317	2,483	
	Disb. (Tk)	960	1,120	1,440	3,750	1,627	3,262	
	Savings (Total)	150	156	192	284	414	553	
	Savings (Own)				86			
	Group Fund	38	45	57	–	95	114	
Yr 2	# of Members	5,500	5,500	5,500	4,800	4,211	4,606	
	# of Loans	1,400	1,800	2,500	3,000	2,282	2,795	
	Avg Loan Size (Tk)	1,857	1,833	1,800	2,200	2,034	2,265	
	Yr–End O/S (Tk)	1,858	2,192	2,853	3,946	2,735	4,034	
	Disb. (Tk)	2,600	3,300	4,500	6,600	4,642	6,331	
	Savings (Total)	575	641	777	786	968	1,392	
	Savings (Own)				337			
	Group Fund	1,424	177	237	–	171	288	
Yr 3	# of Members	6,000	6,000	6,000	6,000	5,070	5,752	
	# of Loans	2,400	3,000	2,800	3,800	3,117	4,382	
	Avg Loan Size (Tk)	2,100	2,100	2,500	2,600	2,241	2,366	
	Yr–End O/S (Tk)	3,832	4,475	4,815	6,063	4,345	5,987	
	Disb. (Tk)	5,040	6,300	7,000	9,800	6,986	10,368	
	Savings (Total)	1,150	1,436	1,667	1,587	1,443	2,139	
	Savings (Own)				690			
	Group Fund	344	429	517	–	397	530	
Yr 4	# of Members	6,000	6,000	6,000	6,000	5,491	5,947	
	# of Loans	3,400	4,000	3,200	4,000	3,542	4,283	4,000
	Avg Loan Size (Tk)	2,394	2,443	2,800	3,100	2,594	2,781	2,700
	Yr–End O/S (Tk)	6,457	7,306	6,493	7,937	6,347	7,008	6,931
	Disb. (Tk)	8,140	9,770	8,960	12,425	9,188	11,910	10,800
	Savings (Total)	1,750	2,404	2,656	2,432	2,129	2,592	
	Savings (Own)				1,012			
	Group Fund	665	820	875	–	591	797	
Yr 5	# of Members	6,000	6,000	6,000	6,000	5,350	6,043	
	# of Loans	4,000	5,000	3,500	4,000	3,540	4,297	4,000
	Avg Loan Size (Tk)	2,715	2,692	2,800	3,500	2,511	3,040	3,200
	Yr–End O/S (Tk)	9,050	10,461	7,442	9,220	7,413	8,362	8,227
	Disb. (Tk)	10,860	13,460	9,800	14,000	8,888	13,065	12,800
	Savings (Total)	2,350	3,557	3,685	2,803	2,064	3,054	
	Savings (Own)				1,673			
	Group Fund	1,104	1,358	1,268	–	658	889	

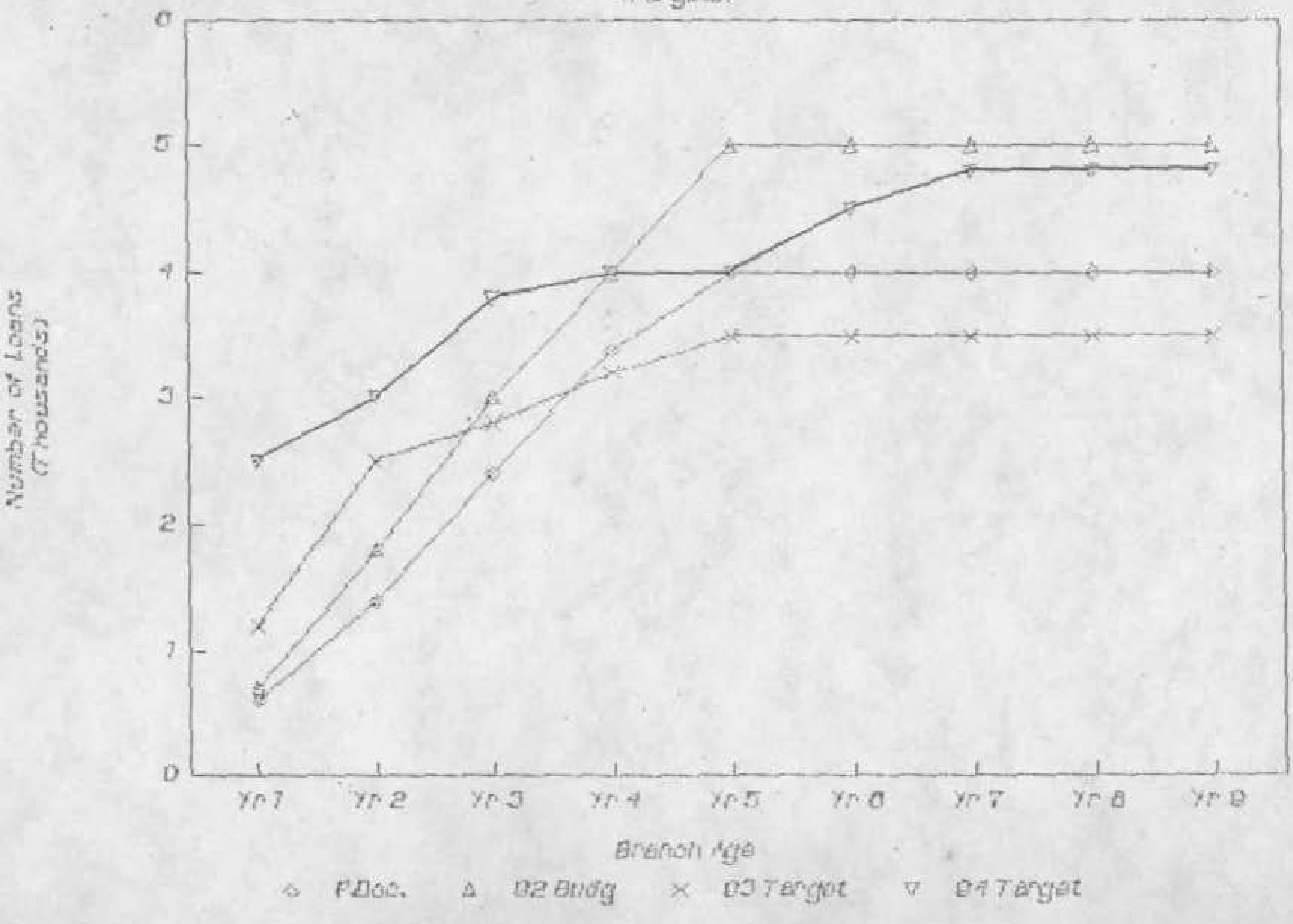
RDP/RCP MODEL BRANCH
Assumptions v. Actual

(Cont'd)

Age	Characteristic	1989 Proj. Doc.	91/92 Rev'd Budget	93 Int'l Targets	94 Int'l Targets	1993 Actual	1994 Actual	Consultants Estimate
Yr 6	# of Members	6,000	6,000	6,000	6,000	5,549	6,000	
	# of Loans	4,000	5,000	3,500	4,500	3,355	3,854	4,000
	Avg Loan Size (Tk)	3,130	2,910	3,000	3,600	3,113	3,065	3,400
	Yr–End O/S (Tk)	10,949	11,666	8,131	10,640	8,968	8,556	8,911
	Disb. (Tk)	12,523	13,750	10,500	16,000	10,445	11,813	18,000
	Savings (Total)	2,956	4,725	4,750	3,948	2,799	2,664	
	Savings (Own)				2,202			
	Group Fund	1,605	1,908	1,688	–	1,034	701	
Yr 7	# of Members	6,000	6,000	6,000	6,000	5,493	5,755	
	# of Loans	4,000	5,000	3,500	4,800	3,599	3,772	4,000
	Avg Loan Size (Tk)	3,395	3,230	3,100	3,750	3,119	3,587	3,600
	Yr–End O/S (Tk)	12,223	12,954	8,523	12,056	9,201	9,558	9,497
	Disb. (Tk)	13,580	15,050	10,850	18,000	11,227	13,532	14,400
	Savings (Total)	3,550	5,958	5,832	5,220	3,241	3,388	
	Savings (Own)				2,626			
	Group Fund	2,148	2,510	2,122	–	1,024	1,105	
Yr 8	# of Members	6,000	6,000	6,000	6,000	5,799	5,891	
	# of Loans	4,000	5,000	3,500	4,800	2,878	4,203	4,000
	Avg Loan Size (Tk)	3,500	3,430	3,200	4,200	2,734	3,919	3,600
	Yr–End O/S (Tk)	12,879	13,760	8,839	13,461	9,486	11,302	9,615
	Disb. (Tk)	14,000	15,750	11,200	20,000	7,868	16,473	14,400
	Savings (Total)			6,932	6,452	2,487	4,279	
	Savings (Own)				2,965			
	Group Fund			2,570	–	683	1,195	
Yr 9	# of Members	6,000	6,000	6,000	6,000	N/A	6,162	
	# of Loans	4,000	5,000	3,500	4,800		3,279	4,000
	Avg Loan Size (Tk)	3,500	3,430	3,200	4,600		3,586	3,600
	Yr–End O/S (Tk)	12,879	13,760	8,839	14,859		9,766	9,655
	Disb. (Tk)	14,000	15,750	11,200	22,000		11,759	14,400
	Savings (Total)			6,932	7,790		2,882	
	Savings (Own)				3,235			
	Group Fund			2,570	–		571	

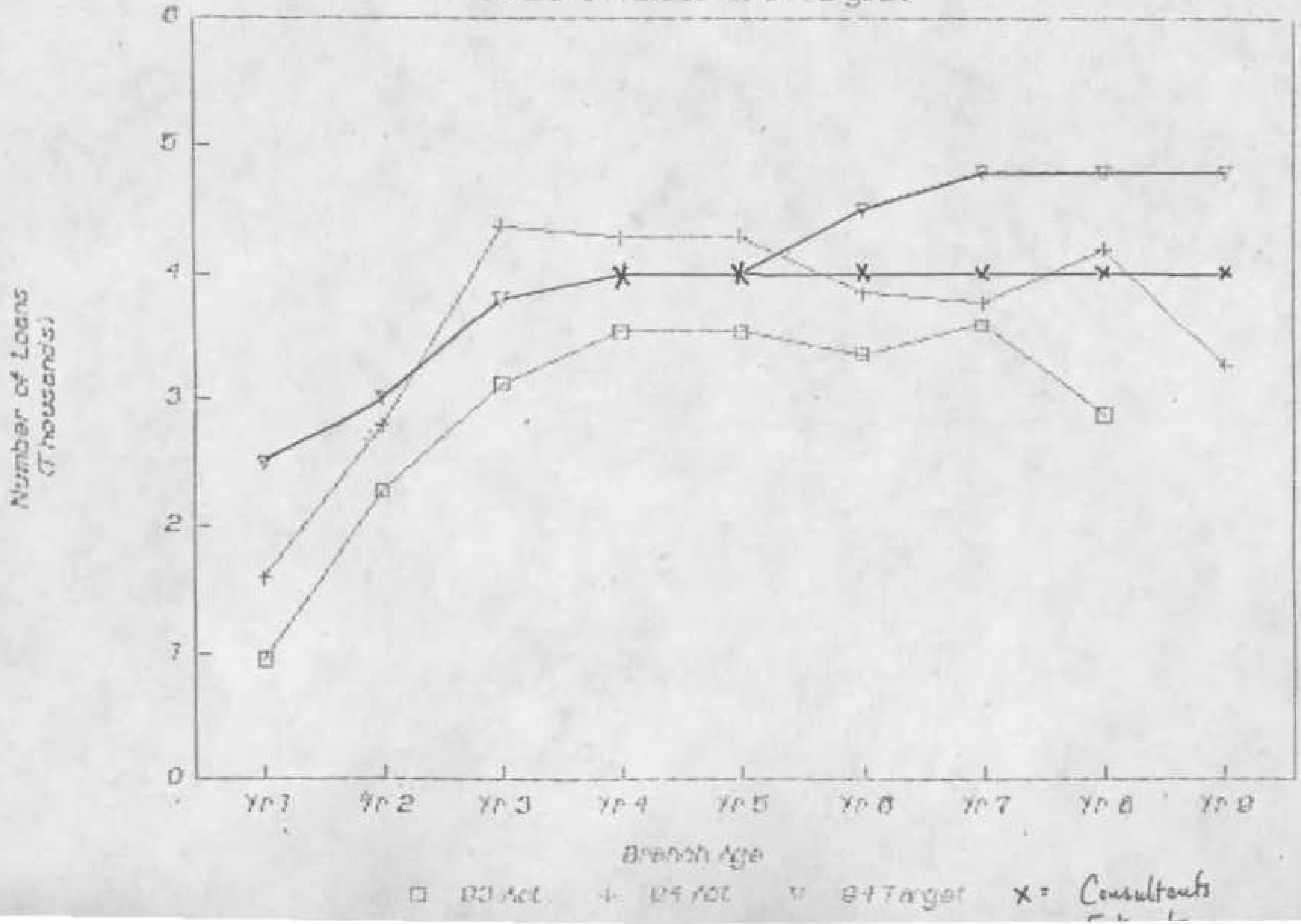
Projected Number of Loans

(Targets)



Projected Number of Loans

('83 and '84 Actuals vs. '84 Targets)



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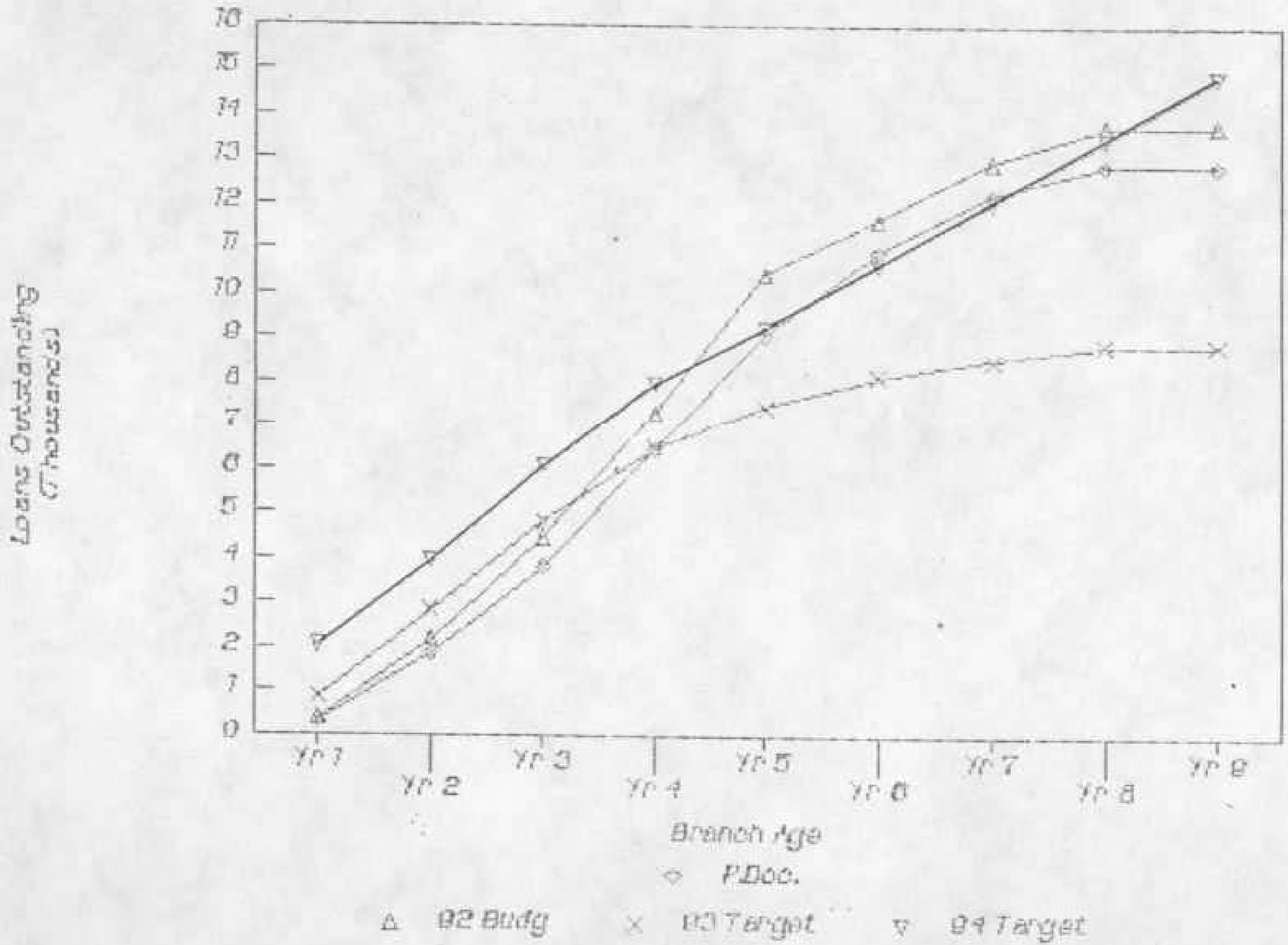
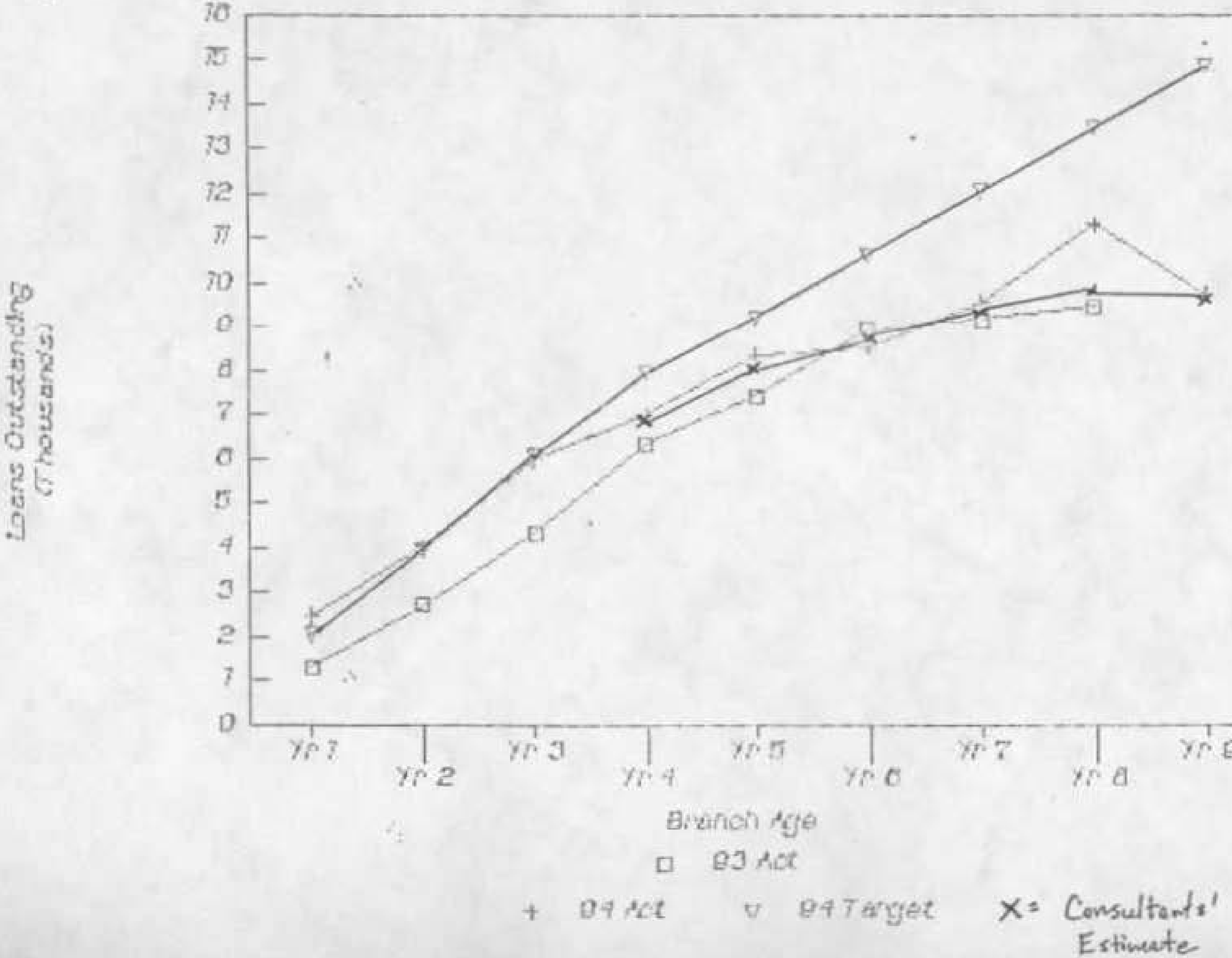
Projected Loans Outstanding

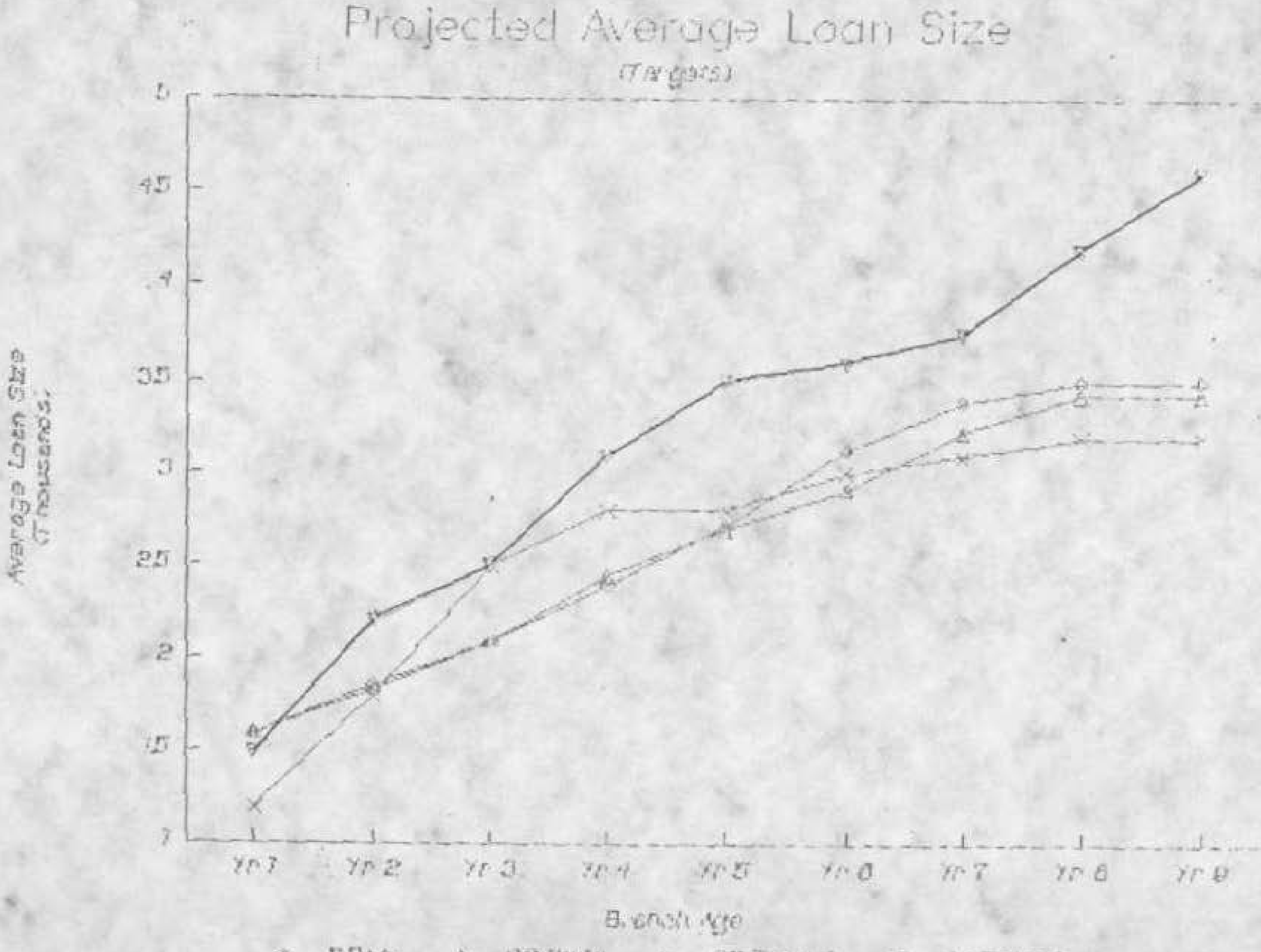
(Targets)



Projected Loans Outstanding

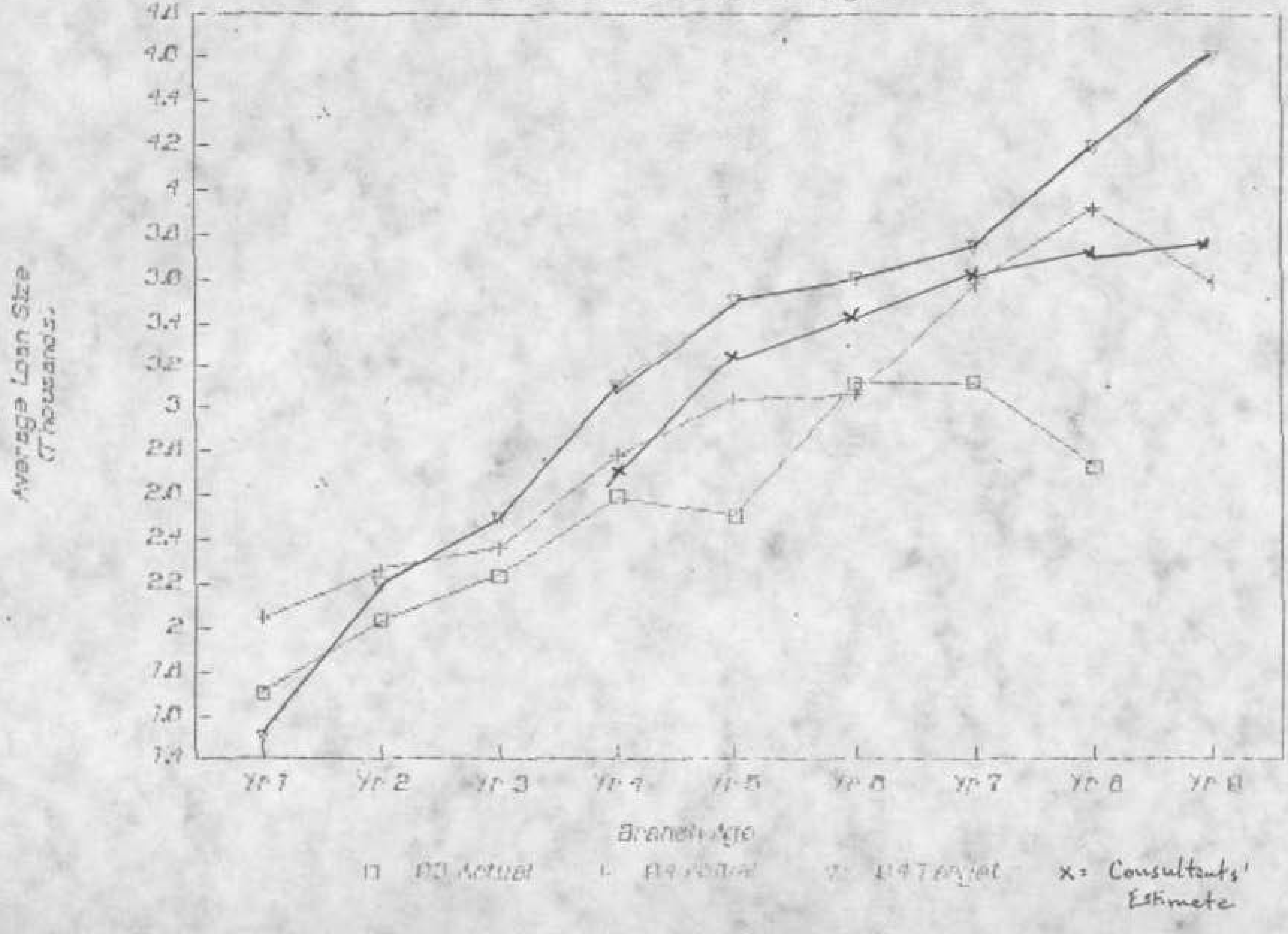
('83 and '84 Actuals vs. '84 Targets)




Projected Average Loan Size
(Targets)
Average Loan Size
(Thousands)
4.5
4
3.5
3
2.5
2
1.5
Yr 1
Yr 2
Yr 3
Yr 4
Yr 5
Yr 6
Yr 7
Yr 8
Yr 9
Branch Age
Q4 Target

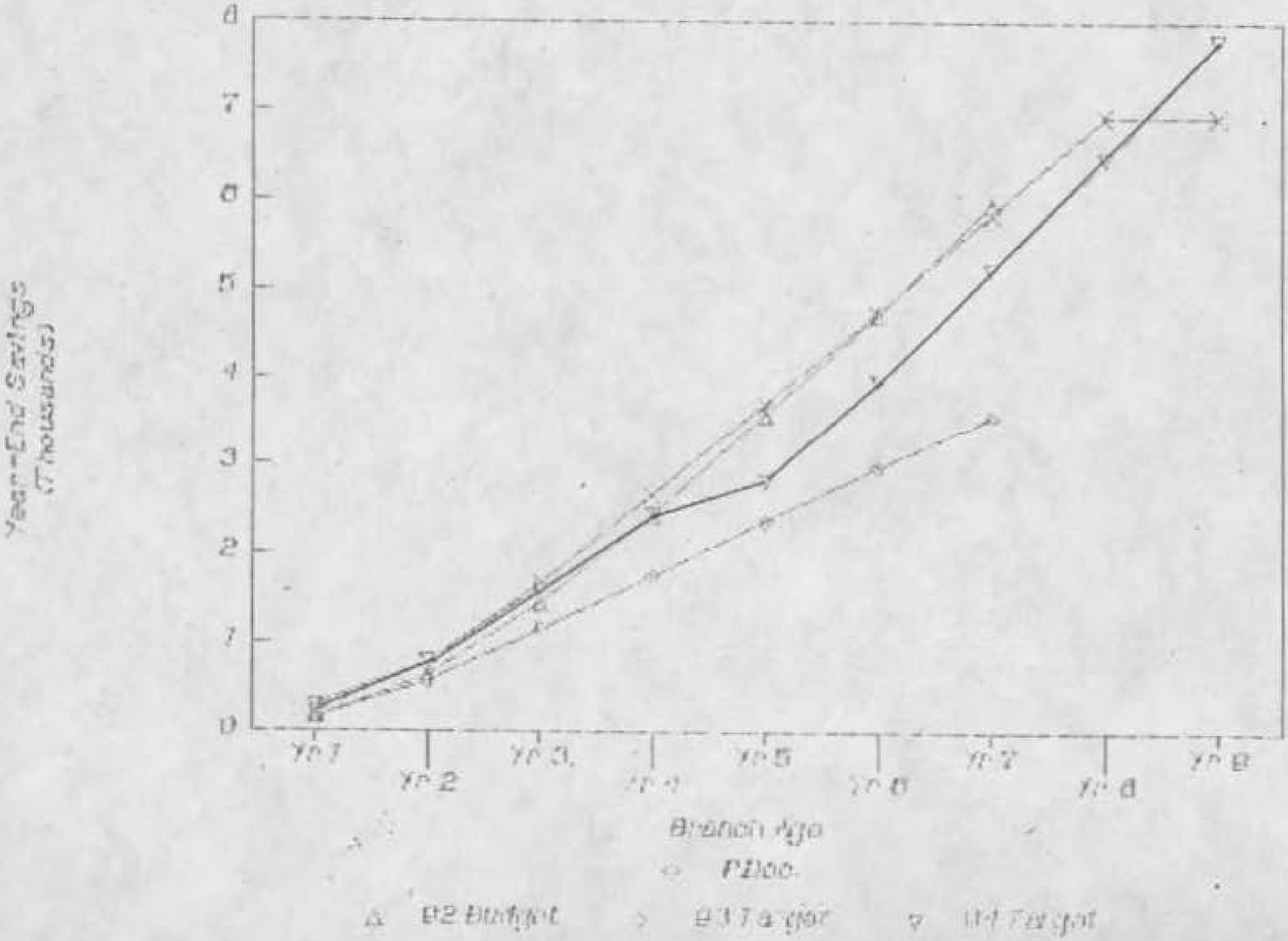
Projected Average Loan Size

('83 and '84 Actuals vs. '84 Target)



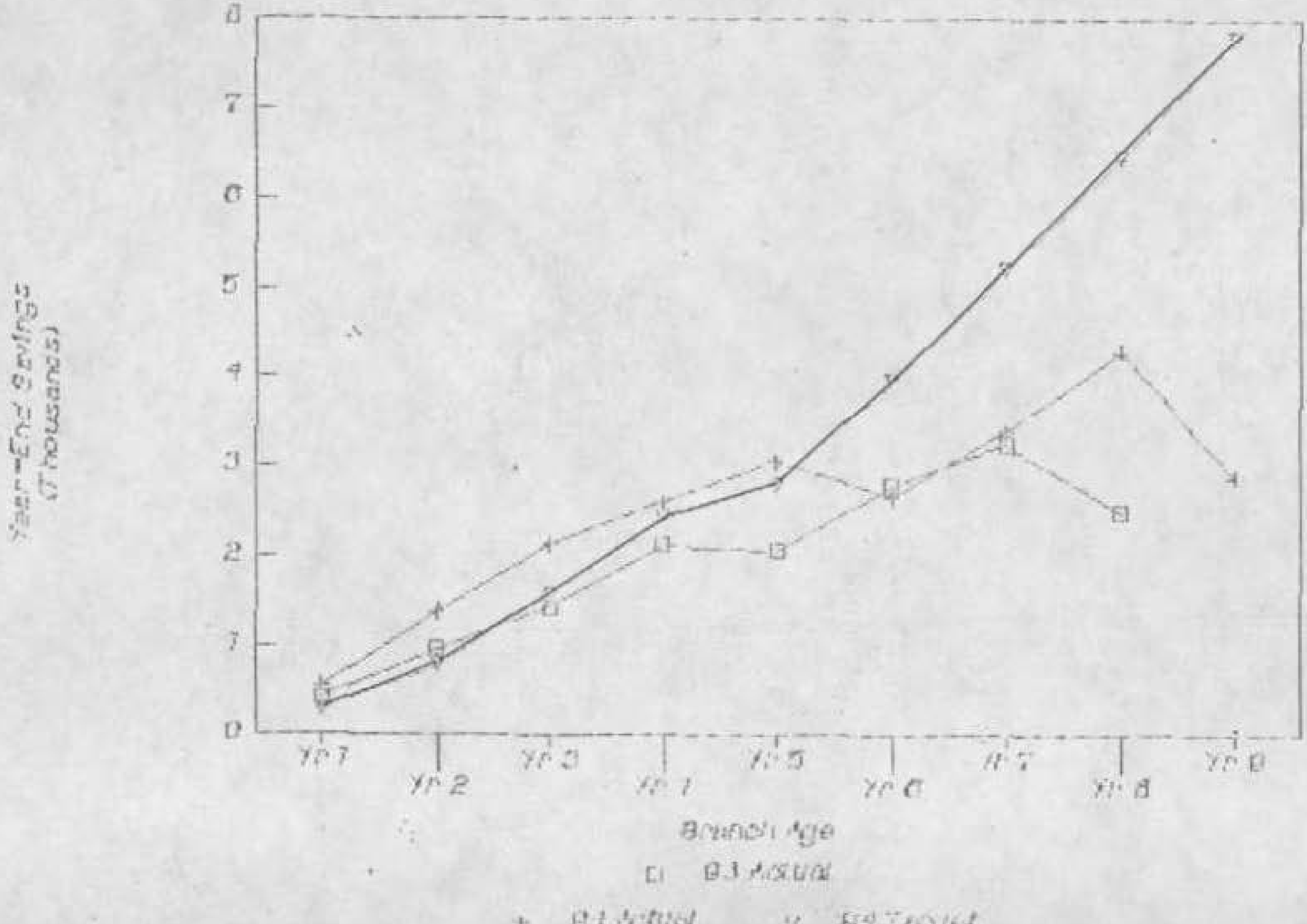
Projected Year-End Savings

(Targets)

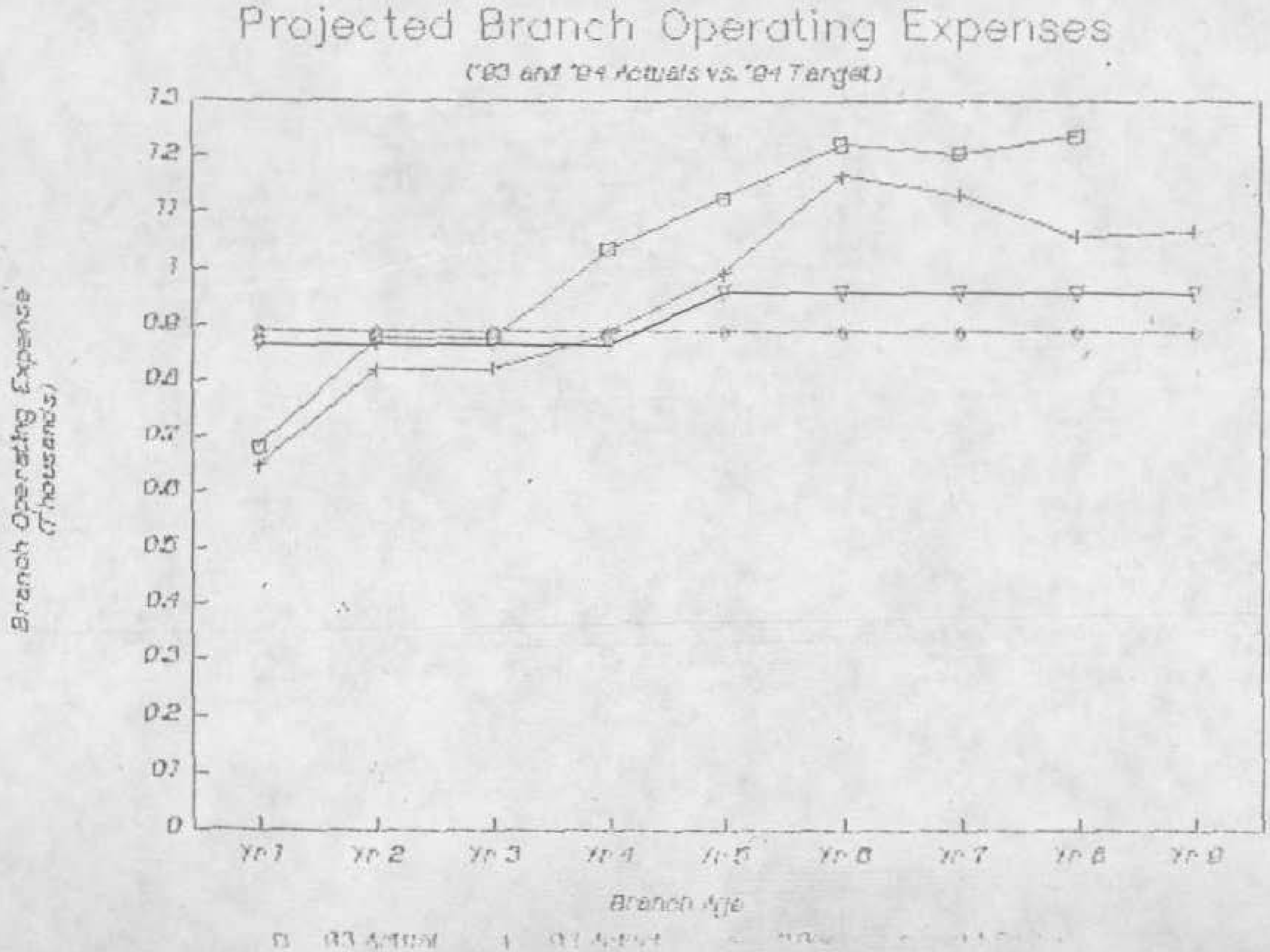


Projected Year-End Savings

(83 and 84 Actuals vs. 84 Target)



9.9



Projected Branch Operating Expenses
('83 and '84 Actuals vs. '84 Target)
Branch Operating Expense
(Thousands)
0
0.2
0.4
0.6
0.8
1.2
Yr 1
Yr 2
Yr 3
Yr 4
Yr 7
Yr 9
Branch Age

Members Own Savings: 1994 and 1993 Data

SB.wk1

Branch Age	1994 Average Members	Closing Bal. 1993 Actual Own Savings	Net Change During 1994 Members Own	1994 Members Own Per Member	1994 Members Own Contributed Per Week	1994 Closing Bal. Members Own Savings	1994 Branches	1994 Closing Bal. Members Own Per Branch	1993 Closing Bal. Members Own Own Savings	1993 Branches	1993 Closing Bal. Members Own Per Branch
Total	920,796	184,610,941	82,318,310	89.40	1.79	527,895,160	195	2,707,155	184,610,941	165	1,118,854
Yr 9	56,873	---	794,126	13.96	0.28	14,822,599	10	1,482,260	---		
Yr 8	110,292	14,028,473	8,869,328	80.42	1.61	44,373,807	20	2,218,690	14,028,473	10	1,402,847
Yr 7	110,943	35,504,479	5,981,934	53.92	1.08	36,209,445	20	1,810,472	35,504,479	20	1,775,224
Yr 6	108,346	30,227,511	4,148,073	38.29	0.77	26,329,905	19	1,385,784	30,227,511	20	1,511,376
Yr 5	114,050	22,181,832	10,848,569	95.12	1.90	36,148,551	21	1,721,360	22,181,832	20	1,109,092
Yr 4	161,473	25,299,982	18,110,720	112.16	2.24	46,561,558	30	1,552,052	25,299,982	20	1,264,999
Yr 3	117,786	28,450,838	5,666,240	48.11	0.96	28,128,230	20	1,406,412	28,450,838	30	948,361
Yr 2	92,602	22,461,991	15,892,047	171.62	3.43	22,347,882	25	893,915	22,461,991	20	1,123,100
Yr 1	38,959	6,455,835	5,131,850	131.72	2.63	12,007,273	30	400,242	6,455,835	25	258,233

Conclusion: In 1994, the average contribution weekly into Members Own Savings was Tk. 1.8.
This calculated by taking 1994 Closing Balance of Members Own Savings, less the 1993 Closing Balance, divided by the number of members, and then divided by 50 weeks per year.
This calculation is based on ending balances, and therefore it's conceivable that the savings of members who were later expelled during 1994 would have increased the averages.
However, for projecting RCP's financial position at year end, the per member figure is sufficient, since this is the basis of the modelling assumption.

Effect on RDP of Lease v. Buy
(thousands of taka)

Age of Branches	# Bchs 1993	# Bchs 1994	# Bchs 1995	# Bchs 1996	# Bchs 1997	# Bchs 1998	# Bchs 1999	# Bchs 2000	Total	
Yr 5	20	20	30	20	25	47	53	30		
6		20	20	30	20	25	47	53		
7			20	20	30	20	25	47		= RDP IV
8				20	20	30	20	25		
9					20	20	30	20		
10						20	20	30		
11							20	20		= RDP III
12								20		
13										
14										
15										

	1993	1994	1995	1996	1997	1998	1999	2000	Total
Total Branches (RDPIII + RDP IV)	20	40	70	90	115	162	215	245	
Total Branches (RDP IV only)				20	45	92	145	175	
BRAC Proposal (RDPIII + RDPIV)									
Sales Price / Branch = Land and Building at Cost	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Potential Sale Revenue to RDP = Yr 5 Bchs x Price / Bch	30,000	30,000	45,000	30,000	37,500	70,500	79,500	45,000	
Proposed Lease Revenue/Yr	75	75	75	75	75	75	75	75	
Proposed Lease Revenue to RDP = Total Bchs x Lease Price	1,500	3,000	5,250	6,750	8,625	12,150	16,125	18,375	
Foregone Revenue = Potential Sales Rev – Lease Rev	28,500	27,000	39,750	23,250	28,875	58,350	63,375	26,625	295,725
Cumulative Foregone Revenue = Effective Increase in RDP IV Request	0	0	39,750	63,000	91,875	150,225	213,600	240,225	
Consultants Proposal (RDPIV only)									
Sales Price / Branch	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Potential Sale Revenue to RDP = Yr 5 Bchs x Price / Bch	0	0	0	30,000	37,500	70,500	79,500	45,000	
Proposed Lease Price/Yr	75	75	75	75	75	75	75	75	
Proposed Lease Revenue to RDP = Total Bchs x Lease Price	0	0	0	1,500	3,375	6,900	10,875	13,125	
Foregone Revenue = Potential Sales Rev – Lease Rev	0	0	0	28,500	34,125	63,600	68,625	31,875	226,725
Cumulative Foregone Revenue = Effective Increase in RDP IV Request	0	0	0	28,500	62,625	126,225	194,850	226,725	

Conclusion:

BRAC proposes that RCP should lease branches from RDP, rather than purchase them outright. BRAC proposes to implement this for both RDP III and RDP IV branches, for a total net increase in the RDP IV budget of Tk 296 million.

Consultants propose that this option should apply only to the RDP IV branches, for a total net increase in the RDP IV budget of Tk 227 million.

#1

Big BRAC Model 15-Mar-95
In millions of taka
File Name:RCP2001

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	[redacted]	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS																					
Cash	2.3	2.9	5.5	6.3	21.2	17.6	21.3	25.4	31.1	37.5	43.7	50.9	57.4	64.2	71.1	78.3	85.6	93.0	101.0	109.1	117.3
Investments	98.4	289.2	550.5	599.3	466.7	104.3	186.2	279.2	296.3	316.5	521.7	778.3	1217.6	1875.3	2556.5	3317.9	4132.2	4993.0	4521.9	6850.7	7789.4
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.8	50.2	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Statutory deposits	0.0	0.0	0.0	0.0	0.0	29.7	41.5	55.8	75.5	98.1	117.5	139.6	155.5	171.4	187.2	202.9	218.3	233.6	248.8	263.8	278.8
Current assets	4.7	79.6	15.9	38.8	58.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	301.0	297.1	568.8	808.3	1322.5	1612.5	1945.5	2473.9	3085.4	3537.5	4038.5	4253.6	4411.9	4518.0	4573.5	4595.0	4601.0	4602.7	4604.0	4604.2
Medium/Long Term Loans	25.6	86.3	127.3	36.2	51.6	84.4	102.9	124.2	157.9	197.0	225.8	257.8	271.5	281.6	288.4	291.9	293.3	293.7	292.8	293.9	293.9
Total Loans	85.3	387.2	424.5	605.2	859.9	1406.9	1715.7	2069.7	2631.8	3282.4	3763.3	4296.2	4525.1	4693.5	4806.4	4865.5	4888.3	4894.7	4897.0	4897.9	4898.1
Less Loan Loss Reserve	-3.6	-14.8	-30.5	-52.6	-85.7	-97.2	-149.6	-212.5	-292.7	-392.4	-506.8	-637.0	-773.6	-914.8	-1058.9	-1204.3	-1350.1	-1495.8	-253.7	-1787.2	-1933.0
Net Loans	81.7	372.5	394.0	552.6	774.2	1309.8	1566.1	1857.1	2339.1	2890.0	3256.6	3659.3	3751.4	3778.7	3747.4	5661.1	3538.3	3398.9	4643.3	3110.6	2965.1
Housing Loan	0.0	0.0	0.0	0.0	0.0	110.0	132.3	152.0	170.0	200.0	230.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	13.2	38.4	49.8	114.9	154.1	67.7	85.2	105.9	136.2	169.9	197.0	223.1	234.1	253.7	277.4	293.2	309.0	312.1	312.1	312.1	312.1
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-32.8	-48.2	-65.9	-87.3	-113.1	-141.5	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7
Net Fixed Assets	11.5	34.3	41.3	101.8	135.1	34.8	37.0	40.1	48.9	56.8	55.6	50.4	61.4	81.0	104.8	120.5	136.3	139.4	139.4	139.4	139.4
TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1756.2	2126.5	2557.8	3110.9	3748.9	4375.1	5088.4	5743.4	6420.5	7117.1	7830.7	8560.7	9308.0	10104.4	10923.7	11740.0
LIABILITIES																					
Net Members own contribution	17.7	49.2	96.7	101.9	200.5	304.9	420.5	549.8	733.2	930.1	1059.6	1203.6	1249.0	1283.5	1311.8	1334.4	1352.6	1367.1	1378.7	1387.9	1395.5
Net Group Tax Deposits	5.5	24.7	48.7	61.1	83.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	37.9	37.9	85.0	96.6	289.2	415.0	567.3	776.4	1031.4	1291.2	1588.1	1861.4	2143.9	2432.0	2722.8	3014.3	3305.7	3597.2	3888.7	4180.1
Net Total Deposits	29.3	111.0	181.3	248.1	380.2	594.1	835.5	1116.9	1509.6	1961.5	2350.8	2791.7	3109.5	3427.4	3743.8	4057.2	4366.8	4672.9	4975.9	5276.5	5575.6
TOTAL LIABILITIES	29.3	111.0	181.3	248.1	380.2	594.1	835.5	1116.9	1509.6	1961.5	2350.8	2791.7	3109.5	3427.4	3743.8	4057.2	4366.8	4672.9	4975.9	5276.5	5575.6
Current liabilities	4.7	15.4	33.8	55.4	46.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	169.5	538.3	753.5	940.2	940.4	1029.1	1126.1	1332.7	1348.3	1475.4	1614.4	1766.5	1923.0	2115.7	2314.5	2532.1	2771.3	3032.5	3318.3	3631.0	3973.7
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.3	13.8	54.7	86.7	137.8	133.0	164.8	208.7	252.9	312.0	409.7	539.8	700.0	876.4	1056.5	1237.8	1418.5	1597.5	1803.8	2008.3
Current Net Profit/Loss	-5.3	18.0	41.9	32.0	51.1	-4.9	31.8	43.9	44.3	59.0	97.7	130.1	176.2	176.4	180.0	181.1	180.7	179.0	206.2	204.5	173.4
Stock holder equity	-5.3	13.8	54.7	86.7	137.8	133.0	164.8	208.7	252.9	312.0	409.7	539.8	700.0	876.4	1056.5	1237.8	1418.5	1597.5	1803.8	2008.3	2181.7
TOTAL LIABILITIES AND CAPITAL	198.3	678.3	1027.3	1330.5	1505.0	1756.2	2126.2	2557.6	3110.9	3748.9	4374.9	5088.0	5742.5	6419.0	7114.8	7827.6	8556.7	9302.9	10098.0	10915.8	11730.5

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE																					
Investment income	1.8	21.3	36.0	51.9	42.2	34.8	23.4	30.4	35.0	36.5	45.5	44.0	93.0	137.2	189.3	247.0	310.0	337.0	292.4	466.9	597.6
Loan Interest Income	8.7	40.0	89.7	109.5	159.2	260.5	359.5	427.9	524.5	[illegible]	768.3	884.5	976.3	941.3	948.0	926.1	899.9	867.1	1005.3	969.2	759.5
Interest on Housing Loan GT	0.0	0.0	0.0	0.0	0.0	3.3	7.2	8.4	9.6	[illegible]	12.9	14.7	16.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	298.6	390.1	466.7	569.1	[illegible]	826.7	943.2	1037.0	1097.0	1149.0	1191.0	1227.9	1262.2	1315.9	1454.1	1375.1
INTEREST EXPENSE																					
Interest on deposits	1.5	8.0	17.4	21.2	15.9	29.2	42.9	58.6	78.8	[illegible]	129.4	154.3	177.0	196.1	215.1	234.0	251.7	271.2	289.5	307.6	325.6
Interest on debentures/bonds	2.7	0.0	0.0	0.0	0.0	88.6	97.0	106.2	116.1	[illegible]	139.0	152.1	164.5	182.2	199.3	218.1	239.7	261.2	285.8	312.7	342.2
TOTAL INTEREST EXPENSE	4.2	8.0	17.4	21.2	15.9	117.9	139.9	164.7	194.9	[illegible]	268.4	306.4	341.5	378.3	414.5	452.2	491.4	532.4	575.3	620.3	667.8
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	180.8	250.2	302.0	374.2	470.1	558.3	636.8	695.5	718.7	733.6	738.9	736.5	729.8	740.6	833.9	707.3
OPERATING EXPENSES																					
Branch operating expenses	7.7	24.2	45.4	77.1	98.9	133.1	159.2	153.4	177.1	[illegible]	274.5	306.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8
Regional operating expenses	0.7	1.6	5.0	5.4	6.0	8.2	9.6	11.3	14.5	[illegible]	20.2	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expense	0.8	2.3	2.7	2.3	4.7	4.2	4.7	5.2	6.2	[illegible]	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	0.4	1.1	1.9	3.1	4.4	7.4	8.7	10.3	13.1	16.4	18.3	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	2.5	2.9	3.6	4.4	5.5	6.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	0.9	0.9	[illegible]	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	43.2	52.4	63.8	80.1	99.3	114.2	130.3	136.3	141.2	144.1	145.4	145.7	145.7	145.7	145.7	145.7
Staff Training	0.1	6.7	3.3	3.4	3.0	7.3	9.6	10.6	15.6	[illegible]	18.9	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	185.6	218.4	258.1	329.9	[illegible]	460.6	516.4	525.2	547.2	553.4	557.4	555.6	550.6	634.2	629.1	533.6
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	-4.9	31.8	43.9	44.3	59.1	97.7	120.1	170.3	171.5	180.2	181.5	180.9	179.2	206.4	204.8	173.7
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	-4.9	31.8	43.9	44.3	59.1	97.7	120.1	170.3	171.5	180.2	181.5	180.9	179.2	206.4	204.8	173.7
	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===	===
KEY RATIOS																					
Total Deposits to Total Asset	15%	18%	18%	19%	25%	34%	39%	44%	45%	52%	54%	55%	54%	53%	53%	52%	51%	50%	49%	48%	47%
Total Loans to Total Deposits	279%	224%	217%	273%	294%	259%	203%	180%	166%	[illegible]	140%	140%	150%	119%	108%	98%	88%	79%	99%	45%	59%
Investments/Total Deposits	236%	237%	304%	242%	133%	18%	22%	25%	20%	[illegible]	22%	28%	41%	55%	68%	82%	95%	107%	91%	130%	140%
External Govt/Tot. Investment	302%	225%	170%	190%	285%	1554%	1089%	843%	965%	[illegible]	760%	586%	398%	296%	237%	199%	173%	154%	183%	130%	125%
Total capital/Total liabiliti	-10%	11%	30%	35%	36%	27%	20%	19%	17%	[illegible]	17%	19%	23%	26%	28%	30%	32%	34%	36%	38%	39%
Total capital/Assets	-3%	2%	5%	7%	9%	8%	8%	8%	8%	[illegible]	9%	10%	12%	14%	15%	16%	17%	17%	18%	18%	19%
(Capital+GFA)/Assets	83%	80%	79%	77%	72%	66%	61%	56%	51%	[illegible]	46%	45%	44%	47%	47%	48%	49%	50%	51%	52%	52%
Liquid assets/Total liabiliti	8%	7%	3%	3%	6%	8%	8%	7%	7%	[illegible]	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Interest Income/Total Assets	5.3%	9.0%	12.2%	12.1%	11.4%	17.0%	18.3%	15.2%	18.3%	[illegible]	18.9%	18.5%	18.1%	17.1%	16.1%	15.2%	14.3%	13.6%	14.0%	13.3%	11.7%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	6.7%	6.6%	6.4%	6.3%	[illegible]	6.1%	6.0%	6.0%	5.9%	5.8%	5.8%	5.7%	5.7%	5.7%	5.7%	5.7%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	17.2%	10.3%	11.8%	11.6%	12.0%	[illegible]	12.8%	12.5%	12.1%	11.2%	10.2%	9.4%	8.4%	7.8%	8.2%	7.6%	6.0%
Operating Expense/Total Asset	5.8%	5.2%	6.5%	8.1%	8.9%	10.6%	10.2%	16.2%	19.6%	[illegible]	16.5%	10.7%	9.1%	8.4%	7.8%	7.1%	6.5%	5.5%	6.3%	5.8%	4.5%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	-0.3%	1.3%	1.7%	1.4%	[illegible]	2.2%	2.36%	2.97%	2.75%	2.53%	2.37%	2.11%	1.93%	2.04%	1.87%	1.48%

ASSUMPTIONS TABLE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New RCP Branches	10	20	20	19	21	30	20	25	47	53	50	35	0	0	0	0	4	0			

Input Disb Growth = 100%
(100% = Table 1 base case)

Branch Operating Cost Inflat: 100%
(100% = Table 9 base case)

Annual Inflation 8%

BRAC Loan = 9%
(Additional BRAC investment in 1996
(connects to Balance Sheet)

% Rate on BRAC Loan = 9%
(connects to Income Statement)

% Rate on Deposits = 6%
(connects to Income Statement)

% Rate of Interest on Investm 8%
(connects to Income Statement)

% Rate of Interest on Loan = 25%
(connects to Income Statement)

Withdrawl Rate (Sch Yr 5 +) = 30%
Withdrawl Rate (Sch Yr 1-4) = 10%
(for Group Tax and Forced Savings: Table 3)
Savings Rate 80%
(for Own Savings: Table 5)
Taka/wk 5 from 1993
(for Own Savings: Table 5)

Taka/wk 2 from 1990
(for Own Savings: Table 5)

Loan Loss Reserve (Table 4)
Method 1 or Method 2? 1
Method 1 = % Disb = 3%
Method 2 = Max % O/S = 5%

MODEL BRANCH		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	
Term Mix:	Long	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Medium	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
	Short	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%
Scheduled Recovery of Principal	Long	10%	20%	20%	20%	20%	10%															
	Medium	17%	33%	33%	17%																	
	Short	50%	50%																			

#4

Big BRAC Model
In millions of taka
File Name:RCP2004

15-Mar-95

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	1995	1996	1997	1998	1999
ASSETS										
Cash	2.3	2.9	5.5	4.3	21.2	15.5	17.3	19.4	21.9	24.8
Investments	98.4	209.2	358.5	299.3	464.2	185.2	152.8	100.3	-107.4	-253.8
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	21.3	50.2	0.0	0.0	0.0	0.0	0.0
Statutory deposits	0.0	0.0	0.0	0.0	0.0	21.3	27.8	25.6	47.1	60.9
Current assets	4.7	79.6	15.9	28.8	58.1	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	301.0	297.1	548.8	808.3	1030.7	1219.5	1445.7	1846.9	2210.5
Medium/Long Term Loans	25.6	86.2	177.3	56.3	51.6	65.8	77.8	92.3	117.5	146.7
Total Loans	85.3	387.2	474.5	645.2	859.9	1096.5	1297.3	1538.0	1958.4	2445.3
Less Loan Loss Reserve	-3.6	-14.8	-50.5	-72.6	-85.7	-87.3	-126.5	-172.9	-222.0	-305.9
Net Loans	81.7	372.5	394.0	572.6	774.2	1009.2	1170.9	1365.1	1736.3	2139.4
Hosting loan	0.0	0.0	0.0	0.0	0.0	110.0	130.0	150.0	170.0	200.0
Fixed Assets	13.2	38.4	49.8	126.9	154.1	247.7	295.3	353.4	454.2	567.4
Less Depreciation	-1.7	-4.1	-8.5	-13.8	-19.0	-38.6	-68.8	-86.3	-117.9	-156.4
Net Fixed Assets	11.5	34.3	41.3	111.8	135.1	209.1	224.5	267.2	336.3	411.0
TOTAL ASSETS	198.5	478.5	1077.3	1228.4	1505.0	1550.8	1733.4	1937.6	2194.4	2455.1
LIABILITIES										
Net Members own contribution	13.3	49.3	96.7	131.9	200.5	161.1	191.5	222.8	296.9	372.0
Net Group Tax Deposits	5.5	24.3	46.7	61.1	83.1	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	75.0	96.6	264.8	363.1	466.2	645.7	846.0
Net Total Deposits	25.3	121.8	181.3	268.1	380.2	425.9	554.5	712.3	942.6	1218.1
TOTAL LIABILITIES	25.3	121.8	181.3	268.1	380.2	425.9	554.5	712.3	942.6	1218.1
Current liabilities	4.3	15.4	37.8	22.4	46.5	0.0	0.0	0.0	0.0	0.0
BRAC Loan	169.5	320.3	753.2	941.2	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	184.5	236.4	284.4	311.4
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	46.6	51.9	48.1	26.9	13.3
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	184.5	236.4	284.4	311.4	324.7
TOTAL LIABILITIES AND CAPITAL	198.3	478.3	1077.1	1222.5	1505.0	1550.8	1733.4	1937.6	2194.4	2482.2

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS											
Cash	27.5	21.5	32.9	35.3	37.6	40.0	42.3	44.6	46.8	49.1	51.3
Investments	-306.9	-427.0	-305.7	68.3	354.9	651.1	946.4	1252.8	1164.4	1871.5	2176.6
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits	73.3	87.3	97.6	107.8	117.9	127.8	137.7	147.5	157.2	166.9	176.6
Current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	2594.7	2922.5	2967.8	2993.3	2999.5	3001.6	3002.5	3002.7	3002.8	3002.8	3002.8
Medium/Long Term Loans	165.6	181.4	189.4	191.1	191.5	191.6	191.6	191.7	191.7	191.7	191.7
Total Loans	2760.3	3104.9	3157.2	3184.4	3190.9	3193.2	3194.1	3194.4	3194.5	3194.5	3194.5
Less Loan Loss Reserve	-389.1	-487.5	-577.0	-672.0	-767.1	-862.1	-957.1	-1052.2	-748.7	-1242.2	-1337.3
Net Loans	2371.2	2617.5	2580.2	2512.3	2423.9	2331.1	2237.0	2142.2	2445.8	1952.3	1857.2
Hosting loan	230.0	267.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	639.5	715.1	729.1	748.7	772.4	788.2	804.4	807.1	807.1	807.1	807.1
Less Depreciation	-198.9	-241.6	-246.0	-246.0	-246.0	-246.0	-246.0	-246.0	-246.0	-246.0	-246.0
Net Fixed Assets	440.6	473.1	483.1	502.7	526.5	542.2	558.0	561.1	561.1	561.1	561.1
TOTAL ASSETS	2753.8	3067.3	3388.2	3576.7	3820.9	3993.3	4221.3	4448.2	4675.5	4900.8	5122.8
LIABILITIES											
Net Members own contribution	423.5	457.5	499.2	513.4	526.3	533.7	541.0	546.8	551.5	555.2	558.2
Net Group Tax Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	1042.1	1267.8	1452.7	1642.8	1832.9	2023.0	2213.0	2403.1	2593.2	2783.3	2973.4
Net Total Deposits	1466.0	1745.2	1951.9	2156.2	2357.6	2556.7	2754.1	2950.0	3144.7	3338.4	3531.5
TOTAL LIABILITIES	1466.0	1745.2	1951.9	2156.2	2357.6	2556.7	2754.1	2950.0	3144.7	3338.4	3531.5
Current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4	940.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	324.7	347.5	362.0	396.5	430.7	464.2	497.1	529.1	560.5	592.3	625.5
Current Net Profit/Loss	22.9	14.5	34.5	34.2	33.6	32.8	32.1	31.3	22.9	32.2	29.3
Stock holder equity	347.5	362.0	396.5	430.7	464.2	497.1	529.1	560.5	592.3	625.5	654.8
TOTAL LIABILITIES AND CAPITAL	2754.0	3067.7	3388.9	3527.3	3742.3	3994.2	4223.6	4450.9	4670.5	4904.4	5126.0

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
INTEREST REVENUE											
Investment income	1.8	21.1	36.8	51.9	42.2	26.1	13.5	10.1	-0.3	-18.4	-25.7
Loan interest income	8.7	40.0	89.7	109.5	159.2	222.9	272.5	317.0	386.4	483.2	563.8
Interest on Housing loan 4%	0.0	0.0	0.6	0.0	0.0	3.3	7.2	8.4	9.6	11.1	12.9
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	252.3	293.3	335.5	395.7	475.9	547.0
INTEREST EXPENSE											
Interest on deposits	1.5	8.0	17.4	21.2	15.9	24.2	29.5	38.1	49.7	64.8	80.5
[redacted]	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	4.2	8.0	17.4	21.2	15.9	24.2	29.5	38.1	49.7	64.8	80.5
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	228.1	263.8	297.4	346.1	411.1	466.5
OPERATING EXPENSES											
Branch operating expenses	7.7	24.2	45.4	77.1	98.9	111.6	120.2	153.0	197.1	246.4	274.3
Regional operating expenses	0.7	1.6	5.0	5.4	6.8	8.2	9.6	11.3	14.5	18.1	20.2
Head office operating expenses	0.8	2.3	2.7	3.3	4.7	4.2	4.7	5.2	6.2	6.8	7.7
Branch depreciation	0.4	1.1	1.9	3.1	4.4	13.2	15.4	19.2	23.3	29.2	32.5
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	2.5	2.9	3.4	4.4	5.5	6.1
Head office depreciation	0.2	0.3	0.5	0.9	1.2	0.5	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	33.3	39.2	46.4	59.2	73.9	83.2
Staff Training	0.1	0.7	2.2	3.6	1.8	7.7	9.0	10.6	13.6	17.0	18.9
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	181.3	211.9	249.4	319.2	393.8	443.7
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	46.6	51.9	48.1	26.9	13.3	22.8
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	46.6	51.9	48.1	26.9	13.3	22.8
	===	===	===	===	===	===	===	===	===	===	===
KEY RATIOS											
Total Deposits to Total Assets	15%	18%	18%	19%	25%	27%	32%	37%	43%	49%	53%
Total Loans to Total Deposits	279%	224%	217%	223%	294%	263%	234%	212%	201%	192%	177%
Investments/Total Deposits	336%	237%	304%	242%	123%	44%	27%	14%	-11%	-29%	-27%
External Debt/Tot. Investments	207%	225%	170%	198%	283%	734%	980%	1640%	-1754%	-611%	-619%
Total capital/Total Liabilities	-18%	11%	50%	35%	36%	43%	42%	40%	33%	27%	24%
Total capital/Assets	-3%	3%	5%	7%	9%	12%	14%	15%	14%	13%	13%
(Capital+BRAC)/Assets	83%	80%	79%	77%	72%	73%	68%	63%	57%	51%	47%
Liquid assets/Total liabilitie	6%	7%	3%	3%	6%	9%	8%	8%	7%	7%	7%
Interest Income/Total Assets	5.3%	9.0%	12.2%	12.1%	13.4%	14.3%	16.9%	17.3%	18.0%	19.2%	19.9%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	1.6%	1.7%	2.0%	2.3%	2.6%	2.9%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	12.3%	14.7%	15.7%	15.4%	15.8%	16.6%	16.9%
Operating Expense/Total Assets	5.8%	5.2%	6.5%	8.1%	8.9%	11.7%	12.2%	12.9%	14.5%	16.0%	16.2%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	3.0%	3.0%	2.5%	1.2%	0.5%	0.8%

INCOME STATEMENT	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE										
Investment income	-25.1	-25.3	-5.5	16.9	40.2	63.9	88.0	96.7	121.4	161.9
Loan interest income	624.5	650.6	636.6	617.0	594.4	571.0	547.4	573.5	549.7	476.2
Interest on Housing loan 4%	14.7	16.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	606.5	642.1	649.1	651.9	652.6	652.9	653.4	688.2	689.2	656.1
INTEREST EXPENSE										
Interest on deposits	95.3	110.9	123.7	135.4	147.4	159.3	171.1	182.8	194.5	206.1
[redacted]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INTEREST EXPENSE	95.3	110.9	123.7	135.4	147.4	159.3	171.1	182.8	194.5	206.1
NET INTEREST INCOME	511.2	531.2	525.8	516.5	505.2	493.6	482.2	505.3	494.7	450.0
OPERATING EXPENSES										
Branch operating expenses	296.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8
Regional operating expenses	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Head office operating expenses	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	34.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3
Regional office depreciation	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	1.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	92.4	94.5	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
Staff Training	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.2	21.7	21.2
TOTAL OPERATING EXPENSE	495.2	496.8	491.0	483.1	477.5	463.7	451.0	473.6	462.7	470.9
NET OPERATING PROFIT (LOSS)	16.4	34.4	34.0	33.4	27.7	31.9	31.2	33.1	32.0	29.1
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	16.4	34.4	34.0	33.4	27.7	31.9	31.2	33.7	32.0	29.1
	===	===	===	===	===	===	===	===	===	===
KEY RATIOS										
Total Deposits to Total Assets	57%	59%	61%	63%	64%	65%	66%	67%	68%	69%
Total Loans to Total Deposits	145%	140%	130%	114%	103%	92%	83%	87%	67%	61%
Investments/Total Deposits	-24%	-11%	3%	15%	25%	34%	42%	37%	56%	62%
External Debt/Tot. Investments	-629%	-1406%	4552%	929%	557%	390%	311%	351%	229%	205%
Total capital/Total Liabilities	23%	20%	20%	20%	19%	19%	19%	19%	19%	19%
Total capital/Assets	13%	17%	17%	17%	12%	13%	13%	13%	13%	13%
(Capital+BRAC)/Assets	43%	41%	39%	37%	36%	35%	34%	33%	32%	31%
Liquid assets/Total liabilitie	7%	7%	7%	7%	7%	7%	7%	6%	6%	6%
Interest Income/Total Assets	19.9%	19.5%	18.4%	17.3%	16.3%	15.5%	14.7%	14.7%	14.1%	12.8%
Interest Expense/Total Assets	3.2%	3.4%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.0%
Net Interest Margin	16.7%	16.7%	14.9%	13.7%	12.7%	11.7%	10.8%	10.8%	10.1%	8.8%
Operating Expense/Total Assets	15.2%	15.1%	13.9%	12.8%	11.8%	10.9%	10.1%	10.1%	9.4%	8.2%
Net Profit/Total Assets	0.47%	1.05%	0.96%	0.89%	0.87%	0.76%	0.70%	0.70%	0.65%	0.57%

ASSUMPTIONS TABLE

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New BCP Branches	30	30	30	19	21	30	20	25	42	53	50	35	0	0	0	0	0	0			

Input Disb Growth = 100%
(100% = Table 1 base case)

Branch Operating Cost Inflator 100%
(100% = Table 5 base case)

Annual Inflation 8%

EPAC Loan = 9%
(Additional EPAC investment in 1996
(connects to Balance Sheet)

% Rate on EPAC Loan = 6%
(connects to Income Statement)

% Rate on Deposits = 6%
(connects to Income Statement)

% Rate of Interest on Investment 6%
(connects to Income Statement)

% Rate of Interest on Loan = 25%
(connects to Income Statement)

Withdrawal Rate (Bch Yr 5 +) = 20%
Withdrawal Rate (Bch Yr 1-4) = 10%
(for Group Tax and Forced Savings: Table 3)
Savings Rate 80%
(for Own Savings: Table 5)
Taka/$ 2 From 1995
(for Own Savings: Table 5)

Taka/$ 2 From 1990
(for Own Savings: Table 5)

Loan Loss Reserve (Table 4)
Method 1 or Method 2? 1
Method 1 = % Disb = 2%
Method 2 = % of O/S = 5%

MODEL BRANCH

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	
Term Mix:	Long	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Medium	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
	Short	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%
Scheduled Recovery of Principa		10%	20%	20%	20%	20%	10%															
	Medium	17%	33%	33%	17%																	
	Short	50%	50%																			

J-C

*
#5

Big BRAC Model 15-Mar-95
In millions of taka
File Name:BC72XX5

	Actual 1990	Actual 1991	Actual 1992	Actual 1993	Actual 1994	1995	1996	1997	1998	1999
ASSETS										
Cash	2.3	2.9	5.5	6.3	21.2	15.6	17.7	20.0	23.0	26.2
Investments	98.4	287.2	550.5	599.3	461.2	371.1	386.8	357.6	223.2	151.5
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 4%	0.0	0.0	0.0	31.8	50.2	0.0	0.0	0.0	0.0	0.0
Statutory deposits	0.0	0.0	0.0	0.0	0.0	21.3	27.8	35.6	47.1	60.9
Current assets	4.7	77.6	15.9	30.8	58.1	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	201.0	297.1	568.8	808.3	1030.7	1215.5	1445.7	1510.9	1798.5
Medium/Long Term Loans	25.6	86.2	127.3	36.3	31.6	65.8	77.8	92.3	117.5	146.7
Total Loans	85.3	287.2	424.5	605.2	839.9	1096.5	1293.3	1538.0	1952.4	2445.3
Less Loan Loss Reserve	-3.6	-14.8	-30.5	-52.8	-85.7	-87.3	-126.5	-172.9	-225.0	-305.9
Net Loans	81.7	272.5	394.0	552.4	774.2	1009.2	1170.9	1365.1	1726.3	2139.4
Housing loan	0.0	0.0	0.0	0.0	0.0	110.0	130.0	150.0	170.0	200.0
Fixed Assets	13.2	25.4	49.8	114.9	154.1	67.7	85.3	105.9	136.2	169.9
Less Depreciation	-1.7	-1.1	-8.5	-13.0	-19.0	-22.8	-48.3	-65.9	-87.3	-113.1
Net Fixed Assets	11.5	24.3	41.3	101.8	135.1	34.8	37.0	40.1	45.9	56.8
TOTAL ASSETS	190.5	476.3	1027.3	1330.4	1505.0	1566.1	1770.2	2003.4	2257.6	2634.9
LIABILITIES										
Net Members own contribution	17.2	69.2	96.7	101.9	200.5	161.1	193.5	232.0	296.9	373.0
Net Group Tax Deposits	5.5	24.2	46.7	61.1	85.1	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	314.8	361.1	480.7	645.7	836.0
Net Total Deposits	29.3	121.6	181.3	248.1	380.2	475.9	554.5	712.7	942.1	1210.1
TOTAL LIABILITIES	29.3	121.6	181.3	248.1	380.2	475.9	554.5	712.7	942.1	1210.1
Current liabilities	4.7	15.4	32.8	55.4	46.5	0.0	0.0	0.0	0.0	0.0
BRAC Loan	169.5	520.3	753.1	940.2	940.4	1029.1	1126.1	1232.7	1348.1	1475.4
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	109.1	87.6	55.5	4.8
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	-28.7	-21.5	-29.1	-31.8	-45.2
Stock holder equity	-5.2	12.8	54.7	86.7	137.8	109.1	87.6	58.5	4.8	-50.5
TOTAL LIABILITIES AND CAPITAL	190.5	476.7	1027.1	1330.5	1505.0	1566.1	1770.2	2002.6	2257.1	2634.9

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS											
Cash	29.6	33.2	36.4	39.7	43.2	46.9	50.7	54.9	59.1	63.7	68.7
Investments	206.0	269.4	564.7	950.3	1329.1	1759.2	2217.3	2702.3	3227.8	3748.8	4327.9
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 4%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits	73.3	87.3	97.6	107.8	117.9	127.8	137.7	147.5	157.2	166.9	176.6
Current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	2594.7	2920.5	2967.8	2993.3	2999.5	3001.6	3002.5	3002.7	3002.8	3002.8	3002.8
Medium/Long Term Loans	165.6	186.4	189.4	191.1	191.3	191.6	191.6	191.7	191.7	191.7	191.7
Total Loans	2760.3	3106.9	3157.2	3184.4	3190.9	3193.2	3194.1	3194.4	3194.5	3194.5	3194.5
Less Loan Loss Reserve	-389.1	-482.5	-577.0	-672.0	-767.1	-862.1	-957.1	-1052.2	-1147.3	-1242.3	-1337.3
Net Loans	2371.2	2624.5	2580.2	2512.5	2423.9	2331.2	2237.0	2142.2	2047.0	1952.2	1857.2
Housing loan	230.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	197.0	223.1	234.1	253.7	277.4	293.2	309.0	312.1	312.1	312.1	312.1
Less Depreciation	-141.5	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7	-172.7
Net Fixed Assets	55.6	50.4	61.4	81.0	104.8	120.5	136.3	139.4	139.4	139.4	139.4
TOTAL ASSETS	2963.7	3324.8	3640.4	3971.2	4318.8	4685.6	5074.0	5486.3	5926.3	6371.1	6859.8
LIABILITIES											
Net Members own contribution	473.9	481.5	499.2	511.4	524.2	533.7	541.0	546.8	551.5	555.2	558.2
Net Group Tax Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	1042.1	1263.8	1452.7	1647.8	1832.9	2023.6	2213.0	2403.1	2593.2	2783.3	2973.4
Net Total Deposits	1466.0	1745.2	1951.9	2156.2	2357.4	2556.7	2754.1	2950.0	3144.7	3338.4	3531.5
TOTAL LIABILITIES	1466.0	1745.2	1951.9	2156.2	2357.4	2556.7	2754.1	2950.0	3144.7	3338.4	3531.5
Current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	1614.4	1766.5	1933.0	2115.2	2314.5	2532.7	2771.3	3032.5	3318.3	3631.0	3973.2
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	-50.5	-116.7	-187.0	-244.6	-300.2	-353.3	-403.7	-451.3	-495.7	-540.6	-598.3
Current Net Profit/Loss	-56.2	-70.3	-57.6	-55.6	-53.1	-50.4	-47.6	-44.9	-42.5	-43.7	-36.6
Stock holder equity	-116.7	-187.0	-244.6	-300.2	-353.3	-403.7	-451.3	-496.2	-541.6	-596.3	-634.9
TOTAL LIABILITIES AND CAPITAL	2963.7	3324.8	3640.4	3971.2	4318.8	4685.6	5074.0	5486.3	5926.2	6371.1	6859.8

INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE																					
Investment Income	1.8	21.3	36.0	51.9	42.2	33.6	30.4	32.2	27.0	17.4	24.2	18.9	33.4	55.8	90.4	123.5	158.9	214.6	200.8	242.7	322.1
Loan Interest Income	8.7	40.0	89.7	109.5	159.2	222.9	272.5	317.0	384.0	483.2	543.8	624.5	650.6	636.6	617.0	594.4	571.0	547.4	635.4	611.4	476.2
Interest on Housing Loan 43	0.0	0.0	0.0	0.0	0.0	3.3	7.2	8.4	5.6	11.1	12.9	14.7	16.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	259.8	310.1	356.6	423.0	511.7	580.9	658.1	700.7	714.6	725.4	735.9	747.9	782.0	854.2	872.3	817.2
INTEREST EXPENSE																					
Interest on deposits	1.5	8.0	17.4	21.2	15.9	24.2	29.5	38.1	49.7	64.8	80.5	96.3	110.9	123.2	135.4	147.4	159.3	171.1	182.8	194.5	206.1
Interest on Debenture/Loan	2.7	0.0	0.0	0.0	0.0	88.6	97.0	106.1	116.1	127.1	139.0	152.1	166.5	182.2	199.3	218.1	238.7	261.2	285.8	312.7	342.2
TOTAL INTEREST EXPENSE	4.2	8.0	17.4	21.2	15.9	112.8	126.5	144.2	165.8	191.9	219.6	248.5	277.4	305.4	334.8	365.4	398.0	432.3	468.6	507.2	548.3
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	147.0	183.7	212.4	257.2	319.8	371.4	409.6	423.4	409.0	390.6	370.4	349.9	325.1	385.5	365.1	269.0
OPERATING EXPENSES																					
Branch operating expenses	7.3	24.2	43.4	72.1	95.9	111.6	130.2	153.4	157.1	246.4	274.3	306.8	306.8	301.8	306.8	306.8	306.8	306.8	306.8	306.8	306.8
Regional operating expenses	6.7	1.6	5.0	5.4	6.8	8.2	9.6	11.3	14.5	18.1	20.2	22.6	22.6	22.6	22.6	22.6	22.4	22.6	22.4	22.6	22.4
Head office operating expenses	0.8	2.3	2.7	2.3	4.7	4.2	4.7	5.2	6.2	6.8	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	0.4	1.1	1.9	3.1	4.4	7.4	8.7	10.2	13.2	16.4	18.3	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	1.5	2.9	3.4	4.4	5.5	6.1	6.9	6.9	6.5	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	6.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan Loss Provision	1.6	4.9	7.9	15.4	24.3	33.3	39.2	46.4	55.2	73.9	83.2	93.4	94.5	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
Staff Training	0.1	0.7	2.3	3.6	1.8	7.7	9.0	10.6	12.6	17.0	18.9	21.2	21.2	21.2	21.2	21.2	21.3	21.2	21.2	21.2	21.2
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	175.7	205.2	241.5	308.8	385.0	429.5	479.9	481.0	464.6	443.8	420.7	397.5	374.5	438.0	414.7	305.5
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	-28.7	-21.5	-29.1	-51.8	-65.3	-58.2	-70.3	-57.6	-55.6	-53.1	-50.4	-47.6	-44.9	-52.5	-49.7	-36.6
Less Income Tax 5%?	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	-28.7	-21.5	-29.1	-51.8	-65.3	-58.2	-70.3	-57.6	-55.6	-53.1	-50.4	-47.6	-44.9	-52.5	-49.7	-36.6
KEY RATIOS																					
Total Deposits to Total Assets	15%	18%	18%	19%	25%	27%	31%	36%	42%	46%	49%	57%	54%	54%	55%	55%	54%	54%	53%	53%	51%
Total Loans to Total Deposits	279%	224%	217%	222%	206%	263%	234%	213%	201%	197%	177%	165%	148%	130%	116%	103%	97%	83%	103%	67%	61%
Investments/Total Deposits	556%	237%	304%	242%	123%	88%	70%	55%	28%	17%	14%	15%	29%	43%	56%	69%	80%	97%	74%	112%	123%
External Debt/Tot. Investments	202%	225%	170%	198%	282%	396%	455%	495%	812%	1778%	1510%	1304%	688%	455%	352%	289%	250%	221%	279%	186%	175%
Total capital/Total Liabilities	-10%	11%	30%	23%	36%	26%	16%	8%	1%	-5%	-8%	-11%	-13%	-14%	-15%	-16%	-16%	-17%	-17%	-18%	-18%
Total capital/Assets	-3%	2%	5%	7%	9%	7%	5%	3%	0%	-2%	-4%	-6%	-7%	-8%	-8%	-9%	-9%	-9%	-9%	-9%	-9%
(Capital+BDAC)/Assets	63%	80%	79%	77%	72%	73%	69%	64%	59%	54%	51%	48%	46%	46%	45%	45%	46%	46%	47%	48%	49%
Liquid assets/Total liabilities	8%	7%	3%	3%	6%	9%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Interest Income/Total Assets	5.3%	9.0%	13.2%	12.1%	13.4%	16.6%	17.5%	17.8%	18.4%	19.4%	19.9%	19.8%	19.2%	18.0%	16.8%	15.7%	14.7%	13.9%	14.4%	13.7%	11.9%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	7.2%	7.1%	7.2%	7.2%	7.3%	7.4%	7.5%	7.6%	7.7%	7.8%	7.8%	7.8%	7.9%	7.9%	8.0%	8.0%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	12.3%	9.4%	10.4%	10.6%	11.2%	12.1%	12.5%	12.3%	11.6%	10.3%	9.0%	7.9%	6.9%	6.0%	6.5%	5.7%	3.9%
Operating Expense/Total Assets	5.8%	5.2%	6.5%	8.1%	8.9%	11.7%	11.6%	12.1%	12.4%	14.6%	14.5%	14.4%	13.3%	11.7%	10.3%	9.0%	7.8%	6.8%	7.4%	6.5%	4.4%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	-1.8%	-1.2%	-1.5%	-2.2%	-2.5%	-2.0%	-2.11%	-1.58%	-1.40%	-1.23%	-1.08%	-0.94%	-0.87%	-0.89%	-0.78%	-0.53%

8.6

ASSUMPTIONS TABLE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
New BCP Branches	10	20	30	19	21	30	20	25	47	53	30	35	6	6	0	0	0	0			

Input Disb Growth = 100%
(100% = Table 1 base case)

Branch Operating Cost Inflator 100%
(100% = Table 9 base case)

Annual Inflation 8%

BRAC Loan = 9%
[Additional BRAC Investment in 1996
(connects to Balance Sheet)

% Rate on BRAC Loan = 9%
(connects to Income Statement)

% Rate on Deposits = 6%
(connects to Income Statement)

% Rate of Interest on Investme 8%
(connects to Income Statement)

% Rate of Interest on Loan = 25%
(connects to Income Statement)

Withdrawl Rate (Bch Yr 5 +) = 30%
Withdrawl Rate (Bch Yr 1-4) = 10%
(for Group Tax and Forced Savings: Table 3)
Savings Rate 80%
(for Own Savings: Table 5)
Taka/wk 3 from 1995
(for Own Savings: Table 5)

Taka/wk 2 from 1990
(for Own Savings: Table 5)

Loan Loss Reserve (Table 4)
Method 1 or Method 2? 1
Method 1 : % Disb = 2%
Method 2 : Max % O/S = 5%

NEW BRANCH		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	
Term Mix:	Long	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Medium	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
	Short	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%

Scheduled Recovery of Principa	10%	20%	20%	20%	20%	10%
Medium	17%	33%	33%	17%		
Short	50%	50%				

#7

C-10

Big BRAC Model 15-Mar-95
In millions of taka
File Name:BCP3017

	Actual	Actual	Actual	Actual	Actual																
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ASSETS																					
Cash	2.3	2.9	5.5	6.3	21.2	15.5	17.3	19.4	21.6	24.2	26.8	29.6	31.9	34.3	37.0	40.0	43.1	46.8	50.6	54.7	59.3
Investments	98.4	209.2	350.5	599.3	464.2	185.7	152.8	100.3	31.2	-108.9	-151.2	-254.6	-1.8	282.3	606.1	961.3	1344.1	1770.9	1845.8	2701.6	3233.2
Statutory Investment at 7.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment in building at 8%	0.0	0.0	0.0	31.8	50.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statutory deposits	0.0	0.0	0.0	0.0	0.0	21.3	27.8	35.6	44.9	56.4	67.8	80.3	90.1	99.4	108.5	117.6	126.5	135.4	144.3	153.1	161.8
Current assets	4.7	19.6	15.9	32.8	58.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
One Year Loans	59.7	203.0	297.1	568.8	808.3	1030.7	1219.5	1445.7	1709.4	2055.6	2334.9	2524.8	2696.0	2720.7	2726.6	2728.7	2729.3	2729.7	2729.8	2729.8	2729.8
Medium/Long Term Loans	25.6	84.2	127.3	36.3	51.6	45.8	77.8	92.3	109.1	131.2	149.0	1[illegible]5.2	172.1	172.3	174.0	174.2	174.3	174.2	174.2	174.2	174.2
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Total Loans	85.3	287.2	424.5	605.2	859.9	1096.5	1297.3	1538.0	1818.1	2186.8	2483.8	2723.8	2868.1	2894.4	2900.7	2902.8	2903.7	2904.0	2904.0	2904.0	2904.0
Less Loan Loss Reserve	-3.6	-14.8	-30.5	-52.6	-85.7	-87.3	-126.5	-172.9	-221.3	-293.6	-368.3	-473.1	-539.0	-625.4	-711.8	-798.3	-884.6	-971.0	-683.7	-1143.8	-1230.2
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Net Loans	81.7	272.5	394.0	552.6	774.2	1009.2	1170.9	1365.1	1592.8	1893.2	2114.1	2250.9	2329.1	2269.1	2188.9	2104.7	2019.1	1933.0	2220.4	1760.2	1673.9
Housing loan	0.0	0.0	0.0	0.0	0.0	110.0	130.0	150.0	170.0	200.0	220.0	260.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Fixed Assets	13.2	38.4	49.8	114.9	154.1	247.7	295.3	322.6	420.9	506.7	580.8	6[illegible].4	670.4	683.7	701.1	717.7	731.5	734.6	734.6	734.6	734.6
Less Depreciation	-1.7	-4.1	-8.5	-13.0	-19.0	-38.6	-60.8	-85.2	-115.7	-150.3	-188.8	-[illegible].0	-232.0	-232.0	-232.0	-232.0	-232.0	-232.0	-232.0	-232.0	-232.0
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Net Fixed Assets	11.5	34.3	41.3	101.8	135.1	209.1	234.5	237.2	305.3	358.4	392.0	4[illegible].4	438.4	451.7	469.1	485.8	499.6	502.6	502.6	502.6	502.6
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TOTAL ASSETS	198.5	678.5	1027.3	1330.6	1505.0	1550.9	1733.4	1937.6	2163.8	2432.3	2680.8	29[illegible].0	3188.5	3432.7	3709.7	4007.3	4332.7	4687.9	5062.9	5472.3	5936.8
LIABILITIES																					
Net Members own contribution	13.7	49.7	96.7	181.9	200.5	161.1	193.5	237.0	277.3	335.4	384.2	4[illegible].4	455.3	467.8	477.9	485.9	493.4	497.6	501.7	505.0	507.7
Net Group Tax Deposits	5.5	24.7	46.7	61.1	83.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Compulsory savings	6.1	27.9	37.9	85.0	96.6	264.8	363.1	486.7	620.1	791.6	970.9	11[illegible].3	1346.9	1519.7	1692.5	1865.3	2038.1	2210.9	2383.7	2556.5	2729.3
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Net Total Deposits	29.3	171.8	181.5	748.1	380.2	425.9	556.5	723.7	897.4	1137.1	1355.1	16[illegible]	1802.1	1987.5	2170.4	2351.2	2530.5	2708.5	2885.4	3061.4	3237.0
TOTAL LIABILITIES	29.3	171.8	181.5	748.1	380.2	425.9	556.5	723.7	897.4	1137.1	1355.1	16[illegible]	1802.1	1987.5	2170.4	2351.2	2530.5	2708.5	2885.4	3061.4	3237.0
Current liabilities	4.7	15.4	37.8	55.4	45.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BRAC Loan	169.5	576.3	753.3	546.2	940.4	1029.1	1136.1	1207.2	1318.3	1475.4	1614.4	[illegible]	1933.8	2115.2	2314.5	2532.7	2771.1	3032.5	3318.3	3631.8	3975.2
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cum. Net Profit/Loss	0.0	-5.2	12.8	54.7	86.7	137.8	95.8	50.8	-7.3	-81.9	-180.1	-[illegible]	-421.9	-547.8	-664.7	-777.2	-878.8	-971.4	-1055.5	-1143.3	-1222.8
Current Net Profit/Loss	-5.2	18.0	41.9	32.0	51.1	-42.0	-45.1	-58.1	-74.6	-98.6	-109.6	-[illegible]	-126.0	-118.8	-110.5	-101.6	-92.7	-84.0	-87.9	-79.4	-55.5
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Stock holder equity	-5.2	12.8	54.7	86.7	137.8	95.8	50.8	-7.3	-81.9	-180.1	-289.9	-[illegible]	-547.8	-664.7	-777.2	-878.8	-971.4	-1055.5	-1143.3	-1222.8	-1281.9
TOTAL LIABILITIES AND CAPITAL	198.3	678.3	1027.1	1330.5	1505.0	1550.8	1733.4	1937.6	2143.8	2432.1	2679.6	[illegible]	3187.5	3436.8	3707.7	4005.1	4330.4	4685.5	5060.3	5469.7	5930.2

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INCOME STATEMENT	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
INTEREST REVENUE											
Investment income	1.8	21.3	36.0	51.9	42.2	26.1	22.5	18.1	5.1	-3.1	-10.4
Loan interest income	8.7	40.0	89.7	109.5	159.2	222.9	272.5	317.0	369.5	425.5	501.0
Interest on housing loan 81	0.0	0.0	0.0	0.0	0.0	3.3	7.2	8.4	9.6	33.1	12.9
TOTAL INTEREST REVENUE	10.5	61.3	125.7	161.3	201.4	252.3	[illegible]	335.5	384.4	443.5	503.4
INTEREST EXPENSE											
Interest on deposits	1.5	0.0	17.4	21.2	15.9	26.2	25.5	38.1	48.3	60.7	74.5
Interest on debenture/loan	2.7	0.0	0.0	0.0	0.0	86.6	97.0	106.1	116.1	127.1	139.4
TOTAL INTEREST EXPENSE	4.2	0.0	17.4	21.2	15.9	112.8	[illegible]	144.2	164.4	187.8	213.5
NET INTEREST INCOME	6.3	53.3	108.3	140.1	185.5	139.5	[illegible]	191.3	219.9	255.7	289.9
OPERATING EXPENSES											
Branch operating expenses	3.7	24.2	45.4	73.1	90.9	111.6	125.3	153.4	181.3	208.5	246.4
Regional operating expenses	0.3	1.6	5.0	5.4	6.8	8.3	9.6	11.3	13.3	16.1	19.1
Head office operating expenses	0.8	2.3	2.7	2.3	4.7	4.3	4.3	5.2	6.7	6.8	7.7
Branch depreciation	0.4	1.1	1.9	3.1	4.4	15.2	15.4	18.2	21.3	25.9	29.3
Regional office depreciation	0.0	0.2	0.3	0.3	0.3	2.5	2.9	3.6	4.1	4.9	5.5
Head office depreciation	0.2	0.3	0.9	0.9	1.2	0.9	0.9	0.9	0.9	0.9	0.9
Loan loss provision	1.6	4.9	-7.9	15.4	24.2	33.3	29.2	46.6	56.2	45.9	74.7
Staff training	0.1	0.3	2.3	3.6	1.8	3.7	4.0	10.6	12.5	15.1	17.0
TOTAL OPERATING EXPENSE	11.5	35.3	66.4	108.1	134.4	181.5	222.9	249.4	296.5	354.0	399.5
NET OPERATING PROFIT (LOSS)	-5.2	18.0	41.9	32.0	51.1	-42.0	-45.1	-58.1	-76.6	-98.3	-109.5
Less Income Tax 50%	0.0	0.0	0.0	0.0	0.0	0.0	5.6	0.0	0.0	0.0	0.0
NET PROFIT	-5.2	18.0	41.9	32.0	51.1	-42.0	-45.1	-58.1	-76.6	-98.3	-109.5
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KEY RATIOS											
Total Deposits to Total Assets	11%	19%	18%	19%	25%	27%	22%	33%	41%	47%	51%
Total Loans to Total Deposits	270%	224%	217%	223%	264%	247%	224%	213%	196%	184%	172%
Investments/Total Deposits	336%	237%	304%	247%	123%	44%	27%	14%	3%	-16%	-11%
External Debt/Inv. Investments	307%	225%	170%	190%	263%	782%	2261%	1959%	2156%	-2348%	-1954%
Total capital/Total liabilities	-18%	11%	30%	33%	36%	72%	9%	-1%	-9%	-14%	-20%
Total capital/Assets	-2%	7%	5%	7%	9%	4%	3%	0%	-4%	-7%	-11%
(Capital+Dep.)/Assets	83%	80%	79%	77%	73%	72%	68%	63%	59%	53%	49%
Liquid assets/Total liabilities	8%	7%	3%	3%	4%	9%	8%	8%	7%	7%	7%
Interest Income/Total Assets	5.3%	9.6%	12.7%	12.1%	13.4%	16.2%	16.9%	17.3%	17.8%	18.3%	18.0%
Interest Expense/Total Assets	2.1%	1.2%	1.7%	1.6%	1.1%	7.2%	7.3%	7.4%	7.6%	7.6%	8.6%
Net Interest Margin	3.2%	7.9%	10.5%	10.5%	12.3%	9.0%	9.6%	9.9%	10.2%	10.6%	10.6%
Operating Expense/Total Assets	5.8%	5.2%	4.5%	8.1%	8.9%	11.7%	13.3%	12.9%	13.6%	14.6%	14.9%
Net Profit/Total Assets	-2.6%	2.7%	4.1%	2.4%	3.4%	-2.7%	-2.8%	-3.0%	-3.4%	-4.1%	-4.3%

INCOME STATEMENT	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
INTEREST REVENUE										
Investment income	-14.2	-9.2	11.3	22.6	62.7	92.2	124.6	144.6	181.9	237.4
Loan interest income	560.2	587.0	574.0	557.2	536.2	515.3	494.0	519.2	497.6	429.3
Interest on housing loan 81	14.7	16.8	18.0	15.6	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL INTEREST REVENUE	563.7	595.6	604.1	[illegible]	617.4	625.7	636.6	681.8	697.4	684.7
INTEREST EXPENSE										
Interest on deposits	89.1	102.5	113.7	124.7	125.6	146.4	157.2	167.8	178.4	189.0
Interest on debenture/loan	152.1	166.5	182.2	[illegible]	218.1	238.7	261.2	285.8	312.7	342.2
TOTAL INTEREST EXPENSE	242.2	269.0	295.9	[illegible]	352.8	385.1	418.3	453.6	491.1	531.2
NET INTEREST INCOME	321.4	326.6	308.2	291.7	263.6	240.4	218.3	228.2	206.3	153.5
OPERATING EXPENSES										
Branch operating expenses	272.9	276.9	276.9	271.5	276.9	278.9	278.9	278.9	278.9	278.9
Regional operating expenses	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Head office operating expenses	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Branch depreciation	31.6	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Regional office depreciation	4.2	4.2	4.2	4.2	4.2	4.6	4.9	4.9	4.5	4.9
Head office depreciation	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Loan loss provision	88.8	85.8	86.6	81.4	82.0	82.4	86.4	82.4	81.4	82.4
Staff training	19.3	19.3	19.3	19.3	19.3	19.3	19.3	17.2	19.3	19.2
TOTAL OPERATING EXPENSE	451.3	452.4	426.9	[illegible]	365.1	333.2	302.3	[illegible]	295.8	312.6
NET OPERATING PROFIT (LOSS)	-121.9	-125.8	-118.7	[illegible]	-101.5	-92.6	-84.0	-87.9	-79.4	-59.1
Less Income Tax 50%	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
NET PROFIT	-121.9	-125.8	-118.7	[illegible]	-101.5	-92.6	-84.0	-87.9	-79.4	-59.1
	===	===	===	===	===	===	===	===	===	===
KEY RATIOS										
Total Deposits to Total Assets	55%	57%	58%	59%	59%	58%	58%	57%	56%	55%
Total Loans to Total Deposits	162%	146%	129%	115%	102%	92%	82%	87%	67%	61%
Investments/Total Deposits	-12%	0%	14%	39%	41%	53%	65%	64%	80%	100%
External Debt/Inv. Investments	-1452%	-2913572%	1448%	740%	500%	394%	224%	336%	240%	222%
Total capital/Total liabilities	-26%	-30%	-34%	-36%	-37%	-38%	-39%	-40%	-40%	-40%
Total capital/Assets	-14%	-17%	-19%	-21%	-22%	-22%	-23%	-23%	-22%	-22%
(Capital+Dep.)/Assets	45%	43%	42%	42%	41%	42%	42%	43%	44%	45%
Liquid assets/Total liabilities	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Interest Income/Total Assets	18.9%	18.7%	17.6%	16.5%	15.4%	14.4%	13.4%	13.3%	12.7%	11.5%
Interest Expense/Total Assets	8.1%	8.4%	8.6%	8.7%	8.8%	8.9%	8.9%	9.0%	9.3%	9.6%
Net Interest Margin	10.8%	10.2%	9.0%	7.7%	6.6%	5.6%	4.7%	4.5%	3.8%	2.6%
Operating Expense/Total Assets	15.2%	14.2%	12.6%	11.7%	9.1%	7.7%	6.4%	6.7%	5.2%	3.6%
Net Profit/Total Assets	-4.46%	-3.94%	-5.45%	-2.90%	-2.55%	-2.16%	-1.79%	-1.74%	-1.45%	-1.00%

ASSUMPTIONS TABLE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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New PCP Branches	18	20	20	19	21	30	20	25	30	40	30	35	0	0	0	0	0	0			

Input Risk Growth =	100%
(100% = Table 1 base case)	
Branch Operating Cost Inflator	100%
(100% = Table 9 base case)	
Annual Inflation	8%
BRAC Loan =	9%
(Additional BRAC Investment in 1996	
(connects to Balance Sheet)	
% Rate on BRAC Loan =	9%
(connects to Income Statement)	
% Rate on Deposits =	6%
(connects to Income Statement)	
% Rate of Interest on Investme	8%
(connects to Income Statement)	
% Rate of Interest on Loan =	25%
(connects to Income Statement)	
Withdrawal Rate (Beg Yr 5 +) =	20%
Withdrawal Rate (Beg Yr 1-4) =	10%
(for Group Tax and Forced Savings: Table 5)	
Savings Rate	85%
(for Own Savings: Table 5)	
Taka/wk	2 From 1995
(for Own Savings: Table 5)	
Taka/wk	2 From 1990
(for Own Savings: Table 5)	
Loan Loss Reserve (Table 6)	
Method 1 or Method 2?	1
Method 1 = % Disb =	2%
Method 2 = Raw % L/S =	5%

MODEL BRANCH		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	
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Term Mix:	Long	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Medium	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
	Short	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%
Scheduled Recovery of Principal		10%	20%	20%	20%	20%	10%															
	Medium	17%	33%	33%	17%																	

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