



BRAC - DONOR CONSORTIUM

RURAL DEVELOPMENT PROGRAMME

PHASE III
(1993-1995)

APPRAISAL

VOLUME I

MAIN REPORT

MAY 1992

CONTENTS

	Paragraph No.
1. INTRODUCTION	
Background to the Appraisal	1.1-1.3
Appraisal Composition and Schedule	1.4-1.5
Terms of Reference and Approach Taken	1.6
2. SUMMARY OF MAIN RECOMMENDATIONS	
Overview	2.1-2.2
Scale and Cost of Expansion in RDP-III	2.3-2.4
Presentation of Proposals	2.5-2.7
Institution-Building	2.8
Sectoral Programmes	2.9-2.12
Sericulture	2.10
Irrigation	2.11-2.12
Health and Family Planning	2.15
The RDP/RCP Transition and Self-Sufficiency	2.16-2.23
Management of RCP as a Financial Institution	2.24-2.33
Financial Management	2.34-2.39
Training	2.40-2.42
Management Development	2.43-2.45
Management in the Context of Rapid Growth	2.46
Gender Issues	2.47
Overlap with other Rural Development Programmes and NGOs	2.48
Construction of New Physical Facilities	2.49
Research and Evaluation	2.50-2.51
BRAC-Donor Relations	2.52-2.58
3. BACKGROUND AND CONTEXT	
The National Policy Context for Development Work by NGOs	3.1-3.8
Official policy	3.1-3.6
Political will, plans, priorities and capabilities	3.7-3.8
BRAC in the Context of Other NGOs and Government Programmes	3.9-3.11
RDP-III in the Context of the Evolution of BRAC's Strategy	3.12-3.16
4. OVERVIEW AND COMMENTARY ON THE PROPOSED EXPANSION	
The Framework for Appraising RDP-III	4.1-4.3
Presentation of the RDP-III Proposal	4.4-4.14
Lack of analysis	4.5-4.7
Lack of detail	4.8-4.9
Lack of clarity and consistency	4.10-4.12
Budget presentation	4.13-4.14

RDP-III Objectives	4.15-4.18
BRAC Models for Operational Activities	4.19-4.20
The RDP - RCP Model	4.21-4.25
Mode of transition from RDP-RCP	4.22-4.24
Adaptation of the model	4.25
The NFPE Model	4.26-4.28
The Sericulture Model	4.29
Health and Family Planning	4.30-4.31
The IGVGD Model	4.32-4.33
Scale of the Proposed Expansion	4.34-4.36
Recommended rate of growth in RDP/RCP Offices	4.36
5. KEY ISSUES AND CHALLENGES FOR FUTURE GROWTH	
Institution-Building	5.2
Training for Institution-Building	5.3
Training Capacity and Throughput	5.4-5.6
Credit Portfolio Management	5.7
Management of and Technical Support to Collective Loans	5.8-5.11
Management Experience at the Field Level	5.12-5.13
Management Development	5.14-5.15
6. INSTITUTIONAL DEVELOPMENT AT THE LOCAL LEVEL	
The Rationale for Institution-Building Work	6.1-6.2
Assessment of BRAC's Current Work in Institutional Development	6.3-6.11
Expansion in membership and operational activities	6.4-6.6
Capacity of field staff	6.7-6.8
The difficulty of monitoring institutional development	6.9-6.11
Re-emphasising Institutional Development	6.12-6.20
Institution-building in RCP	6.18-6.20
7. SECTORAL PROGRAMMES	
Overview	7.1-7.2
Accomplishments to Date	7.3-7.5
Assessment of the RDP-III Proposal for Sectoral Programmes	7.6-7.26
Poultry and livestock	7.6-7.8
Fisheries	7.9-7.12
Sericulture	7.13-7.17
Social forestry and horticulture	7.18-7.20
Income Generation for Vulnerable Groups	
Development (IGVGD)	7.21-7.23
Irrigation	7.24-7.26
Support Services to Sectoral Programmes	7.27-7.32
The Rural Enterprise Project	7.27-7.28
Proposed Marketing Unit	7.29-7.32
Training	7.33
The Future of the Sectoral Programmes under RCP	7.34-7.35

Credit Regulations and Management	7.36-7.37
Non-Formal Primary Education	7.38-7.44
Complementarity	7.39
Efficiency in training	7.40
Efficiency in administration	7.41
Donor interest	7.42-7.44
Health and Family Planning	7.45
8. CREDIT SERVICES	
Financial Viability in the Transition from RDP to RCP	8.1-8.9
The need for greater clarity on self-sufficiency	8.2-8.6
Comprehensive accounting	8.7
Service fees in RCP	8.8
Financial planning in RCP	8.9
Loan Portfolio Analysis and Management	8.10-8.20
Devolution of portfolio management responsibility	8.11-8.14
Special measures in respect of collective loans	8.15-8.20
Housing Loans	8.21-8.22
9. TRAINING	
The Spectrum of Training	9.1-9.2
Training Capacity and Achievements	9.3-9.6
Signs of Strain	9.7-9.8
RDP-III Targets	9.9-9.14
Recommendation for a special analysis of training targets and capacity	9.14
Training Utilisation, Effectiveness and Impact	9.15
Training Staff at Head Office	9.16
Management Development	9.17-9.26
Training staff	9.19-9.20
Training curricula and training material	9.21-9.23
Clarifying the role and priorities of MDP	9.24-9.26
10. PLANNING, MANAGEMENT AND ORGANISATIONAL DEVELOPMENT	
Strategic Planning	10.1-10.2
Programme Planning and Design	10.3-10.7
Overlap with Other Rural Development Programmes and NGOs	10.8-10.13
Operational Planning	10.14-10.16
Management Issues in the Context of Rapid Growth	10.17-10.19
Gender Issues in Personnel Policy	10.20-10.28
Women's Advisory Committee	10.24-10.26
Gender training	10.27-10.28
Research and Evaluation	10.29-10.32
New, operational work areas	10.30
Building in collaboration and responsiveness	10.31
Staff strengthening	10.32

11.	BUDGET	
	Proposed and Recommended Budgets	11.1-11.4
	Exchange Rates	11.5-11.7
12.	BRAC-DONOR RELATIONS	
	Commonality of Understanding and Approach	12.1
	BRAC's Performance	12.2
	Accountability and Continuity of BRAC	12.3-12.9
	BRAC's Expectations of the Donors	12.10-12.13
	Proposed self-evaluation	12.12-12.13
	The 1992 Annual Review	12.15-12.16
	The Donor Liaison Office	12.17
	DLO Staffing	12.18-12.19

I. INTRODUCTION

Background to the Appraisal

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

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

1.2 The total value of the funding package agreed between BRAC and the Donor Consortium was the equivalent of US\$49.0 million, of which US\$18.2 million was earmarked for RDP-II. The balance of US\$30.8 million was devoted to the creation of the RCP. This represented 70% of the total amount required (estimated at US\$44.0 million) to establish RCP as a self-supporting programme deriving income initially mainly from investments but increasingly through time from credit services to BRAC members. This support to RDP-II/RCP is scheduled for a three year period which will begin to run out at the end of 1992.¹ As originally envisaged in the design of RDP-II/RCP, BRAC would require further support from the Donor Consortium beyond 1992 in pursuit of its target to set up a total of 300 Area Offices, all of which would become RCP Branches by the year 2002. This further support would only be required for RDP, however, not for the already capitalised RCP.

1.3 The RDP-II/RCP agreement included provision for a Mid-Term Evaluation (MTE) of both components of donor support. This was undertaken on schedule during February 1992. In view of the limited time available before the expected completion of disbursements under RDP-II/RCP, it was decided that the MTE should be immediately followed by an appraisal of BRAC's request and proposals for further support to RDP, designated as RDP-III.

¹ The run-out period will itself stretch over about six months to the middle of calendar 1993 owing to differences in the financial year designations among different agencies.

Appraisal Composition and Schedule

1.4 The appraisal team and their principal fields of responsibility comprised:

Colin Relf	- Team Leader
Janney Bretz Carpenter	- Financial Analysis
Anis Dani	- Management and Training
Sunimal Fernando	- Rural Institutions
Aruna Rao	- Gender Issues
Jennefer Sebstad	- Credit/Small Enterprise Development

1.5 The appraisal team assembled in Dhaka during the first few days of March 1992. The team was briefed by representatives of the Donor Consortium. Extensive discussions were held with BRAC staff at Head Office (HO) level throughout the appraisal. This work was interspersed with field visits to the following Districts:

Rangpur	Manikganj
Dinajpur	Sherpur
Pabna	Jamalpur
Natore	Mymensingh
Jessore	Narsingdi

Terms of Reference and Approach Taken

1.6 The terms of reference for the appraisal of RDP-III are reproduced in Annex 1 to this report. In studying these TOR, the appraisal team noted that they had been drawn up before two important sources of information and analysis had been available, namely (a) the Mid-Term Evaluation of RDP-II/RCP, and (b) BRAC's proposal for the scope and content of RDP-III. In the actual context, and in consultation with Dhaka-based representatives of the members of the Donor Consortium, the team drew up a set of TOR priorities focusing on the issues summarised below:

- i) Context and strategy How the role BRAC sees for itself fits with the policy context in Bangladesh and with the operational work of the government and other NGOs. In this context, how BRAC develops its own strategy, especially in view of the major expansion proposed in RDP-III.
- ii) BRAC models Analysis of the degree of development of and confidence in BRAC's operational models - principally for the RDP/RCP institutional development and credit model and its various components (including sericulture and irrigation as well as proposals for the creation of marketing units) but also for NFPE.
- iii) Proposed growth and its implications Investigation of BRAC's capacity for growth in terms of operational planning, management (including monitoring feeding back into planning and management), staffing, management development and organisational evolution. Review of growth within and beyond the RDP-III package, particularly for NFPE.

- iv) Loan portfolio management Specifically to follow up and develop further the recommendations of the MTE with respect to improved systems and procedures for credit management.
- v) Training Feasibility of meeting the demand for training among BRAC staff and members, including physical facilities, curriculum development, supply of trainers, trainer workloads, trainee throughput, training follow-up and training quality.
- vi) BRAC/donor relations Including donor expectations, yardsticks and needs in relation to the institutional discretion of BRAC to set and pursue its own strategy, plans and targets. Assessment of coordination and liaison arrangements between BRAC and the Donor Consortium.

2. SUMMARY OF MAIN RECOMMENDATIONS

Overview

2.1 The appraisal generally endorses BRAC's objectives, its strategy and the broad thrust and direction of the proposed RDP-III. The appraisal has consulted closely with BRAC staff and management, at Head Office and in the field, to test for any weak points in the strategy and to investigate how BRAC can best equip itself to implement RDP-III while at the same time maintaining or improving the generally high standards of professionalism it has set for itself. Of the proposed elements of RDP-III the appraisal recommends the retention of all but one. The exception is any further expansion of BRAC lending for deep tube-wells after the removal of government subsidies. Among the other components of its ongoing and planned work there is a need for some adjustment in the interests of efficiency, manageability, quality and adherence to its composite objectives. These adjustments are intended to be constructive and are motivated by the general conclusion of endorsement of RDP-III.

2.2 In the interests of accessibility and to avoid excessive repetition, this section of the report does not attempt to summarise the analysis and conclusions of the text. Instead, it confines itself to a summary of the main recommendations of the appraisal. It remains, however, an executive summary because it is on the appraisal recommendations that executive decisions must be reached by BRAC in negotiation with the Donor Consortium. The analysis on which these recommendations are based is provided in an already summarised form in the main body of the text. Further, more detailed analysis can be found in Annexes 2 to 6.

Scale and Cost of Expansion in RDP-III

2.3 The number of new RDP Area Offices should be scaled back from the proposed 115 to a total of 95 between 1993 and 1995, the annual pattern of new openings being 25, 30 and 40. There should be no change in the proposed rate of transition of RDP Offices to become RCP Branches.

2.4 The revised cost of RDP-III is estimated at a maximum of US\$56.7 million, depending on the outcome of the recommended specific appraisal of the sericulture proposal, currently costed (and included in the above maximum) at US\$6.3 million.

Presentation of Proposals

2.5 In future, in formulating and submitting any new proposals to the Donor Consortium, BRAC should present them clearly in the context of its aggregate plans and aggregate resources.

2.6 In full consultation with the members of the Donor Consortium, BRAC should establish an agreed format for the presentation of any new proposals in the interests of clarity, comprehensiveness and ease of processing by the Consortium.

2.7 BRAC should review its objectives with the aim of defining and articulating them as clearly as possible; ranking them in terms of time horizons for achievement; and establishing verifiable indicators of achievement both for its own purposes, for the Donor Consortium, and for the wider national and international interest.

Institution-Building

2.8 Drawing on its own rich experience, BRAC should re-emphasise its work in helping VOs to become secure, well-rooted rural institutions: not just compliant organisations for the purposes of receiving, using and repaying credit. In this process, the following issues and actions should be addressed:

- i) promoting interest in supra-village issues and the possible emergence of wider interactive networks of VOs - but without prescribing in advance precisely what form this should take;
- ii) drawing on the history and experience of institutional development in Manikganj as a centre for alternative training through people-to-people exchange;
- iii) designation and deployment of senior, experienced POs based at the TARCs to guide and support junior POs at the Area/Branch level as institution-building facilitators;
- iv) further refinement of staff training curricula in support of the re-emphasis of institution-building;
- v) introduction of process documentation to monitor progress in institution-building;
- vi) provision for the continuation of institution-building work for as long as necessary after the transition of RDP Offices to become RCP Branches.
- vii) maintenance of a continuing dialogue between the socially-oriented and financial self-sufficiency interests within BRAC, while maintaining clear distinction in responsibilities between field staff engaged in institution-building and credit management duties.

Sectoral Programmes

2.9 The expansion of the sectoral programmes should be modified in line with the recommended overall rate of expansion of RDP, with attention given to the following key issues:

- i) development of a service charge system within each component programme to recover the full costs of services provided;
- ii) exploration of the incorporation of service charges at the very beginning of the 4+2 RDP/RCP model, with a very heavy initial subsidy being gradually removed to reach full cost recovery under RCP;
- iii) strengthening of the staff skills in each component programme in the field of business planning;
- iv) addition of marketing expertise to each component programme, rather than establishing a separate marketing unit;

- v) re-emphasis of the role of sectoral POs in loan monitoring as well as their respective specialisms;
- vi) expansion of sectoral programme monitoring to include indicators service quality, financial returns at the enterprise level, and socio-economic impact;
- vii) strengthening the linkages between RED and the sectoral programmes;

2.10 Sericulture BRAC should articulate more clearly its strategy and operational plans for the expansion of the sericulture programme. In turn, the Donor Consortium should commission a separate, specific appraisal of this programme to finalise its scale and cost.

2.11 Irrigation BRAC should limit its future lending for deep tube-wells to the maximum of 125 new schemes to which it is currently committed, bringing the total number of schemes to about 767. To reflect the higher risk associated with DTWs a loan loss reserve of 40% should be applied to that portion of BRAC's exposure represented by capital loans.

2.12 As a matter of urgency, BRAC should prepare plans on two fronts to improve the quality of DTW loans. First, it should plan to provide closer technical and advisory support to the management of DTWs to increase the prospects for their operational success. Secondly, the recommended improved credit portfolio management system (see below) should be applied to DTWs, enabling more accurate and more informative monitoring of recovery rates. As part of this process, BRAC should explore possible adaptations of the DTW model including minimising the need for operating loans based on the Jessore experience and revising the terms and conditions on which operating loans are issued.

Non-Formal Primary Education

2.13 NFPE should be retained in RDP-III owing to its valuable complementary role to RDP itself, in the interests of efficiency in administration and training, and as a reflection of the breadth of interest in different aspects of BRAC's work among members of the Donor Consortium. There are no reservations about the NFPE model to call into question the expansion by 9,000 schools proposed. If, however, the availability of resources through RDP-III imposes cuts, they should be made preferentially towards the end of RDP-III, giving BRAC time to mobilise additional resources for the planned overall expansion.

2.14 NFPE's training workload should be included in the recommended special study on BRAC-wide training (see below).

Health and Family Planning

2.15 This component should be retained as proposed as a pilot activity in exploring a potential major broadening of the range of services offered by BRAC. In subsequent reviews and evaluations the Donor Consortium should include appropriate expertise not available to this appraisal.

The RDP/RCP Transition and Self-Sufficiency

2.16 BRAC should measure all of the costs and revenues of RCP to permit full assessment of its progress towards complete financial self-sufficiency. BRAC should strive for complete self-sufficiency and apply rigorous internal standards to RCP.

2.17 RCP's road to self-sufficiency should be more clearly plotted, with annual performance benchmarks and objectives based on sound cost accounting and good financial planning. Head Office should have a working model that tracks the costs and revenues of RCP as if it were a separate institution.

2.18 Donor funds are being invested in RCP branches whether the activities are housed in RDP or RCP. Accurate cost-allocation and revenue recognition systems would allow BRAC to evaluate the effectiveness of those investments and make informed decisions and how best to use its resources.

2.19 The RCP Income Statement should be revised to include additional line items for all sources of expense (institution building, technical support) and revenues (fee income, interest margin earned on savings deposits).

2.20 A comprehensive spreadsheet as an addition to the RCP model would permit BRAC to forecast the costs and revenues of sectoral programmes and institution building activities. This model would have assess RCP branch-wise, as not all sector programmes are operating in all branches.

2.21 Each sectoral programme should keep its own ledger for costs and revenues to track the actual costs to RCP and RDP from month to month or quarter to quarter.

2.22 The monthly cash budgets presented by RCP branches should reflect the amount of service charges earned by the branch and the sectoral programmes from which it is generated.

2.23 The RCP and RDP budgeting models should be expanded to allow management to track the costs and revenues of continuing institution building and technical support for VO members.

Management of RCP as a Financial Institution

2.24 BRAC should continue to develop RCP into a separate financial entity within BRAC or as BRAC Bank.

2.25 Whether a separate banking institution or part of BRAC, RCP should be increasingly be measured by banking performance standards and measures.

2.26 Ratio Analysis and Trend Reporting should be used to alert management of changes in loan quality, management quality, and earnings quality.

2.27 Subject to a review of performance data, housing loans are a logical addition to RDP credit activities and should be financed by the donors. Although currently proposed only as part of RDP, housing loans for members should be expanded to RCP if their repayment performance is strong. Such loans should be a permanent RCP financial product rather than only from development-oriented RDP, and continued separation of the portfolio from RCP would become awkward.

2.28 Adopt and implement five suggested portfolio measures on a quarterly and monthly basis and use trend reporting to detect changes in portfolio quality and distinctions in repayment patterns for different types of loans.

2.29 Improve the sensitivity of the Current and Late loan quality classifications to become more meaningful reflections of loan quality and the adequacy of the loan loss reserve.

2.30 Develop a summary reporting format for internal use that is both useful to internal managers and informative for Donors and other qualified outsiders. Such a report might track trends in the above five portfolio measures and present limited summary portfolio information.

2.31 Replace or supplement the 2% loan loss provision with active management of the credit portfolio and periodic reviews of loan quality relative to the loan loss reserve. A Portfolio Review Committee should meet quarterly to assess the adequacy of the loan loss reserve and review problem loans or business sectors.

2.32 Measure the loan loss reserve relative to *loan outstandings* rather than to *loan disbursements* to more accurately track and predict loan quality.

2.33 Devolve portfolio management responsibility to the lowest possible administrative level to encourage development of a disciplined credit culture and to reduce reliance on the centralized monitoring function.

Financial Management

2.34 A financial model should be prepared for RDP (similar to RCP) to track performance over time and better analyze the transition from RDP into RCP.

2.35 A Budget/Forecast/Actual reporting format would better track performance, refine budgeting accuracy, and better reflect changes within a particular funding cycle (for example, shifts in expenditures between 1991 and 1992).

2.36 Financial budgets and reporting for RDP and RCP should be in consistent formats so numbers can be compared directly by the uniformed reader.

2.37 BRAC's methodology for forecasting loan outstandings should increase in sophistication to include individual assumptions for loan disbursements, the mix of short, medium, and long term loans, and the degree of slow repayment (i.e. the percentage of payments received later than when due). The LOANOS worksheet prepared by the Mid Term Evaluation should be added to the RCP model. It should be run with a variety of assumptions to test the sensitivity of BRAC's projected net Loan Requirement to changes in those variables.

2.38 Branch and area office managers should focus more on cash management to reduce the amount of funding required to finance BRAC's lending operations. BRAC can focus ^{its} their attention on cash management through a variety of steps.

2.39 Despite the incentive to manage cash aggressively at the branch level, managers must be careful to not misuse the overdraft privileges arranged at local banks. Aggressive use of float at the expense of the banking system can lead to later repercussions that would hurt BRAC both financially, politically and economically.

Training

2.40 The Donor Consortium should commission a special planning and programming analysis of BRAC-wide training targets and capacity during the last quarter of 1992. Owing to the uncertainty surrounding some of BRAC's overall expansion plans, this study should include sensitivity analyses, particularly with respect to different rates of expansion of the NFPE programme.

2.41 BRAC should strengthen its capacity to evaluate the utilisation, effectiveness and impact of its training activities. Having established a joint team of staff from the Training and Monitoring Departments and RED, the steps to be taken should be:

- i) identify and possibly adapt appropriate methodologies for the evaluation of training;
- ii) field-testing of the selected methodologies;
- iii) gradually build up a system and capacity to monitor and evaluate training effectiveness.

2.42 BRAC should consider expanding its HO complement of training staff with the addition of two senior professionals - one dealing with the evaluation of training as recommended above, the other focusing on curriculum development.

Management Development

2.43 MDP should continue to move as fast as possible to become fully operational, including building up its own team of full-time faculty members.

2.44 In parallel, MDP should continue to develop its training curricula and materials, drawing on internationally-available material where appropriate, and including curricula and training materials related to institution-building and the improved credit management system recommended by the appraisal.

2.45 BRAC should clarify the role and priorities of MDP, assigning higher priority to internal management development needs than to training staff of outside agencies - even though this would imply forgoing income from training fees, hence greater dependence on the Donor Consortium.

Management in the Context of Rapid Growth

2.46 Rapid growth presents the risk of appointing staff to the key positions of Area/Branch Manager who may have high potential but who lack sufficient depth and breadth of experience in BRAC and its various programmes. To combat this, the following recommendations are put forward:

- i) BRAC should adhere strictly to its earlier policy of requiring POs to serve for a minimum of three years after their initial training period, including one year experience each in institution-building, sectoral programmes and credit, before promotion;
- ii) ideally, and again in line with earlier policy, five years experience as a PO should be regarded as a minimum (though of course, not of itself a sufficient) condition for promotion to the role of Area/Branch Manager;
- iii) BRAC should further develop and refine its existing screening and selection procedures to reinforce its confidence in appointing resourceful Area/Branch Managers capable of taking initiative and using their own discretion rather than being guided principally by formulae and predetermined models;
- iv) steps should be taken to reduce the number and proportion of Area Offices and Branches being managed by POs-in-charge - particularly those who have only reached Level VI;
- v) wherever possible, only seasoned Area/Branch Managers should be selected to serve as managers of new RDP Area Offices;
- vi) MDP should assign special priority to the further development of training material, to the design of 'sandwich' training programmes for new Area/Branch Managers-designate, and to the reservation of its training capacity for newly selected Area/Branch Managers to ensure that they have adequate skills in local-level planning and implementation; administration and financial management; communication skills, including report-writing; and up-to-date familiarity with the major sectoral and support programmes.

Gender Issues

2.47 The constructive work of the Women's Advisory Committee should be continued, phasing in to the development of gender training work within BRAC. An additional item in support of gender training and amounting to 1.5% of staff salaries has been added to the RDP-III budget.

Overlap with Other Rural Development Programmes and NGOs

2.48 BRAC should strengthen its dialogue with other large NGOs and agencies before finalising its detailed operational plans for expansion, including the location of new RDP Offices and NFPE schools.

Construction of New Physical Facilities

2.49 To avoid the continuation and possible worsening of delays in construction plans, the internal customers for new buildings - mainly the Training Department and RDP - should establish a closer working relationship and better flow of information with the Construction Department.

Research and Evaluation

2.50 BRAC should continue to seek ways and means of strengthening (a) the relationship between RED and operational departments (including the Monitoring Department), hence (b) the operational relevance of its work. Probable new areas of research and evaluative work during RDP-III will in any case require close collaboration between RED and other departments.

2.51 If, as put forward in the RDP-III proposal, RED is to continue with its ongoing programmes of work, including the Village Studies Project, the introduction of new fields and elements of work will call for staff strengthening. A minimum of two senior social scientists would be needed in connection with the re-emphasis on institution-building and the proposed evaluation of training.

BRAC-Donor Relations

2.52 Specific recommendations to the Donor Consortium are to:

- i) establish a time-span of not less than 18 months for BRAC to pursue a work plan agreed during negotiations for RDP-III;
- ii) agree on progress to be made by BRAC in tackling key issues and challenges and in implementing specific recommendations as put forward in this report. This should include dates and, as far as possible, verifiable indicators of implementation and achievements.

2.53 The timing of the next Annual Review commissioned by the Donor Consortium should be adjusted to ensure the prior availability of the results of (a) the sericulture appraisal, and (b) the proposed planning and programming study of training.

2.54 In pursuing its recognition as a mature, independent organisation, and in negotiating what it feels are appropriate limits to its discretion in planning, management and implementation, BRAC should take as its starting point the recommended clarification and ranking of its objectives. This should include specifying the likely time spans over which different objectives might be achieved. In addition, greater clarity in articulating its strategy, plans and programmes as recommended earlier would help in negotiating discretionary limits and time spans.

2.55 As a specific expression of its maturity, BRAC should undertake a self evaluation during the course of RDP-III against terms of reference agreed with the Donor Consortium.

2.56 The Donor Liaison Office should be strengthened by the addition of another international professional to be responsible mainly for (a) interpreting, synthesising and feeding to the donors key material from the wealth of reports and documentation emanating from BRAC, and (b) creating and maintaining an information resource centre within the DLO.

2.57 BRAC should assign an existing staff member to act as the focal point within BRAC for coordination with the Donor Consortium and to help in setting up the proposed information resource centre.

3. BACKGROUND AND CONTEXT

The National Policy Context for Development Work by NGOs

3.1 Official policy Officially, the policy environment for development work by NGOs in Bangladesh is now much more favourable than it was even three years ago, when RDP II/RCP were appraised. Although the Fourth Five Year Plan remains in draft form, it is unequivocal in its endorsement of the role of NGOs in the following terms:

'The government has been encouraging NGO participation in nation-building activities for which various measures have been adopted. ...In order to simplify procedures...(in)..handling NGO affairs, particularly those which are assisted by foreign donations, a Bureau has been established in the President's Secretariat.'²

3.2 This apparently liberal and cooperative formal policy is not, however, matched by the regulations and procedures confronting NGOs. The Task Forces on national development strategies set up during the interim government of 1990/91 characterised the relationship between government and NGOs as 'ambivalent' and drew attention to the difference between policy statements of the type quoted above and the way in which successive governments:

'...have tried to control and regulate NGO activities through promulgating a number of regulatory laws having multiple procedural bottlenecks, thus inhibiting a smooth NGO operation in the country.'³

3.3 The government's perspective on this analysis is summarised in the final 'Qualifying Remarks' (prepared by one of the two government representatives in the eight-member task force which was responsible for analysing the role of NGOs), appended to the task force report. These remarks recognise the need for procedures to be simplified as much as possible. But they also stress that:

'Government is ultimately responsible to the people for all activities in the country, irrespective of (their) GO (government organisation) or NGO origins. Thus, the requirement of registration, its renewal, like a driving licence, and prior programme approval comes in.'

3.4 In practice, of course, 'the interpretation and implementation of national policy depends on the attitudes and perspectives of senior civil servants. During the course of the RDP III appraisal, contacts at the highest levels of the civil service with the Planning Commission, the Ministry of Local Government, Rural Development and

² People's Republic of Bangladesh: Fourth Five Year Plan (Draft). Planning Commission, Dhaka. May 1990. (Chapter XVIII. Para 18.14)

³ Report of the Task Forces on Bangladesh Development Strategies for the 1990s. University Press, Dhaka. 1991 (Volume 2, Part D, The Role of NGOs).

Cooperatives (MLGRD&C), the Ministry of Education, and the Bangladesh Rural Development Board (BRDB) revealed some differences in attitude within a generally liberal and constructive approach to the development role of NGOs. Focusing specifically on BRAC and on its work in the fields of non-formal primary education and credit services among the rural poor, the range of attitudes can be illustrated by the following responses:

Education: 'Government clearly cannot cope with the magnitude of the task and has clearly not achieved a significant increase in the literacy rate over the past 20 years. BRAC can make a significant contribution - it has a size which can make an impact. Moreover, as an increasingly mature organisation, BRAC runs itself, and does not need expensive technical assistance to achieve results.'

'The government has no difficulty in supporting the expansion of non-formal primary education work by BRAC or other NGOs - either from the policy point of view or in practical terms. This, however, is contingent on the understanding that BRAC will be able to finance its activities either from its own resources or from incremental foreign assistance. Under no circumstances could the government release domestic resources or allow NGOs to draw on foreign aid resources earmarked for government activities.'

Credit: 'The government is encouraging NGOs. But they are fulfilling a supplementary role and cannot substitute for the fundamental role and responsibility of government. The government could not relinquish or abdicate its responsibility either for pursuing growth of the national economy or for the direct targeting of poverty alleviation measures. It becomes unacceptable when donors try to impose a role for NGOs in government programmes.'

'There are unfortunate trends for donors to feel that NGO programmes are all successful while government programmes always fall short. There is a need to look closely at such issues as the 'roadside bias' of NGOs, concentrating their work on those of the rural poor who are most easily accessible, and on the overheads of NGOs including the cost-effectiveness of their work in relation to that of government'⁴

3.5 These views, albeit from a small sample of senior civil servants, can be summarised in terms of three main points:

- i) there is now an acceptance of the reality of NGO involvement in substantive development work among the poor;

⁴ All quotes in this paragraph are personal views expressed by senior civil servants at the level of Additional Secretary or above during the course of interviews held in the agencies mentioned.

- ii) but there is some discomfort in the drawing of comparisons between the work of NGOs and that of the government in similar fields;
- iii) there is considerable sensitivity on the issue of the category of external resources used to support NGO activities, as between official country programme allocations and net incremental resources which otherwise would not be available.

3.6 The second and third of the points listed above will probably not be easy to overcome and may well be contentious in the future. In 1991, for example, the Rural Development and Cooperatives Division of MLGRD&C commissioned a comparative study of selected projects being implemented by BRDB and similar work by three leading NGOs (BRAC, the Rangpur-Dinajpur Rural Service (RDRS) and Proshika). This study pointedly drew attention to an apparent major difference in the programme cost per beneficiary household - at nearly 7.5 times more on average among the three NGOs than for BRDB.⁵ The resource issue will probably focus first on any moves by NGOs to gain access to Taka funds generated by commodity aid (such as monetised food aid, fertiliser, cement and the like). The FFYP has set the tone in its recognition that "The growth in government revenue has fallen behind the rapid increase in current expenditure...(and that)...the chronic shortage of matching local currency has been a major constraint in project implementation and absorption of project aid."⁶ This could be of critical importance to BRAC's need for Taka support for its NFPE expansion plans.

3.7 Political will, plans, priorities and capabilities These four issues are treated together - just as they are grouped in the appraisal TOR - because they are difficult to analyse separately from each other in the context of government policy or practical initiatives. Judging from the number of references in various parts of the FFYP to the urgency of poverty alleviation measures; to participatory rural development; to promoting the role of women in development; and similar issues there appears to be a general recognition of the importance of the type of work included in the BRAC RDP III proposal. These references alone do nothing, however, to indicate the strength of political will surrounding such issues - not least because the draft FFYP was drawn up before the current government came into power and because there has been a dearth of policy statements in this area since then. In terms of specific plans even the FFYP does little to translate policy priorities into government initiatives. Instead there is a tendency merely to list ongoing and pipeline projects and programmes supported by international assistance. In sum, owing to the chronic dependence of the national development programme on international assistance, it is increasingly difficult to identify any independent assertion of national priorities and plans by the government. This in turn is probably because the capability of the government to take practical initiatives independently of the donors is, in most aspects of rural development, extremely limited.

⁵ MLGRD&C: A Comparative Report on Selected Programmes of BRDB and Some Leading NGOs. Prepared by the Task Force Constituted by the Rural Development and Cooperatives Division. Dhaka, December 1991. (Chapter IV, page 52. The operational cost figures quoted were Tk.199.57 per household for BRDB; Tk.2,616.54 for RDRS; Tk.1,432.94 for BRAC; and Tk.411.26 for Proshika. It has not been possible to investigate or to verify these data.)

⁶ FFYP op.cit. Chapter 18, Paragraph 18.2(i)

3.8 Two examples relating to the financial and staff resource capabilities of the government illustrate the problem. On the financial front, the Annual Upazila Development Fund (AUDF - commonly known as the Upazila Block Grant) for the current financial year is only Tk. 15 crores representing only about 7.5% of its level in current prices in the late 1980s. In terms of implementation capacity, agencies such as the Bangladesh Rural Development Board (the main government agency responsible for poverty alleviation work) is heavily dependent on incremental project staff, equipment and other inputs funded by international development assistance agencies.⁷ This means that specific projects must be designed in detail and subjected to government screening and approval procedures. In turn, projects are subject to considerable delay and tend to lack flexibility during implementation.

BRAC in the Context of Other NGOs and Government Programmes

3.9 The most common comparator of BRAC now seems to be the Grameen Bank. Yet it is well recognised that, in terms of the breadth of programme activities and the intensity of advisory and support services they provide, the two agencies differ quite significantly. For the purposes of this brief contextual analysis, comparative information has instead been assembled on the following agencies and projects:

- BRDB - particularly projects RD-5 (the Production and Employment Project funded by SIDA/NORAD); RD-9 (funded by the European Commission); RD-12 (the Rural Poor Programme funded by CIDA); and the IDRWCC (the Integrated Development of Rural Women and Children through Cooperatives project funded by the World Bank/IDA, CIDA, ODA and UNDP);
- Palli Karma-Sahayak Foundation (PKSF) set up by the government in May 1990 as a non-profit association under the Companies Act;
- Rangpur-Dinajpur Rural Service (RDRS), the largest international NGO in Bangladesh, which, like BRAC started work in 1972;
- Proshika, a large national NGO which began operations about three years after BRAC, in 1975.

3.10 All these projects, programmes and agencies have objectives which share much in common - with each other and with BRAC - in terms of their focus on the poor, on helping them to gain access to resources, and on sustainable improvements in the quality and level of their livelihoods. Among them, the PKSF stands out as being relatively new and as having only an indirect relationship with its target group. The Foundation is an on-lending agency, channelling resources through government or non-government 'partnerorganisations' of which it currently has a total of 37, mainly small and medium-sized national NGOs. Since its inception it has been financed exclusively from government revenue resources to the extent of some Tk. 230 million. Its professional staff complement, all of whom are Dhaka-based, extends to two General Managers, five Managers and five Trainee Managers. Disbursements to February 1992 are reported to have been no more than Tk. 28 million.

⁷ More than 50% of the staff of BRDB are funded by donor-supported projects and programmes.

3.15 Some 20 years since its inception, BRAC's strategy is to expand - both in terms of the substantive fronts on which it is working and in terms of the numbers of people it can reach. The rationale for expansion is two-fold:

- i) poverty in Bangladesh is pervasive;
- ii) there is an insufficient capacity from any current source to tackle the poverty problem adequately in terms of coverage and comprehensiveness.

3.16 The appraisal generally endorses both the strategy and operational approach put forward by BRAC. Where it has reservations, they are explained in the text of this report.

TABLE 3.1: Comparative Information on Selected Projects and Agencies Undertaking Poverty-Oriented Development Work¹

	RD5	RD9	RD12	IDRWCC	RDRS	PROSHIKA	BRAC
No. of Upazilas Covered	13	20	139	20	28	70	120
No. of Members	26,105	3,271	236,551	45,886	93,874	406,855	617,136
No. of Groups Formed	1,299	250	9,926	1,147	6,521	23,252	11,376
Average Members/Group ²	20	13	24	40	14	17	54
Share of Women Members (%)	51.0	42.1	41.6	100.0	47.0	42.9	68.0
Credit Recovery Rate (%)	100	99	97	98	NA	90.3	98

Sources: MLGRD&C: Task Force Comparative Report op.cit.
 Proshika (Proshika Donor Liaison Office)
 BRAC

¹ All data as of 30th June 1991 except BRAC, as of 31st December 1991.

² Rounded to the nearest whole number.

4: OVERVIEW AND COMMENTARY ON THE PROPOSED EXPANSION

The Framework for Appraising RDP-III

4.1 In 1989, as mentioned in Section I of this report, the RDP-II component of the current phase of DC financial support was costed at just over US\$18 million (Tk. 578 million). In round figures, the latest of several budget revisions puts the total likely cost at about US\$23 million (Tk. 920 million). The RDP-III proposal puts forward a total cost of just under US\$61.14 million - representing a scale some 2.7 times that of RDP-II.⁸ Yet such a simplistic comparison of budget figures is misleading. The RDP-III proposal includes a different pattern of deployment of resources among components it shares in common with RDP-II. It also includes some new components:

- i) NFPE would increase from about 26% of the total RDP-II budget to more than 34% in RDP-III, calling for a total allocation of US\$ 21 million;
- ii) BRAC's investment in sericulture would increase to US\$ 6.2 million, representing 10% of the total RDP-III budget;
- iii) The principal additions are:

- housing loans to BRAC members	US\$3.04MM
- housing loans to BRAC staff	US\$2.16MM
- health and family planning	US\$0.82MM
- marketing units	US\$0.45MM

4.2 A more significant complicating factor in appraising the RDP-III proposal is that BRAC already receives financial support for different activities outside the framework of the RDP-II/RCP Donor Consortium. These include non-DC inputs from the Swiss Development Cooperation, SIDA (for two different aspects of BRAC's work), and the World Food Programme. In the future, these non-DC inputs could grow, both in magnitude and in the number of different sources. Examples include:

- i) the probability of funding for 3,000 NFPE schools through the General Education Project (supported by 8 international development assistance agencies, including ODA and SIDA);
- ii) the possibility of additional support for NFPE growth from USAID, CIDA, and various other donors;
- iii) an expansion of WFP inputs from monetized wheat in support of the IGVDG programme.

⁸ Note: the revised budget conservatively estimates an exchange rate of Tk 42 = US\$1 in anticipation of a devaluation by the end of 1992.

4.3 None of this is to call into question BRAC's strategy for overall growth - a strategy that the appraisal endorses. What becomes more complicated is the ability of any single appraisal exercise to take adequate account of BRAC's capacity to manage aggregate growth in the context of aggregate resources. Given that different funding packages will be in different pipelines, progressing at different speeds, it will probably always be difficult to assess the overall situation at any point in time. Nevertheless, the appraisal recommends that in the future, BRAC should provide the clearest possible summary picture of all current funding and intended requests and their relation to RDP. This would permit a full assessment of management capacity and resources to implement the proposed activities.

Presentation of the RDP-III Proposal

4.4 Another difficulty in appraising such a large and multi-faceted programme as RDP-III is the content of the proposal itself. The proposal document is well laid out and accessible - at least for a general readership. As a technical document, however, its analysis is weak; it lacks detail; in parts it is unclear or inconsistent; and the presentation of the budget lacks clarity.

4.5 Lack of analysis The formats adopted by most international development assistance agencies call for specific project or programme proposals to be set against an analytical background of the subject or sector to which they relate. The list of headings presented below is not exhaustive but serves to illustrate the analysis that is typically expected:

- Programme Origins
- Sectoral Background
- Problem Definition
- Policy Environment
- Ongoing and/or Previous Activity and Experience
- Technical Justification
- Economic Justification
- Social Justification
- Environmental Aspects
- Institutional Arrangements
- Sustainability
- Risks and Sensitivity Analysis

4.6 The origins and background to RDP-III are discussed in less than one page of text. There is no definition of the basic problem/s (of, for example, lack of aggregate national production, poverty, powerlessness, lack of access to productive opportunities and the like). In the case of the NFPE component there is a brief reference to BRAC's overall strategy to establish 100,000 schools by 1997. But this strategy is not set against a review of other planned or ongoing major educational initiatives, such as the General Education Project, or an analysis of the expected effects and impact of successful implementation of the NFPE component. Similarly, the production targets for the sericulture component are projected forward beyond the RDP-III period, to a level of MT 1,100 by the year 2000. But there is no discussion of demand or price projections either domestically or in the international market.

4.7 This criticism is not to say that BRAC has given no thought to the justification for its planned future work. On the contrary, BRAC's understanding of poverty and of national development priorities in certain fields gives it considerable strength of confidence of what can and should be done. Rather, the criticism is that this analysis and justification are not articulated in the proposal.

4.8 Lack of detail The proposal's lack of detail is a corollary of its conciseness and accessibility to the reader. The core of the proposal - Section 4, covering substantive activities targeted on the membership - includes 12 major component headings in the space of 28 pages of open-spaced text, including tables. Inevitably, in an average of little more than two pages of text per component it is not possible to give details of how or where each would be implemented or of how each proposed expansion would build on ongoing activities.

4.9 It had been expected initially that the RDP-III proposal was a summary document and that there would be working papers on each component giving further details and perhaps further analysis. During the course of the appraisal it was possible to go into greater detail on different aspects and components of the programme. But this was usually as a result of lengthy direct working sessions with senior BRAC staff: the information was generally not available in working papers.

4.10 Lack of clarity and consistency Given the lack of detail referred to above it is hardly surprising that the proposal is unclear in places. A particular example is Section 5 devoted to training and staff development. These activities are not only very extensive, very complex and of critical importance to nearly every aspect of BRAC's operational work: they are also difficult to understand in terms of phasing, throughputs and aggregate workloads. Yet the proposal outlines plans for a three-year target of training a total of more than 140,000 people in over 720,000 participant-days in the space of less than two-and-a-half pages of open-spaced text and two tables.

4.11 The most specific example of inconsistency, which obviously inhibits the development of a clear understanding of the proposal is the NFPE component. The Executive Summary indicates that '15,000 new primary schools will be opened to serve 450,000 students' (page 3). This impression of incrementality is strengthened in the Section 3 Overview, stating that 'an additional 450,000 NFPE primary school children will be included within this expansion, compared to 180,000 in RDP-II' (page 6).⁹ Only in Section 4.6 dealing with the NFPE component does it emerge that the net number of new schools proposed to be opened is not 15,000 but 9,000, there being an initial stock of 6,183 schools at the beginning of 1993 (Table 4.6A, page 32). (Even then, this initial stock refers only to schools financed under RDP-II, not to the BRAC-wide total of 12,000 expected to be in operation by the beginning of RDP-III with support outside the DC framework.)

4.12 Still there is an apparent inconsistency in the initial stock of 6,183 schools. The proposal confirms other progress reports that of the 6,000 schools in operation by the end of 1991, some 4,180 had been financed under RDP-II (page 31). Meanwhile, BRAC's own budget and targets for RDP-II indicate a further 1,500 schools to be opened during 1992. Yet these figures give a 1993 initial stock of only 5,680 instead of 6,183 as shown

⁹ Each school having a capacity of 30 students.

in Table 4.6A in the proposal (page 32). The explanation is apparently that instead of 4,180 RDP-II schools opened by the end of 1991 it had in fact been possible to finance a further 503 schools. Only on this basis is it possible to reconcile the inconsistencies in the proposal.

4.13 Budget presentation The main difficulty with the budget in the proposal is that it attempts to present too much information in a single tabular format. It would be simpler and more clear to follow the approach which has been long-established by many other agencies, calling for a minimum of three distinct steps:

- i) physical phasing - This means setting out in tabular form what is proposed to be done through time - for example, schools or offices to be opened; new members to be registered; participants to be trained; and so on. (This is in fact done in the text tables in the proposal, but it would have been more clear to present the physical phasing information for the different components in self-contained sets, linked with unit costs and the derived financial phasing, as outlined below.)
- ii) unit costs - It should be possible to show the unit cost of each physical output. Indeed, where different activities and outputs have different unit costs (for example, re-opened NFPE schools as compared with wholly new schools), this serves as a guide to the numbers of tables required for physical phasing.
- iii) financial phasing - Financial tables are derived directly from physical phasing and unit cost data and usually have the same column and row layout as the original physical phasing tables, but with costs taking the place of the numbers of units in each case.

4.14 Most of this information is presented in the RDP-III text and budget (covering pages 55 to 73 of the proposal). The manner in which the budget layout combines physical phasing summaries and unit costs, however, makes it difficult to follow.

RDP-III Objectives

4.15 BRAC's most commonly stated objective is the composite one of **poverty alleviation and empowerment**. This has the appeal of succinctness and apparent simplicity. On the other hand - as BRAC well knows - it masks the difficulty and the multi-faceted complexity of what BRAC is actually trying to accomplish among the rural poor. In the RDP-III proposal (page 6) a third element in the composite objective has been added as follows:

'The objectives of RDP-III are the same as BRAC's organisational objectives and remain the same as in RDP-II: alleviation of poverty, empowerment and sustainability.'

The added element of sustainability is not discussed beyond the reference to RCP requiring 'no further donor funding since its operations will be self-funding'.

4.16 Earlier appraisals, reviews and consultants' reports have generally endorsed the succinct, composite objective, though not without extensive discussion of its practical meaning. Among the donors, too, there is no questioning of the validity of the objective as stated. There is growing interest, however, in the empowerment objective - how to understand it and how to check on its achievement. Against this background, a further refinement and articulation of BRAC's objectives could be useful for several reasons:

- i) the overall contribution of BRAC to rural development in Bangladesh is now - by design - much more significant than it was even three years ago;
- ii) a distinction between longer-term and more immediate objectives would help BRAC staff at all levels to understand more clearly their roles and how their activities and outputs are expected to contribute to the BRAC strategy;
- iii) since BRAC has now added sustainability as an explicit component of its objective it would be helpful to indicate how and to what elements of its work this is expected to apply, ranging, for example, from the sustainability of improved levels of living among individual members with or without continuing access to credit and other services from BRAC, through the sustainability of different operational programmes with or without external funding, to the sustainability of BRAC itself as an institution;
- iv) the more clearly objectives can be distinguished from each other in terms of their degree of difficulty and the time horizons over which they might be achieved - and the more specifically each of them can be stated - the easier it becomes to establish verifiable indicators of achievement against which reviews and evaluations can be undertaken (both by BRAC itself and by those providing financial support for its activities and programmes).¹⁰

4.17 Discussions with BRAC staff at levels ranging from middle-ranking POs to senior managers reveal that:

- i) there is already an appreciation of a distinction between long-term and immediate objectives, but that;
- ii) the specification - and especially the articulation - of objectives in each category is not fully clear, and as a result;

¹⁰ Ideally, and most simply, a verifiable indicator should be measurable, quantifiable. Where objectives have to do with qualitative change, including such areas as institutional development, however, attempts at quantification are not only difficult but can even lead to distortion. Nevertheless, it is possible to verify achievements in qualitative areas without recourse to numerical indicators.

iii) it remains difficult for BRAC to verify its achievements except in such aggregate terms as:

- * growth in membership;
- * adherence to the BRAC model for VOs;
- * range of activities;
- * financial indicators related to credit activities.

4.18 BRAC has agreed to begin the process of reviewing its objectives with the aim of defining and articulating them as clearly as possible; ranking them in terms of time horizons for achievement; and establishing verifiable indicators of achievement both for its own purposes and for the wider national and international interest, including the Donor Consortium.

BRAC Models for Operational Activities

4.19 BRAC's strategy and policy set itself ambitious targets to expand its operational activities to reach as many as possible of the rural poor who remain without access to adequate outside assistance from government or non-government development services. BRAC is also working on a broader substantive front than most other organisations, including institution-building at the local level; credit services (which themselves cover a wide range of technical fields); ancillary development services linked to food aid and in collaboration with two government agencies; education; health and family planning; and para-legal services. In pursuing its targets on this broad front BRAC is following the rational approach of developing practical models for different operational programmes. In doing so, it has nevertheless recognised the following factors:

- i) models should not be allowed to become rigid blue-prints but should retain flexibility to respond to the wishes and the potential of the target group;
- ii) models should not be prescribed from the Head Office but should evolve and be refined through operational experience.

4.20 Against this background it is inevitable at any point in time that different models for different programmes of different lengths of experience will be surrounded by different degrees of confidence. Brief comments on the most important of BRAC's models are outlined below.

The RDP - RCP Model

4.21 This is the most important of BRAC's models. It comprises a four-year first phase of institution-building and access to credit supplemented by support and promotional services including functional education and skills training; direct assistance in different specialised sectors; and the testing and promotion of new productive and income-earning activities. This is the RDP period. After the first four years, Village Organisations as well as the Area Offices which have served them are expected to pass into the RCP. The RCP model, at full development, is based on two main assumptions:

- i) that BRAC's income from credit operations will be sufficient to finance its overhead and operating costs - initially at the individual Branch level, but progressively for RCP as a whole;
- ii) that the income of BRAC members will be sufficient for them to pay for any continuing training and advisory services they may need.

4.22 Mode of transition from RDP to RCP The transition from RDP to RCP is not automatic, nor is it wholly instantaneous. The additional criterion that must be met for the transition to take place is that the membership and volume of credit activities must have reached a threshold level. This explains why there are some RDP branches which have been in operation for more than four years but are still designated as being of 'Year 2 or 3' RDP status. The transition is not instantaneous because for a period of two years following the incorporation of a Branch into RCP members remain entitled to receive training, advisory and other support services free of charge. This reflects BRAC's recognition that when wholly new RDP offices are opened it can take up to two years for membership to build up. Thus, at the end of four years there are likely still to be some VOs which have been active for only two years. The '4+2' model is designed to give time to reach adequate organisational maturity for all VOs.

4.23 One aspect of the transition which is - or is supposed to be - instantaneous is the introduction of fees for the provision of technical support and further skills training in Year 7. As noted in Section 7 of this report and in Annex 3, BRAC still has further work to do in developing the proposed system, including finalising appropriate fee rates for each sectoral programme and making arrangements to ensure a high level of fee collection. Yet questions have also been raised by BRAC field staff about possible difficulties surrounding the abrupt introduction of service charges, suggesting that this aspect of the model may need to be reviewed carefully and possibly revised. This is a matter taken up in Section 8 of this report.

4.24 The conclusion of the appraisal is that the 4+2 model for RDP/RCP is still too mechanistic. While there is substantial evidence of social change and organisational development among BRAC members, field work with VOs and discussions with field staff and BRAC managers at different levels have raised doubts about the completeness of the model. What is heartening is that BRAC staff themselves do not regard the model as a fully developed blue-print. They are aware of its limitations and are looking for ways to develop it further while still trying to adhere to undertakings with the Donor Consortium for the financial self-sustainability of the RCP. Specific recommendations in this respect are included in Section 6 of this report.

4.25 Adaptation of the model The main adaptation of the RDP/RCP model applies to collective credit schemes, mainly for power tillers and deep tube-wells (DTW). Owing to the magnitude of the investments in such schemes VOs must be larger - typically 100 members for DTWs - to keep individual repayment obligations within reasonable bounds. Yet Table 3.1 has shown that BRAC's mainstream VOs are significantly already larger than the equivalent groups reached by other projects and agencies. To a certain extent this is offset by the fact that mainstream VOs represent amalgamations of discrete sub-groups - typically comprising 5 members - for the purposes of the credit service. But this is not the case in collective loans which are the

more vulnerable to risks of lack of cohesiveness and weak credit discipline. Further analysis of this issue is presented in Section 7 of this report dealing with sectoral programmes, including irrigation.

The NFPE Model

4.26 The NFPE model is simple and effective. During RDP-II it comprised two main operational elements - (a) a three-year period of schooling for young children from the age of 8 years, and (b) a two-year period of schooling for older children between the ages of 11 and 16 years in 'KK' (Kishor Kishoree - or Primary Education for Older Children, PEOC) schools. All schools are expected to enrol 30 children each.

4.27 BRAC is already introducing changes in the NFPE model responding both to parents' wishes and to the results of its own monitoring and evaluation work. For example, in the future the duration of KK schooling will be extended to three years per student. This is because older children show higher drop-out rates once they pass into government schools. There is little that BRAC can do about this in the short term except to ensure that older children can complete primary schooling in KK schools as an insurance policy in case they do subsequently drop out from government schools. Moreover, field investigations during the appraisal showed that there is widespread and strong demand for extending the period of schooling both in regular and KK schools - the single most common answer from parents to questions about what BRAC could do to improve its educational services. Secondly, the time allocated for teacher training is reportedly being increased from 13 days to 16 days (including travel time).

4.28 In appraising the RDP-III proposal, the main questions surrounding the NFPE component relate not to the operational model itself but to how the request for support under RDP-III fits with the much larger overall expansion plans and the question of training workload, its current reliance on TARCs, and the timing of plans to establish NFPE's own distinct training capacity. These issues are taken up in Section 7 of this report.

The Sericulture Model

4.29 The sericulture model is still actively being developed, moving progressively upwards through the production and marketing chain. At present the main fields of activity are in establishing roadside plantations, cocoon-rearing, reeling yarn and weaving. The next steps in BRAC's strategy include silkworm egg production (to make the model less dependent on the Bangladesh Sericulture Board), bush plantations, cocoon drying units, yarn twisting, and power loom weaving. Further backing will be provided by new sericulture training centres and the establishment of a full-scale Marketing Unit.

Health and Family Planning

4.30 BRAC has long experience in the health field, both through operational activities and through its research work. The effectiveness of its work is illustrated by the numbers of BRAC members who have committed to memory the procedures for oral rehydration therapy. Nevertheless, the BRAC model is still evolving and developing. Its principal programme at present is the Women's Health Development Programme

(WHDP) which is separately funded and not included in the RDP-III proposal. In some RDP areas there is also a primary health care programme (PHC) relying on para-professional community health workers. Two aspects of the evolution of BRAC's model for health services are of relevance to RDP-III. First, the RDP-III proposal includes a modest new component focusing on family planning, with a target to increase the prevalence of contraceptive use from 30% to 50% in the areas covered. (Family planning could become a significant field of new growth in BRAC operational activities in the future.) Secondly, in June 1994 - the mid point of RDP-III - it is planned to merge WHDP with RDP.

4.31 With no advance knowledge of the inclusion of a health and family planning component the appraisal had no specialist expertise available to look into the proposals. Given the significance of the likely evolutionary changes in BRAC's models and programmes in this field, as outlined above, future reviews and evaluations should incorporate such expertise.

The IGVGD Model

4.32 BRAC's supply of ancillary development assistance to the food-assisted Vulnerable Groups Development programme (VGD) did not involve the creation of a new model but rather the adaptation of its existing model for poultry rearing among the rural poor, including vaccination, credit and other supply and support services. As the RDP-III proposal states, IGVGD is an important programme from two main perspectives. For the Ministry of Relief (MR) and the food donors BRAC's work is important because it overcomes the limitations of the temporary supply of food aid alone. For BRAC it is of interest because the VGD programme is known to reach exclusively a very large number of destitute women (in the order of 500,000 throughout the country) who represent the absolute poorest of the rural poor.

4.33 The summary comments of the appraisal on the IGVGD model relate not to any shortcomings of the BRAC part of the model but rather to the design of the VGD programme with which BRAC is collaborating. There are already some Upazilas where IGVGD is in operation but in which RDP/RCP is not. On the other hand, there are some RDP/RCP areas in which IGVGD cannot operate. The reason is the method of beneficiary selection. The main need is for BRAC to strengthen its policy dialogue with the food donors and the concerned government agencies (the MR, MLGRD&C, and the Department of Livestock Services) to introduce a beneficiary selection system in Upazilas with relatively low beneficiary quotas in such a way as to permit the formation of groups of women living close to each other, hence to permit the application of the IGVGD model.

Scale of the Proposed Expansion

4.34 The judgement of the appraisal is that the scale of RDP-III is over-ambitious. Specifically, the rate of expansion envisaged - both in aggregate terms but particularly within some components of the programme is very fast. Examples of the ambitiousness different components of the proposal are presented in Table 4.1 below, in absolute terms and in equivalent compound growth rates during the RDP-III period.

TABLE 4.1: Examples of Proposed Growth Targets for 1993-95

Component	Expected Position at end of 1992	Target for 1995	Average Annual Growth (%)
RDP/RCP Offices	140	255	22.1
Poultry (Key Rearers)	150,000	190,000	8.2
Livestock (Cow & Goat Rearers)	75,000	107,500	12.7
Fisheries (Carp & Sorputi Ponds)	22,500	36,600	17.6
Silk Production (MT)	5	97	168.7
Silk Production (Rearers)	2,500	20,000	100.0
NFPE (Overall No. Schools)	12,000	50,000	60.9
NFPE (RDP No. Schools)	6,183	15,183	34.9

Source: BRAC - (RDP-III Proposal and NFPE Programme)

4.35 The analysis behind the judgement of over-ambitiousness is contained in the body of this report. It is not only a matter of the growth - and growth rates - themselves. (In particular, growth rates can be misleading when starting bases are small as, for example, in sericulture.) Other factors include the state of development of the models for different components, as discussed above, the supply of experienced, well-rounded field managers (see Section 10) and the training implications of growth in different components (see Section 9). For the purposes of this overview, one of the key issues is expansion in the number of RDP/RCP Offices. The 22.1% average annual growth shown in Table 4.1 includes a doubling of the number of Offices opened each year in the space of just one year - from the current RDP-II rate of 20 Offices per year to 40 Offices per year in 1994 and 1995.

4.36 Recommended rate of growth in RDP/RCP Offices The recommended expansion in the number of new RDP Offices over the three-year period of RDP-III is 95 rather than the 115 as proposed by BRAC. The recommended pattern of expansion is shown in Table 4.2 below.

TABLE 4.2: Comparison of Proposed and Recommended Office Expansion Plans

	Proposed		Recommended	
	New RDP	Total RDP/RCP	New RDP	Total RDP/RCP
1993	35	175	25	165
1994	40	215	30	195
1995	40	255	40	235
Total	115	255	95	235

5. KEY ISSUES AND CHALLENGES FOR FUTURE GROWTH

5.1 The appraisal has identified seven main issues and challenges that BRAC must confront simultaneously with continued growth. All of them have been raised with senior BRAC managers. They are also all factors which have been taken into account in putting forward the recommended slower rate of expansion in numbers of new RDP Offices during RDP-III. While questions remain about the degree of difficulty associated with each of the seven issues and the time it may take to deal with them, BRAC recognises all of them as important. In summary, the main issues and challenges are:

- * Institution-Building at the Local Level
- * Training for Institution-Building
- * Training Capacity and Throughput
- * Credit Portfolio Management
- * Management of and Technical Support to Collective Loans
- * Management Experience at the Field Level
- * Management Development

Institution-Building

5.2 Between Head Office (HO) and the field there are differences in perception and appreciation of the importance - and of the meaning - of helping VOs to become secure, well-rooted institutions with their own sense of identity and their own commitment to continuation and further development. HO senior management and most Regional Managers recognise the importance of this difficult aspect of BRAC's work. These senior managers also represent BRAC's own institutional memory of the time when help in institution-building among the membership was one of the principle services BRAC could offer. At the field level there are significant numbers of newer staff whose experience of BRAC has been based on a wider range of highly practical forms of assistance and support to the membership. The rapid expansion of this practical assistance has meant that most field staff are so busy with credit-based and technical work that their perceptions of institution-building tend to focus on creating VOs as efficient organisations for the receipt of BRAC's savings and credit services including the development of viable, sustainable income-generating activities among members. The issue now is to re-establish a better balance between the two types of work.

Training for Institution-Building

5.3 BRAC recognises the need to re-emphasise its institution-building work. Indeed, it has already begun to do so among 60 Area Offices. But in pursuit of this policy thrust there is more work to be done in the following areas:

- i) taking stock of staff skills and needs in this complex area (in terms of the process of institution-building as well as the actual work content);
- ii) refining current training programmes to respond to these needs among staff;

- iii) developing methods and mechanisms for monitoring the utilisation and effectiveness of training, both among staff and among the membership in VOs.

Training Capacity and Throughput

5.4 The 1990 Annual Review drew attention to the emergence of a backlog in the physical facilities for training in relation to the expansion of training targets. Nevertheless, training achievements that year exceeded the target. Since then, the backlog in physical facilities has not been overcome. The delay of about one year in the construction of the new TARC at Comilla, for example, has had to be compensated for by the use of the new Rajendrapur Management Training Centre partly for TARC training. Still, this backlog has not shown itself in any shortfall in training throughput. Against a nominal TARC capacity of 94,802 participant-days (p-d) in 1991, actual throughput was reported as 120,524 p-d - some 27% greater. The backlog instead seems to have put greater strain on the training staff in existing facilities.

5.5 BRAC's own planning system for calculating training capacity assumes 21 training days per trainer per month. In practice, appraisal field investigations suggest that 24-26 training days per month has been more typical in recent months. Moreover, working days of 12-14 hours are commonly reported by training staff. Morale among trainers remains high. Nevertheless, trainer fatigue is inevitable and this could affect quality if the strain persists. Another factor which could affect quality is the speed with which new trainers are being expected to take full responsibility. BRAC's official policy is that new trainers should go through a learning period with existing training staff for a period of three months before undertaking full responsibility for training BRAC members and six months before being fully responsible for staff training courses. Appraisal fieldwork has revealed that some new trainers are being expected to become fully-fledged as rapidly as one month after being selected as trainers.

5.6 The RDP-III proposal includes plans to set up six new mini-TARCs, each with capacity for 50 trainees (half that of the existing TARCs). Recognising the need for careful phasing of new facilities in advance of needs, the proposal shows the establishment of three new mini-TARCs in 1993 and the rest in 1994. Indeed, the proposal expects the first batch to be operational by January 1993 followed by the second batch one year later.¹¹ But given that each will take not less than nine months to build it is already too late for the first set of three to be in place by the target date. Renting facilities might be possible but it is likely to be more difficult to find satisfactory buildings for TARC purposes than for RDP Offices and staff housing. There is a real risk of a continuation - possibly even an exacerbation - of the backlog.

Credit Portfolio Management

5.7 Notwithstanding the earlier reference to the focus of field managers and their staff on credit-based activities, the reporting, analysis and utilisation of information on the credit portfolio are in need of further development. BRAC recognises this and has already begun to introduce improvements. Further steps that should be taken include a revised system for analysing the portfolio quality based on Aging by Account

¹¹ RDP-III Proposal, page 37

techniques. This could be introduced quite rapidly at HO level. But the underlying need is to devolve greater responsibility than at present for loan quality management down to the Area/Branch level. Here, the aim should be for thorough trend reporting and ratio analysis to be the reference points for field management decisions. And it will take time, including training, to give Area/Branch Managers sufficient familiarity with the improved analytical system to be able to use it for this purpose.

Management of and Technical Support to Collective Loans

5.8 In the current portfolio, deep tube-wells (DTW) account for the great majority of collective loans, with lending for power tillers accounting for most of the remaining minority. BRAC's experience has shown that DTWs are subject to three main adverse issues and risks:

- i) operational issues affecting performance and profitability, including difficulties in reaching optimum command areas; the efficiency of water management; yields and the reporting of yields; social status issues; and competition from shallow tube-wells;
- ii) the uneven and unreliable patterns of cash returns to DTW investments, leading at best to irregularity in credit repayment and at worst to unreliability in repayments;
- iii) institutional issues within VOs - especially in view of the larger size of VO required - affecting group cohesiveness and in turn the strength of credit responsibility among individual group members;

5.9 These issues reflect back onto BRAC in two main ways. First, there is a need for technical support services tailored to overcome or minimise the operational difficulties summarised above. BRAC does already provide such support services. But they appear to be in need of strengthening in the interests of the VOs and their members as well as to permit healthy credit performance in the portfolio. Secondly, the cash flow patterns and institutional issues call for greater and more specific care in credit portfolio management for collective loans.

5.10 In response to these issues, BRAC has begun by agreeing to scale back its earlier plans to expand lending for irrigation. The target in the proposal document to include 550 new DTWs in RDP-III will be completely withdrawn. Instead, BRAC has agreed to lend for a maximum of 125 new DTWs before the removal of the subsidy on them in 1992. With 642 DTWs in operation by March 1992, this will lead to a total of about 767 schemes by the end of 1992 - a total which will not thereafter be exceeded.

5.11 The next task is to draw up plans for (a) how to provide closer technical support to collective loans, and (b) how to put in place the necessary credit management system and capacity. It would be inappropriate and in any case beyond the scope of the appraisal to specify in detail what is needed in these areas. BRAC has both the experience and capacity to draw up the necessary plans, which should be in place well before the beginning of RDP-III.

Management Experience at the Field Level

5.12 With the embargo on government recruitment in recent years, the quality of new staff BRAC has been able to attract has probably been higher than ever before. This young, able cadre of emerging managers is a valuable resource for the future. Appraisal field work has led to the conclusion that they are proficient as line managers, especially within the current framework for and emphasis on credit and savings activities. What this younger group of new managers tends to lack, however, is:

- i) adequate experience of BRAC's multi-faceted approach to rural development, particularly through the growing number of technical components in its lending activities supplemented by NFPE, health and family planning, and para-legal services;
- ii) adequate familiarity with the underlying concepts and processes of building sustainable rural institutions among the membership.

5.13 This is a specific factor urging caution on plans for expanding the number of new RDP Area Offices. At the end of February 1992 BRAC's staffing records showed that RDP employed some 208 POs at Level VI and VII. Of these, 51 were acting as POs-in-charge of Area Offices. This means that over half of all RDP Offices were being managed by staff who had not been fully promoted to Area Manager. Among these 51 POs-in-charge, there were 15 (just under 30%) who had less than three years experience working with BRAC while the same proportion had served between three and four years. In RCP the picture was somewhat different, with a smaller proportion of Branches being managed by POs-in-charge (33%), of whom only 20% had less than three years experience with BRAC, while 70% had more than four years experience.¹²

Management Development

5.14 To its credit, BRAC has recognised the need for management development and has begun to build an in-house capacity to train its own managers as well as to offer a similar service to outside agencies. The Management Development Programme (MDP) is far from being fully operational, however. There are two fundamental constraints at present. First, MDP is only just beginning to identify and select potential 'faculty members' (a full-time core training team) from existing BRAC staff. Even when it has done so, some of these faculty members will themselves probably need training in management development - possibly including relatively lengthy overseas training. Secondly, MDP still has much to do to develop and refine its curriculum and training material. At present, the thrust and content of MDP training is restricted mainly to the practical implementation of BRAC's field programmes and their associated systems and procedures. As such, MDP could more accurately be characterised as providing training in the management of specific rural development programmes - in other words, as a Development Management Programme - rather than covering the far broader generic field of management development.

¹² See also Section 10, Table 10.1

5.15 The importance of pushing ahead as rapidly as possible to make MDP fully operational derives not only from BRAC's original perception of the need for management training. Some of the issues and challenges for the future outlined above (and discussed in more detail throughout this report and its annexes) as confronting BRAC as a whole will have specific training implications for MDP. Among them will be the need for training in institution-building; new analytical monitoring systems and their utilisation in credit portfolio management; and perhaps the specific management of collective loans. The fact that it does not yet have the capacity to respond in these areas is another factor urging caution in plans for expansion.

6. INSTITUTIONAL DEVELOPMENT AT THE LOCAL LEVEL

The Rationale for Institution-Building Work

6.1 Throughout BRAC's history its role in institutional development at the local level has been the source of much internal debate linked to its composite objective of poverty alleviation and empowerment. In simple terms, the debate has ranged between which of the two components of the composite objective has been seen as the more important starting point as summarised below:

- i) **Empowerment leading to poverty alleviation** - This view holds that the rural poor can be empowered through building up VOs. These organisations can then negotiate - or renegotiate - production relations at the local level and the distribution of and access to economic, social, cultural and political resources. This in turn will lead to poverty alleviation.
- ii) **Poverty alleviation leading to empowerment** - In this view, the rationale for VO formation is the development of 'receiving mechanisms' for the supply of education, training, credit, technical advice, health and other services directly targeted at the membership. The utilisation of these forms of external assistance leads to higher incomes and greater security among the poor. In turn, they are empowered and better-equipped to look after their own interests in the future.

6.2 The evolution of BRAC and its programmes over the past 14 years - from the days of the Outreach Programme (1978-86) to the beginnings of the RDP model in 1987 - has shown a significant shift from the first to the second approach summarised above. Nevertheless, BRAC has at no time explicitly or formally subscribed to either of the approaches to the exclusion of the other. In retaining its composite objective - and in the design of its operational programmes - it has instead recognised the necessity of direct action on both fronts; to develop local institutions and to channel assistance to them.

Assessment of BRAC's Current Work in Institutional Development

6.3 In practice - especially, it seems, over the past three or four years - institutional development has not kept pace with BRAC's work and progress on other fronts. One reflection of this is the impressionistic information gained during the appraisal from experienced BRAC staff at all levels that the amount of time spent on institutional development issues in field work and during staff meetings has declined progressively from the Outreach period through RDP-I, RDP-II and RCP.¹³ There are three main inter-related reasons for this:

- i) the rapid pace of expansion in membership, together with credit and savings activities;

¹³ For a detailed presentation of this information, see Annex 2

- ii) the concomitant expansion in staff numbers, especially staff needed to implement credit-driven activities;
- iii) the inherent difficulty in monitoring institutional development.

6.4 Expansion in membership and operational activities BRAC's membership increased by approximately 60% over the two-year period to the end of 1991. This is an impressive achievement. But it has been fuelled by the availability of credit and by targets for the development of RCP as a self-supporting credit service. The result, judging from appraisal field work, is that there is a tendency towards a formalistic approach which has emphasised the creation of VOs as organisations at the expense of promoting, guiding and supporting rural institutions in their own right. In other words, the expansionary, target-oriented approach has been driven and directed by BRAC and its staff rather than by the villagers themselves.

6.5 By and large, BRAC members seem to have responded well to this approach - certainly in terms of credit discipline at the aggregate level. This is hardly surprising among new members with no experience of BRAC's earlier work. But the impression is of VO monthly issues meetings having become rituals; of their agendas being predetermined; and of their proceedings being dictated more by BRAC staff than by the membership. Field visits during the appraisal have revealed that:

- i) the weekly meetings conducted by GSs focus primarily on savings and credit matters;
- ii) the monthly issues meetings are conducted by the PO acting as teacher rather than facilitator;
- iii) VOs generally tend not to conduct meetings spontaneously or independently, nor do they maintain records of meetings;
- iv) VO members perceive their accountability as being principally to BRAC rather than to themselves collectively.

6.6 This suggests a high degree of VO dependency on BRAC. And if it were to continue, the prospects of VOs taking initiatives themselves on a wider front than responding to credit would decline still further. In turn, the development of VOs as true, well-rooted rural institutions which are sustainable because their members have confidence in them could be jeopardised.

6.7 Capacity of field staff BRAC's field staff are enthusiastic and well-motivated. But owing to the pace of expansion many of them are relatively young and inexperienced. There are clear differences between staff who began as POs during the Outreach Programme and those who have joined since the beginning of RDP-II. The more seasoned, experienced staff are able to respond to unforeseen situations more readily. Younger staff tend to apply a standard approach based on their training in the BRAC model and procedures. This is largely successful in the setting up of VOs as credit-receiving organisations. It does not, however, give them the capacity to help the membership through the process of institution-building.

6.8 One specific example of the difference in perception and approach between longer-serving and new staff is in their interpretation of sustainability. New staff tend to understand the concept of sustainability simplistically in terms of the ability and performance of VOs in meeting their credit obligations. This is likely to be reinforced as financial sustainability criteria are applied stringently to more and more VOs as their RDP Offices are converted into RCP Branches. On the other hand, staff with experience of the Outreach Programme (whether they are working in RDP or RCP) see sustainability in more qualitative terms of organisational maturity, group cohesiveness, the sharing of interests and responsibilities, spontaneity, willingness to take the initiative, and institutional self-reliance.

6.9 The difficulty of monitoring institutional development The inherent difficulty of monitoring institutional development is an indirect reason for it to be lagging behind BRAC's work on other fronts. The underlying problem is that the monitoring of progress in institutional development - especially in terms of such concepts as maturity and cohesiveness mentioned above - relies on qualitative judgements and indicators. In contrast, credit and savings activities lend themselves to numerical indicators for which data can be both collected and analysed more easily.

6.10 To its credit, BRAC is ahead of most other rural development organisations in Bangladesh in trying to monitor its institution-building work. But of the 20 indicators it currently uses more than half are straightforward numerical indices related to credit and savings; child immunisation; numbers of meetings held and their attendance rates and the like. Most of the others are simple factual records such as the completion of training; the preparation of quarterly reports; and keeping resolution books and passbooks up to date. At best they can be regarded as proxy indicators of institutional development (though with the focus on VO discipline for savings and credit activities even this proxy value is likely to be eroded in time). None of them throws any direct light on such qualitative issues as organisational maturity, group cohesiveness, solidarity, social action, awareness, confidence or, indeed, social change.

6.11 Because it is so difficult to define and collect information on progress in institution-building it is also obviously difficult to provide feedback to field staff and to guide them when improvements are needed. In turn, the lack of feedback has probably contributed to the trend for institution-building to become less prominent at the field level and as a management issue.

Re-emphasising Institutional Development

6.12 BRAC clearly recognises that the imperatives of credit management, combined with heavy workloads and uncertainty both about the concept of institutional sustainability and how to promote and pursue it, has created an imbalance. BRAC has confirmed its intentions to redress this imbalance and to re-emphasise its institution building efforts. Indeed, as noted in Section 5, it is understood that new work on this front has already begun in 60 RDP Areas. What is less clear is how this work is being pursued, to what extent it is based on the long and rich experience that BRAC has acquired, or what BRAC expects the outcome to be. Moreover, the RDP-III proposal does not reflect BRAC's analysis of the issue nor does it articulate a strategy or clearly project forward into RDP-III the cost of the work that has begun.

6.13 On the other hand, the RDP-III proposal clearly indicates an intention to press ahead with the formation of VO federations at Union level. This is apparently a reflection of the work of the in-house Task Force on this issue. Yet in practice, there is at best equivocality at senior levels about the promotion or active formation of federations. The appraisal shares this equivocality - not least because the concept of federations as predetermined models begs the question of what VOs might want for themselves.

6.14 In the long run, the promotion of VOs as well-rooted institutions could well lead to the creation of wider interactive networks among them, possibly including the development of higher levels of organisation. Only time and careful support - with the interests of VOs and their members as the basic building blocks of rural institutions uppermost - will reveal what form such networks and supra-village structures may take. BRAC has the inherent capacity to catalyse and facilitate this process. It is already proposing to do so by initiating an experimental dialogue with VO leaders at Union level to assess their priorities and to explore ways of encouraging them to give thought to issues above those confronting individual VOs.

6.15 The appraisal recognizes that of any agency in Bangladesh, BRAC's own experience and institutional memory should be adequate guides to chart a course for the re-emphasis of institution-building. During the course of the appraisal, senior BRAC managers have responded positively to the idea of drawing on the rich history of Manikganj as a centre for people-to-people exchange of information and experience. This would be a BRAC-specific example of what is known as 'alternative training'. As yet it is premature to spell out exactly how this could be put into practice or how much it would cost. But BRAC has agreed to build on the idea, at first on a pilot basis.

6.16 Discussions with senior management have also led to a proposal to deploy a support unit of senior Level VII POs at the regional level to train and back-stop POs as institutional development facilitators based at RDP Area Offices, RCP POs, and GSs. These senior resource staff would also be responsible for monitoring progress in institution-building. The senior POs (previously Functional Education regional supervisors under RDP II), would be based at the TARCs, giving new meaning to the term 'resourcecentre' in their titles. In regions not yet covered easily by a TARC, they would be based at the regional RDP offices. Each senior PO would be responsible for five Area/Branch Offices.

6.17 The work of the proposed new network of POs as institution-building facilitators could include organizing workshops for sub-group leaders of VOs on a periodic basis, probably quarterly, according to interest and demand. These workshops could also raise wider local and institutional issues and follow up on VO action plans. BRAC plans to extend this model over the four years of RDP plus two years under RCP. It has also agreed to take stock of experience as this process works its way through from RDP to a steadily growing and aging number of RCP branches. It should be noted that as evidence of BRAC's own recognition of the need to bolster its institution-building efforts, it has allocated, as of January 1992, specific responsibility for institutional development to one of the three POs in each RDP Area Office. These are the Area Office staff who would be working directly with the senior POs at the regional level.

6.18 Institution-building in RCP It will always be difficult to predict the pattern and pace with which institutional development will take place - not least because it will probably vary among VOs. Moreover, as the earlier analysis of BRAC's current work has indicated, the cohorts of younger, less experienced staff will themselves need time to develop an understanding of the institution-building process. In view of these uncertainties, the appraisal recommends that BRAC's future work in this field should not be subject to the same predetermined time targets such as the '4+2' model for progression from RDP to RCP. What is important in RCP Branches is that the savings and credit operations should be self-sustainable. Guidance and support from BRAC to RCP VOs in institution-building may be needed well beyond two years after the transition. If so, BRAC must decide whether this support should be provided as a social service, or as part of the self-sustaining credit service. In the former case it would have to be separately funded - by donors or by BRAC's own income.

6.19 Initially senior managers would have to draw on their experience to guide and advise this new initiative. In turn, they would need to be fully informed of the lessons learned, which could have a significant effect on the future development of BRAC programmes. This highlights the need for thorough process documentation, a monitoring technique of which BRAC is aware, but has not extensively used so far. It is recommended that process documentation be built into all activities as part of the institutional support strategy.

6.20 The cost of these institution-building activities is estimated at about Tk.150,000 (US\$3,250) per Area/Branch in 1993. This support is budgeted for Year 4 Offices in RDP and Year 5 and 6 Branches in RCP.

7. SECTORAL PROGRAMMES

Overview

7.1 BRAC's innovative and comprehensive sectoral programmes promote vertical integration within each sector by facilitating the supply of inputs, intermediate processing (e.g. silk reeling and weaving in the Sericulture Programme), and direct access to markets (e.g. egg collectors in the Poultry Programme). Few other organizations within (or outside) Bangladesh have matched the scale of BRAC in promoting income generation programmes that combine credit with skills training and technical assistance from specialist staff. Continued growth and development of the sectoral programmes is particularly important in the context of BRAC's credit service, given their role in promoting new, incremental income for the rural landless. This pre-empt the risk of credit saturating such activities as rural trading.

7.2 BRAC proposes significant expansion of its sectoral programmes during RDP-III, particularly in sericulture. While the programmes have made impressive gains in refining their strategies and in reaching large numbers of people during RDP-II, several challenges remain and should be dealt with as soon as possible to ensure programme effectiveness and longer-term sustainability. The appraisal recommends that the rate of expansion of the sectoral programmes be modified in line with the recommended rate of expansion of RDP as a whole and that BRAC address the issues raised below in this section of the report dealing with each of the programmes and their ancillary support services.

Accomplishments to Date

7.3 BRAC's sectoral support programmes are central to its objective of economic empowerment of landless groups. The programmes have achieved broad outreach and scale and have played an important role in supporting credit by promoting higher-level and vertically integrated activities that increase effective demand. This is an important aspect of credit programmes that increase in scale as it helps to prevent market saturation and offers members an alternative to trade. BRAC is at the forefront in pursuing this approach, which addresses a problem facing most NGOs promoting minimalist credit as a poverty alleviation strategy.

7.4 BRAC's institution-building efforts are the foundation of its sectoral programmes, which operate through the VO structure. This base provides an organisational framework for the provision of ongoing training, technical advice, credit, and follow-up assistance to members. To date, the programmes have achieved broad outreach: of 120 Area Offices and Bank Branches in 1991, all of them had active poultry and livestock programmes; 49% had fisheries programmes; and 71% had sericulture programmes. The number of BRAC members active within the sectoral programmes is also impressive. In 1991 these sectoral programmes reached approximately 150,000 people or about one quarter of all BRAC members. The sectoral support programmes have been especially effective in reaching women, who comprise from 60% to 95% of all programme participants.

7.5 Sectoral staff closely monitor their programmes in terms of the number and gender of participants, services delivered, and production achievements against targets. This provides a solid data base which demonstrates BRAC's ability to deliver services to large numbers of people within its target group. The actual impact of BRAC's sectoral programmes on incomes and employment is less well documented or understood. At present, the monitoring system does not provide information for tracking the quality of services provided, enterprise performance, or socio-economic impact on members and their households. RED studies have addressed the latter issue with respect to the credit and poultry programmes, showing positive effects. Moreover, the Mid-Term Evaluation (MTE) has found positive economic returns for poultry programme participants and good potential for income and employment effects in the sericulture programme. However, more consistent attention to evaluating the quality of services delivered, financial returns, and socio-economic impact is needed in the context of continued investment in and expansion of the sectoral support programmes.

Assessment of the RDP-III Proposal for Sectoral Programmes

7.6 Poultry and livestock BRAC's innovative poultry programme has been replicated on a broad scale during RDP-II and it will expand into all new Area Offices and VOs during RDP-III. No change in the basic programme design is anticipated. The livestock programme will expand at a comparable rate, with some modifications. Support for draught animals will be eliminated, and cow rearers, instead of one animal, will now have three - a milk cow, a beef cow for fattening, and a calf.

7.7 In line with the rate of overall expansion agreed during the appraisal, BRAC will expand the poultry and livestock programmes into 95 new RDP Area Offices, representing an annual average growth rate of 18% between 1993 and 1995. By the end of 1995, 125 branches will be under RDP and 110 branches under RCP. The cumulative number of programme participants would increase from more than 163,000 in 1993 to just over 273,000 in 1995. Required inputs would include hiring and training 23 new skills POs and 115 new GSs. It would also involve training 291,500 new programme participants. The number of poultry loans disbursed each year will grow steadily, from a current base of 34,000 in 1991, to 55,000 in 1993 and 80,000 in 1995. The poultry and livestock programme budget would increase from the 1991 level of Tk. 8.1 million (estimated) to Tk. 16.4 million in 1993 and Tk. 26.7 million in 1995 (see Annex 3, Table 5.8).

7.8 Perhaps the most critical challenge for the poultry and livestock programme during RDP-III will be maintaining high quality training for new staff and clients. A second challenge will be improving the repayment rate on loans, especially livestock loans, which make up a disproportionate share of current delinquencies. A third challenge will be ensuring that the expansion into new areas does not adversely affect programme operations and client follow-up in the older Offices and Branches. A related issue is how the poultry and livestock programmes (as well as other sectoral programmes) will actually operate under RCP. This aspect of the RCP model still needs to be tested and refined. Questions such as whether the programmes will be able to cover full operating costs through the service charge structure; whether the current standards of management and training can be maintained; and how new, innovative programme components will be introduced have yet to be answered.

7.9 Fisheries BRAC's fisheries programme promotes small hatcheries, fish nurseries, semi-intensive pond culture, and leasing and restocking open water resources. During RDP-III BRAC will expand the first three components with funds requested from the Donor Consortium. IFAD will support the latter.

7.10 Under the fisheries programme, each participating Area Office develops a fish hatchery to supply spawn to fingerling nurseries. The nurseries, in turn, supply fingerlings to carp culture ponds operated by groups of VO members (mostly men); Thai Sorputi homestead ponds operated by individual VO members (mostly women); to the government (as part of its strategy to release fingerlings in the open water system throughout the country); and to other non-BRAC members. BRAC provides training, technical assistance, credit and follow-up support to VO members who control and manage each component. The nurseries and carp culture ponds are now quite well established components. The Thai Sorputi ponds are relatively new.

7.11 During RDP-III, BRAC will almost double the number of participating Area Offices and Bank Branches from 80 at the beginning of 1993 to 165 at the end of 1995. The total number of VO members engaged in the fisheries programme will increase from 25,416 to 69,370 during the same period. Required inputs will include hiring and training 9 new Skill POs and 65 new GSs, as well as training 31,365 new programme participants. The annual budget will increase from Tk.1.7 million in 1991 (estimated) to Tk. 5.2 million in 1993 and Tk.7.9 million in 1995 (see Annex 3, Table 5.12).

7.12 A major challenge for fisheries programme staff during RDP-III will be in providing adequate training and follow-up to VO members who establish household based Thai sorputi ponds. This will be more labour-intensive than the other components (the number of Thai sorputi producers will grow from 18,193 to 51,193). Close monitoring of the loan portfolio will also be required, as fisheries loans - like livestock loans referred to earlier -currently comprise a disproportionate share of delinquencies. Delinquencies appear to be higher because many of the loans are collective. BRAC has recently changed its lending policy to provide individual rather than collective loans for carp culture ponds. But the ponds are still collectively managed and the risks of collective management are likely to remain. To assist in the loan monitoring process, Skill POs should receive regular loan reports on their clients. Both the Skill POs and GSs need to focus attention on collective management problems. They must also play a facilitating role in helping groups address these problems.

7.13 Sericulture Through a comprehensive set of programme activities, BRAC aims to become a major player in Bangladesh's sericulture industry during RDP-III, as shown earlier in Table 4.1. BRAC proposes to expand several existing components of the sericulture programme (tree plantation, rearing silkworm cocoons, reeling yarn, and weaving fabric). In addition, it proposes to introduce several new components along the production, processing, and marketing chain including silkworm egg production; bush plantation; cocoon drying units; yarn twisting machines; decentralised reeling and weaving units owned and operated by VO members; power loom weaving; sericulture training centres; and a full-scale marketing unit.

7.14 The proposed growth targets and the scale of expansion are ambitious. Many of the new components are technically and organisationally complex. Some are also relatively capital-intensive and have yet to be fully developed and tested. The proposed level of investment in sericulture is greater than any previous component of BRAC's

credit programme. Under the current strategy, the number of Area Offices and Bank Branches involved in the project would increase from a base of 104 at the beginning of 1993 to 219 in 1995, representing over 90% of all Area/Branch Offices. The number of participants would increase from 39,500 to 123,800 during the same period (13,400 of whom would receive training). The number of sericulture loans disbursed each year would increase from 2,750 in 1992, to 7,425 in 1993, and 28,880 in 1995. To carry out the expansion at the proposed level, BRAC would hire 75 new Skill POs, 200 new GSs, 37 new specialist staff, and 294 new support staff. Programme expenditures would jump from Tk. 8 million in 1992 to Tk. 60 million in 1993 and Tk.110 million in 1995 (see Annex 3, Table 5.15).

7.15 Key challenges include:

- i) ensuring a supply of eggs from the Bangladesh Sericulture Board;
- ii) establishing ownership rights and maintenance of the trees;
- iii) developing and testing strategies for post-cocoon processing (drying, reeling, and weaving);
- iv) identifying BRAC's competitive advantage in terms of 'productline'; and
- v) developing a marketing strategy.

7.16 The most immediate problem, however, is that BRAC has not clearly articulated its plan for the programme nor how it will address these (and possibly other) challenges and risks. Nor is the current proposal backed up by a basic financial, technical, or management plan for the programme.

7.17 Given the limited information available to the appraisal on the proposed programme, BRAC has agreed to develop a business plan as soon as possible. When this plan is available, the Donor Consortium should commission a sector-specific appraisal of the programme as the basis for a final funding decision. This appraisal should include a sericulture expert with experience in running a successful community-based sericulture programme and a finance/marketing expert familiar with the international silk market. The terms of reference for the sericulture program appraisal are included in Annex 3 (Appendix B). While delaying a final funding decision on the programme, this approach is justified by its importance to BRAC, by the large number of BRAC members who would be involved, and by the level of funding requested.

7.18 Social forestry and horticulture Under RDP-III BRAC will develop a new sectoral model and programme for social forestry and horticulture. Its aims are to improve incomes and nutrition; to increase supplies of fuelwood and building materials, and to reduce soil erosion through the promotion of village nurseries and vegetable cultivation.

7.19 The social forestry programme will build on BRAC's experience in establishing mulberry nurseries. The programme will train VO members (mostly women) to prepare nurseries and raise seedlings for sale on the open market, providing credit for the purchase of inputs. The horticulture programme will train VO members to cultivate vegetables and seedlings. It will also offer credit to lease land and to purchase seeds, fertiliser and insecticide, hand tube-wells, and fencing materials. To ensure seed

supply, the programme will train seed growers. During RDP-III, BRAC will provide training and credit to approximately 26,000 VO members in all concerned Area Offices and Bank Branches. To this end, BRAC will hire and train 12 new Skill POs and 30 new GSs (see Annex 3, Table 5.20)

7.20 Challenges for the programme will include hiring and training staff; developing training capacity; identifying appropriate land for lease; and assisting participants deal with the risks inherent to agricultural activities.

7.21 Income Generation for Vulnerable Groups Development (IGVGD) IGVGD is a special BRAC programme that operates outside the RDP structure. The programme consists of a comprehensive set of activities that are described elsewhere.¹⁴ In brief, IGVGD supplements a monthly food income transfer to participants (provided by international food aid under the Vulnerable Groups Development programme and channelled through government) with an income generation activity, modelled on BRAC's poultry programme. This enables beneficiaries to earn a monthly income roughly equivalent to the value of the food when they leave the programme after a two-year period as a VGD 'card-holder'. One difference between this and other RDP programmes is that it is targeted on truly destitute women who constitute the poorest 3% of Bangladesh society. Another difference is that the programme operates at the Union level (rather than the Area Office level) in collaboration with the government's Department of Livestock and the Directorate of Relief and Rehabilitation. The VGD programme is also nationwide in its coverage. Thus, the bulk of programme activities are in non-RDP areas. The BRAC inputs are funded by the Donor Consortium in collaboration with the World Food Programme (through the Taka proceeds from the monetisation of a portion of food aid).

7.22 The programme currently operates in 36 Upazilas. During RDP-III, the basic programme will phase out of 18 of these Upazilas and start up in 18 new Upazilas, thus maintaining the same scale (see Annex 3, Table 5.24). The basic programme structure will also remain unchanged, with the exception of two new components. The first will involve continuing the revolving loan fund in areas where the programme is phased out. The second will include training IGVGD beneficiaries to prepare them for participation as VO members in 35 BRAC RDP Area Offices (this is in addition to the programme in 36 Upazilas). Both of these new components will be supported by the World Food Programme outside the Donor Consortium.

7.23 The 1992 RDP-II MTE has confirmed that the IGVGD programme offers good returns to participants at modest levels of investment and risk; steady and quick cash flow; and an expanding market which is not yet saturated. It also offers women an opportunity to work close to their homesteads in an activity that is compatible with other household obligations. The appraisal recommends continued support for the programme. Challenges for BRAC during RDP-III will include the introduction of the revised credit portfolio management system to provide information similar to that provided by RDP's loan reports; understanding more fully the longer-term effects of the programme on participants once the food entitlement ends and the programme is phased out; and integrating the VGD target group as BRAC members taking part in its mainstream programmes.

¹⁴ BRAC's Poultry Programme BRAC December 1990.

7.24 Irrigation BRAC's involvement in lending for DTWs has been the subject of growing concern to the Donor Consortium. Two special studies have been undertaken over the past six months.¹⁵ Both have urged caution and have recommended special measures to be taken (a) to maximise the prospects for the operational success of the schemes in the interests of the concerned VOs, and (b) to improve the quality of this component of the credit portfolio in terms of recovery rates.

7.25 The main issues surrounding DTWs have been summarised earlier in this report in terms of the adaptation of the RDP/RCP model they require and the risks which surround them.¹⁶ The appraisal has given particular attention to these issues in an effort to formulate a policy for the future acceptable both to BRAC and to the donors. Further analysis of BRAC's exposure to DTWs is provided in Appendix C of Annex 6 to this report. The result so far is general agreement between the donors and BRAC on:

- i) the suspension of lending for DTWs following the removal of government subsidies on their supply price and following the commissioning of a maximum of 125 new schemes to which BRAC is committed, bringing the total number of schemes to about 767;
- ii) the provision of a significantly higher loan loss reserve (LLR) to protect BRAC, including its members at large, from the financial risks associated with DTW loans;
- iii) the need for close credit management - both in respect of capital loans for DTWs and their associated operating loans;
- iv) the need for special plans to provide closer technical support to DTW schemes.

7.26 Further negotiations between the DC and BRAC will be necessary (a) to confirm or refine the agreements outlined above, and (b) to examine plans for the provision of active technical support and an appropriate credit management system for DTWs. Special credit management measures for DTWs are discussed in the next section of this report (paras 8.15 - 8.20).

Support Services to Sectoral Programmes

7.27 The Rural Enterprise Project The Rural Enterprise Project experiments with innovative technologies and new business ideas in support of RDP's sectoral programmes. Promising projects are tested on a pilot basis with VO members and, if successful, they are integrated into mainstream sectoral programmes. The sericulture, social forestry, fisheries, irrigation, poultry and livestock programmes are all using

¹⁵ D. Wright: Selected Economic Investments by BRAC's Village Organisation Members. ODA, London. December 1991.

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

¹⁶ See Section 4, para 4.25 and Section 5, paras 5.8 - 5.11.

some technologies and ideas developed by REP. During RDP-III, REP will continue to develop new opportunities for BRAC members through a flexible pool of funds. Possible areas for experimentation include poultry feed mills and hatcheries, apiculture, and food processing. The REP funding request to the Donor Consortium will cover about half of its total programme budget. BRAC anticipates that the other half - which will primarily involve agro-forestry activities - will be covered by FAO outside the Donor Consortium.

7.28 The 1992 MTE of REP's achievements shows progress in several problem areas flagged by earlier reviews, including closer integration with the mainstream sectoral programmes; maturation in terms of methodology and process in technology transfer; more even balance between technology on the one hand and organisation and management on the other; and a stronger field orientation.¹⁷ Key challenges still facing REP include:

- i) Maintaining strategic focus - Owing to the competence of REP staff in project analysis, they are often called upon to undertake feasibility studies for RDP and RCP and to monitor the profitability of different activities in the portfolio (not just experimental projects). REP's plan to narrow its focus to fewer activities (5 to 6) and RDP's decision to hire two business specialists for each of its mainstream sectoral programmes (described below) should reduce the demands on REP staff and help it to maintain strategic focus.
- ii) Reducing staff turnover - Better reporting systems and communication links between REP field and HO staff could help to address this problem.
- iii) Coping with failure - However careful REP is in developing new ideas and opportunities before recommending them generally to BRAC members, some will fail. REP, together with RDP and RCP needs to develop an operational policy for turning over failed experimental projects financed by normal RDP/RCP loans.
- iv) Gender focus - REP should continue to give special attention to identifying and experimenting with new, non-traditional business activities for women (exemplified by its already successful work on rural restaurants).

7.29 Proposed Marketing Unit The RDP-III proposal includes the establishment of a marketing unit to service the producers of the income and employment generation activities (excluding sericulture, which will establish its own marketing unit). It would be staffed by a manager, marketing officer, researcher and three POs and would also use some local consultants. The unit would facilitate wider market links for products where there is limited local market demand. The purpose would be to maintain producer prices and promote expanded production.

7.30 Appraisal of the proposed marketing unit suggests that, at least in the short run, there is limited justification for establishing a separate unit. Sectoral programme staff do not anticipate a high degree of surplus production in the poultry, livestock and

¹⁷ Sigvaldsen, Erland, "BRAC Mid-Term Evaluation: Income Generating Activities." February 1992.

fisheries sectors in the near term. According to staff, local market demand for the products (with the possible exception of fish from the Ox Bow Lakes project) is high and local prices have not been adversely affected by increased production of poultry, eggs, meat, milk, or vegetables.

7.31 Nonetheless, marketing bottlenecks may become a problem in the future as the programmes expand and the supply of products increases, so it will be important for BRAC to keep ahead of this issue. To this end, the appraisal recommends an alternative strategy of adding two business/marketing experts (one specialist and one PO) to each of the mainstream sectoral departments, giving them their own expertise in this area. BRAC has agreed to this alternative strategy, which will require about the same level of funding. This approach will have several advantages:

- i) it will integrate the marketing function more closely within each of the sectoral departments and make it a routine aspect of their work;
- ii) departmental staff will develop a familiarity with markets specific to their sectors and a deeper understanding of longer-term market trends and opportunities;
- iii) it will help to ensure that the marketing support function is not fragmented among programmes;
- iv) it will reduce the management burden associated with (a) creating an additional department, then (b) ensuring that it maintained coordination and balance in its work with other departments.

7.32 For these new staff positions, BRAC will consider recruiting men and women with general skills in business management and finance, in addition to marketing. This will have the added benefit of strengthening the business side of the programmes and complementing the technical and organisational expertise of the current sectoral managers. They can work with sectoral programme staff to monitor the financial performance of client enterprises and to ensure that investments generate returns sufficient to improve incomes and cover loan repayments. They can work with the Training Department to develop business skills training modules for both staff and clients. They can also oversee further development, implementation, and monitoring of the service charge system.

Training

7.33 Skills training is a central component of the sectoral programmes. Annex 4 to this report, dealing with training, identifies several issues related to skills training. The most important is that the current quality of the skills training may be compromised by the separation of the training from the TARCs (most sectoral training is conducted in the Area Offices); by the limited availability of space for training in the Area Offices; and by the heavy workload on training staff. To ensure successful expansion of the sectoral programmes under RDP-III, BRAC must give priority attention to this critical issue. It should also ensure that the pace of expansion of the sectoral programmes is kept in line with its capacity to maintain high quality training.

The Future of the Sectoral Programmes under RCP

7.34 It is still too early to assess the impact of the transition from RDP to RCP on the sectoral programmes. Within RCP, the programmes operate along the same lines as under RDP. Skill POs continue to work out of the Regional RDP or RCP Offices, while GSs work out of the Branch Offices. Both carry out the same set of activities. The primary distinction is that, in theory, sectoral programme costs should be covered through service fee income under RCP.

7.35 The service charge concept is still new to BRAC. To date, all the sectoral programmes have introduced services charges, but it is not clear whether the amounts currently charged or the way in which they are recovered are appropriate.¹⁸ Moreover, BRAC has not yet analysed the full costs of operating the programmes (e.g. staff costs; Branch, Regional, and Head Office operating costs; start-up costs of new sectoral activities; and operating losses). Because the concept and systems are still new, sectoral programme staff do not fully understand their importance or the implications of low recovery rates. Given the critical importance of service charges for the longer-term sustainability of the sectoral programmes under RCP, BRAC should now give priority to the further development of these systems as well as training staff to implement them. It should also institute monitoring systems that can track sectoral programme costs at all levels as well as service fee recovery rates at the Branch level for each of its programmes (see Annex 3, Appendix C).

Credit Regulations and Management

7.36 Credit is discussed in detail in Section 8 and Annex 6 of this report. For the purposes of this section, two brief points on issues specific to the sectoral programmes are highlighted. The first relates to the Tk.7,000 ceiling on loan size. In many cases, the levels of investment required for sectoral activities exceeds the current ceiling. Under these circumstances, BRAC either provides an advance to the client to top up a Tk.7,000 loan (e.g. mulberry sapling growers) or provides loans to groups who manage the enterprise collectively (e.g. fisheries and the proposed decentralized silk reeling units). Providing advances complicates management of the portfolio. On the other hand, lending to bigger groups introduces an additional element of risk associated with collective management, as noted in relation to DTWs. To this end, BRAC should review its policy with respect to loan ceilings and may want to consider reintroducing medium term loans.

7.37 The second point is the importance of involving sectoral programme field staff (POs and GSs) in the loan monitoring process. Sectoral staff should receive regular reports on the status of borrowers participating in their programmes to provide an early warning system for identifying potential problems in their projects and to support the loan monitoring process. It would also not only provide information for assessing effective credit demand within the context of their programmes (specifically, whether loan sizes and terms are appropriate) but also help to sharpen their credit analysis skills.

¹⁸ Indeed, feedback from field staff (a) calls into question the feasibility and the likely effects of introducing service fee charges abruptly after the 4+2 period - or at any time, and (b) suggests that consideration should be given to a more gradual phasing in of fees, as discussed in Section 8 of this report.

Non-Formal Primary Education

7.38 The appraisal endorses the positive conclusions of the Mid-Term Evaluation with respect to NFPE. Beyond this - and irrespective of any success BRAC may have in mobilizing additional resources for further growth in NFPE - the retention of this component in RDP-III is recommended for four main reasons, as outlined below.

7.39 Complementarity NFPE is an excellent complementary service to BRAC's other activities among rural communities. Experience so far has shown that the demand for education among BRAC's target group exceeds what can currently be met. Moreover, the NFPE model is both simple and highly effective. In areas where BRAC is already operating, providing access to primary education to the children of members represents an important broadening of BRAC's rural development work. In areas where BRAC has not yet opened up new RDP Offices, the advent of NFPE will promote group consciousness among parents; it will help generate confidence in BRAC as a development agency; and in both these ways, it will probably be an effective pre-cursor of VO formation and savings and credit activities.

7.40 Efficiency in training NFPE training is currently blended in with other types of training in TARCs. This is a major factor contributing to the strain in the training system. Nevertheless, training staff appreciate the diversity of courses they are expected to mount at different times. They say that this diversity also helps them to combat the fatigue they feel from their heavy workload and which would be more intense if there were a narrower range of repetitive courses. This factor should be considered carefully by BRAC in its future plans to set up a separate training capacity exclusive to NFPE. This could have the effect of asking both NFPE and mainstream trainers to over-specialise, with detrimental effects on both.

7.41 Efficiency in administration Although NFPE is staffed with its own specialised POs and senior managers, at the field level it relies on the RDP and RCP Offices for administrative services. This helps to keep down overheads and seems more efficient than setting up a separate administrative network.

7.42 Donor interest It is clear that NFPE fits very well with the development policies and priorities of some members of the Donor Consortium, while others assign higher priorities to different aspects of BRAC's work. This is not surprising, nor is it a source of concern. Indeed, this diversity of BRAC activities and donor interests could be helpful in maintaining the cohesion of the Consortium.

7.43 There are, however, two critical issues surrounding NFPE:

- i) Scale of NFPE expansion in RDP-III NFPE is the single most expensive component in the RDP-III proposal, accounting for nearly 35% of total costs. As such, and since NFPE comprises a large number of individual schools, it could be scaled back relatively easily according to whatever limitations there may be in the availability of resources through the Donor Consortium. If there are moves to reduce the scale of NFPE in RDP-III the recommended approach is to cut preferentially in the third year followed, if necessary, by cuts in the second year targets. Indeed, even in the context of a net reduction, it might be preferable to impose stringent cuts in the second and third years, re-allocating some of those schools to the first year target. This would have the effect of (a) helping

BRAC to adhere to its overall plans for NFPE expansion, while (b) gaining some time to be able to mobilise the resources needed for this expansion for the mid-1990s and beyond.

- ii) Training capacity Where at present NFPE **does** rely heavily on the broader capacity of BRAC is in the supply of training services. BRAC reports that it has increased the duration of basic teacher training from 13 to 15 training days (or 16 days, including travel time). This appears quite modest. Scaled up by the targeted number of schools within and beyond RDP-III, however, training capacity is a potential bottleneck. This is just one aspect of the critical issue on training raised earlier in Section 5 of this report and again in Section 9.

7.44 BRAC should ideally seek to channel any additional external support for NFPE through an expanded RDP Donor Consortium. Failing this, there **must** be adequate mechanisms to ensure that the design and costing of any incremental expansion of NFPE takes into account the demands of the programme as a whole, including training.

Health and Family Planning

7.45 Owing to lack of advance knowledge, lack of expertise in the appraisal mission and lack of time, it has not been possible to appraise in detail the new health and family planning component in RDP-III. Nevertheless, based on BRAC's long experience in the health field and on the rationale and justification for this modest component (amounting to 1.34% of proposed costs) it is recommended to be retained in RDP-III. This is consistent with the broad developmental role of RDP-III as a whole, as suggested in the references above to the complementary role of NFPE in RDP. It is also consistent with the role of the Donor Consortium in providing the widest single source of support for BRAC's broadening and expanding operational programmes.

BRAC to adhere to its overall plans for NFPE expansion, while (b) gaining some time to be able to mobilise the resources needed for this expansion for the mid-1990s and beyond.

- ii) Training capacity Where at present NFPE **does** rely heavily on the broader capacity of BRAC is in the supply of training services. BRAC reports that it has increased the duration of basic teacher training from 13 to 15 training days (or 16 days, including travel time). This appears quite modest. Scaled up by the targeted number of schools within and beyond RDP-III, however, training capacity is a potential bottleneck. This is just one aspect of the critical issue on training raised earlier in Section 5 of this report and again in Section 9.

7.44 BRAC should ideally seek to channel any additional external support for NFPE through an expanded RDP Donor Consortium. Failing this, there **must** be adequate mechanisms to ensure that the design and costing of any incremental expansion of NFPE takes into account the demands of the programme as a whole, including training.

Health and Family Planning

7.45 Owing to lack of advance knowledge, lack of expertise in the appraisal mission and lack of time, it has not been possible to appraise in detail the new health and family planning component in RDP-III. Nevertheless, based on BRAC's long experience in the health field and on the rationale and justification for this modest component (amounting to 1.34% of proposed costs) it is recommended to be retained in RDP-III. This is consistent with the broad developmental role of RDP-III as a whole, as suggested in the references above to the complementary role of NFPE in RDP. It is also consistent with the role of the Donor Consortium in providing the widest single source of support for BRAC's broadening and expanding operational programmes.

8. CREDIT SERVICES

Financial Viability in the Transition from RDP to RCP

8.1 RCP was designed to be a self-sustaining credit institution that would be a permanent resource for VO members and allow RDP to move on and pursue its development work in new villages and areas through its combination of awareness-raising, institution-building, and enterprise development activities. In turn, this work would generate a stream of RDP Offices ready to be bought out by RCP, up to the target of 300 RCP Branches. So far, RCP has demonstrated its ability to cover the costs of credit delivery. It has not yet, however, begun to absorb (a) interest on the BRAC Loan (the cost of funds), (b) the costs of continuing sectoral technical support and skills training for VO members, or (c) the costs of continuing institution-building activities for VOs.

8.2 The need for greater clarity on self-sufficiency Unfortunately, it is not wholly clear how far the concepts of self-sustainability, self-sufficiency or viability can be - or are expected to be - applied to RCP. Given that RCP was designed to act as - or eventually to become - a banking service it is appropriate to consider the services it expects to deliver to its target group in relation to those typically offered by banks. BRAC itself has consistently accepted that there will be a continuing need among RCP VOs for technical training, advisory and support services in different sectoral activities and enterprises to help them to succeed and perhaps to grow. Some banks do offer such services. Even if they do, the first question is whether they are as detailed, as comprehensive, hence as expensive as those offered by BRAC to its members? A second question is who pays for such services - the bank or its clients? In more detail still, if RCP's clients are expected to pay for such services, should the responsibility for payment rest with VOs collectively or only with those individuals or sub-groups within VOs who decide that they need them?

8.3 This appraisal, with the concurrence of BRAC, has added another service that should continue to be provided to RCP VOs, namely support to and facilitation of their development as well-rooted rural institutions. Section 6 of this report has indicated the likely cost of this service. Again the question is who should pay - should it be RCP out of its income from lending (albeit an income derived from borrowers), or should it be directly by the clients? Alternatively, should BRAC as an institution - with or without external financial assistance - pay for the cost of continued institution-building support as a social service not directly related to the financial viability of credit services and ancillary technical advice and training?

8.4 In this context, especially in view of the significant numbers of RCP Branches which will be completing the 4+2 transitional period during the course of RDP-III, BRAC should clearly define the meaning of self-sufficiency applied to them. Having done so, performance targets and benchmarks must be identified against which to measure RCP's success in achieving self-sufficiency, however defined. Similarly, since BRAC is channelling donor funds to RCP Branches through activities managed both by RDP and RCP, these investments, their associated costs and the revenues derived from them should be allocated clearly to permit RCP's progress towards self-sufficiency to

be assessed as accurately as possible. Based on this clarification it will in turn become possible to distinguish between services that are subsidised - in the sense of being covered wholly or partly, temporarily or permanently, from sources other than those that should pay for them - and those services, if any, that are provided free as a matter of policy or normative principle.

8.5 Without adequate clarity on these issues there is a risk of misapprehension and confusion at all levels, from BRAC's members through its field staff and managers to the Donor Consortium itself. On the other hand, the definition of benchmarks and targets for self-sufficiency - including those additional costs of reaching the rural poor that can be accommodated within self-sufficiency - followed by the collection and analysis of hard information on success rates will continue to justify BRAC's reputation for openness and transparency and will maintain its credibility among the Donor Consortium and beyond.

8.6 Specific recommendations are to:

- i) specify the mechanics, both planning and financial, of the transition from RDP to RCP, particularly on sectoral programmes;
- ii) analyse and refine the financial model (the RCP Budget last revised November, 1991), the accuracy of assumptions in relation to actual experience, and the timetable for gradual evolution to complete self-sufficiency;
- iii) maintain open communication with donors and with staff to ensure shared goals and realistic expectations at all levels.

8.7 Comprehensive accounting The RCP model and consolidated financial statements should be revised to reflect all sources of revenues (interest income on loans, investment interest income, net margin on savings deposits, and service charge fees) and all expenses (operating costs, VO member training costs, technical assistance and skills support, and the cost of borrowing funds for on-lending). At present, RCP bears all the direct costs of credit delivery. The most recent projection (based on a 20% interest rate) generates sufficient net operating profit to absorb additional costs. Specific recommendations include:

- i) each Branch should prepare a quarterly income statement and balance sheet to increase the Branch Manager's awareness of the cost and revenue implications of portfolio and cash management decisions;
- ii) these statements should emphasise branch-level income, expenses and contribution to operating profit, rather than a full allocation of overhead costs to each branch;

- iii) Head Office financial statements, however, should begin to allocate the following costs to RCP:
- * interest on the BRAC loan: BRAC may charge 6% (a rate comparable to that the Bangladesh Bank charges other banks) beginning in 1992 or 1993;
 - * technical/skills support for VO members: the cost recovery system will require RDP's sector programmes to charge RCP branches a fee for their services and will also require RCP to collect fees from members: these field-level cash flows should be reflected in RCP while indirect costs should be allocated based on usage (though overhead, 'R&D', and start-up costs should remain in RDP);
 - * institution-building for new VOs and members: functional education for new BRAC members is a prerequisite to lending and, as long as new VOs are being formed or there is turnover of membership in established Branches, should be viewed as a cost RCP;¹⁹
 - * continued institution-building: The cost of continuing institution building activities should remain in RDP until a full 4-year cycle has been completed and the need for RCP-based institution-building can be assessed (by the late 1990s).
- iv) although accurate cost allocation fully informs management decisions, the financial health of RCP must be preserved with a sufficient margin to protect it from unforeseen loan quality deterioration, cost increases, or other adverse developments.

8.8 Service fees in RCP Of the issues and recommendations outlined above there is one - the question of service fee charges to RCP VOs - which may need further consideration by BRAC as a matter of policy and as a possible further refinement of the RDP/RCP model. Field work undertaken during the appraisal suggests that the abrupt introduction of fees for training and advisory provided by BRAC is not likely to be well received by VOs and their members. Field staff strongly and consistently felt that phasing in fees would be more acceptable and more realistic. Indeed, if fees were to be introduced from the earliest days of VO formation - albeit heavily subsidised at the outset - they would be recognised by the members as inherently part of the BRAC model and package. Thereafter the subsidy could be gradually removed so that fees reached a level permitting full cost recovery by, ideally, Year 6 in the 4+2 model.

¹⁹ Field observations have shown that some RCP Branches do still form small numbers of new VOs, mainly to reach or to restore the threshold of membership required. There is also turnover among members, rates of up to 14% per annum having been observed at the Branch level.

8.9 Financial planning in RCP RCP's road to self-sufficiency should be better plotted year by year with specific projected performance benchmarks or plans articulated by BRAC. Good financial planning and sound cost accounting will have several benefits. A comprehensive spreadsheet would allow BRAC (a) to track the various sectoral programme costs and revenues, and (b) to project future break-even levels for each programme. These sectoral programme costs and revenues must also be allocated between RDP and RCP. BRAC is not a profit-maximizing institution and must evaluate the non-financial benefits of sectoral and other programmes. At the same time, BRAC can gain valuable information to guide future management decisions by tracking where its 'profit' is invested and the effectiveness of those investments.

Loan Portfolio Analysis and Management

8.10 In response to the November 1991 Review, BRAC agreed to evaluate the adequacy of the 2% LLR. The appraisal goes a specific step further and recommends that BRAC should either replace or supplement the current loss provision system of 2% of outstanding disbursements with a formal quarterly or semi-annual review of the adequacy of the loan loss reserve (LLR). This is nothing more than a typical banking arrangement. Concurrently there is a need to reassess the current method of allocating reserves. Management of the reserve is usually a lending function, with decisions taken in consultation with the monitoring and control functions. A Portfolio Review Committee (including the heads of RDP and RCP, the head of Monitoring, and perhaps the Executive Director) should meet quarterly to review portfolio reports; assess the adequacy of the current loan loss reserve; and take additional provisions if necessary to cover increased outstandings or increased risk. Immediate priorities of the Portfolio Reserve Committee should include:

- i) an assessment of the Late, Overdue, and Not Yet Transferred loan categories to determine the adequacy of the reserve relative to the timing and prospects of repayment;
- ii) completion of the reserve agreed to be taken against BRAC's peak Deep Tube Well exposure after the completion of the 1992 purchases;

8.11 Devolution of portfolio management responsibility Portfolio and credit responsibility should devolve to the Branch Manager level, in turn having the effect of encouraging field staff themselves to be responsible for lending quality and reducing reliance on a centralised monitoring function. Specific steps to facilitate this process (some of which are already beginning to be implemented by BRAC) include:

- i) increased emphasis on credit training within in-service (annual) training requirements for Regional and Branch Managers;
- ii) greater use of trend and ratio reporting in HO monitoring giving field managers critical information in clear and relevant formats which emphasise outstandings rather than disbursements;

- iii) new monthly reporting forms that require the Branch to consolidate and report performance data and that emphasise the Branch as the level responsible for credit.

8.12 The next Annual Review should assess BRAC's implementation of the portfolio monitoring and reporting systems that have been discussed during the MTE and appraisal. These portfolio management tools include:

- i) separate monitoring of individual (general), collective, and housing loans as distinct segments of the loan portfolio;
- ii) separate recording and monitoring of Current, Late, and Overdue Loans at the Branch level to increase awareness among Branch Managers, POs and even GSs;
- iii) an aging report of delinquent payments (within the Current Loan category) that is sensitive to slight shifts in repayment rates and can detect changes in delinquency patterns;
- iv) specific trend reporting of key ratios to permit better analysis of the current portfolio, its performance in relation to experience, and as the basis for projecting future outstandings and disbursements.

8.13 In addition, the Monitoring Department should revise the performance measures used for internal and external reporting. BRAC should voluntarily share more detail about its portfolio and repayment performance with the Donor Consortium and qualified external consultants. In exchange, donors must become more sophisticated users of those reports, remain aware of the Bangladesh context, and neither disclose nor penalise BRAC for its increased transparency in reporting.

8.14 BRAC should also identify the specific steps to be taken to educate field staff (Area and Branch Managers as well as Regional Managers) about the new forms of portfolio reporting available, the information they provide, the relevance of the information to their responsibilities and, most important of all, how they can use the information to improve the quality of their own local portfolios.

8.15 Special measures in respect of collective loans As noted in the previous Section of this report (paras 7.24-7.26), collective loans - principally deep tube-wells - represent a distinct component of the lending portfolio surrounded by distinct problems and risks. The risks of collective loans derive not just from their magnitude or from the technical or managerial complexity of the enterprises in which the investments are made. They also derive from (a) the relatively large size of the VOs required to service large loans, and (b) the seasonality of the returns in DTW schemes and power tillers.

8.16 The same financial analysis and management system that has been discussed and agreed with BRAC for its mainstream lending service can and should be applied to collective loans. In doing so, it will provide the necessary information for BRAC to measure more accurately the quality of these loans, including changes and trends in their quality through time. Beyond this, however, special adaptations of the terms and conditions for collective loans should be considered, as outlined below.

8.17 DTW operating loans provide an illustration of a possible adaptation. At present, operating loans are issued for a period of one year and disbursement typically runs from November through to January each year. If loans are not fully recovered by the following October or November, BRAC is faced with a difficult decision whether to (a) extend a follow-up loan, trusting on receiving full repayment of amounts already outstanding, or (b) deny a follow-up loan, risking the exacerbation of perhaps genuine operating difficulties or the possible failure of the scheme. Yet the annual returns to DTWs can be expected to have been fully collected by the VOs by September each year. This raises the possibility of setting a deadline for operating loan recovery for the end of September (i.e. less than one year from the beginning of disbursement), giving credit managers a brief period for review before the next cycle begins.

8.18 Another adaptation of lending procedures for DTWs could be to build on the experience in Jessore and some other areas where operators have been negotiating advance payment of water charges in cash from command area farmers. Not only does this obviate the need for operating loans from BRAC but also eliminates the difficult negotiations about yields between farmers and DTW operators at the end of the crop season. It cannot be predicted that the Jessore advance payment system could be replicated in all other concerned areas. Nevertheless, adaptations could include partial payment in advance leading to reduced dependence on BRAC for operating loans.

8.19 A third adaptation could be to concentrate managerial responsibility for individual collective loans and to introduce profit-sharing among those most closely involved or to provide special incentive payments to scheme managers.

8.20 No doubt other ideas and adaptations could be developed in the twin interests of (a) the success of collective loans on behalf of VO members, and (b) the quality of the collective loan component of the portfolio. The conclusion reached by the appraisal is that there seems to be no-one in the management structure who is actively investigating ways and means of improving the design and operation of collective loans. The Monitoring Department has undertaken to investigate the particular experience of the advance payment system, especially in response to the prominence given to DTWs during the appraisal and because so little seems to be known at HO about how this idea was developed and pursued. This is a useful starting point, but the initiative should go beyond this. It is an example of the type of action-oriented research that RED could undertake on behalf of RDP/RCP. If this were possible, it would be useful to include someone on the investigative team with practical experience of credit management in DTWs and other collective loans.

Housing Loans

8.21 The RDP-III proposal includes provisions for housing loans both to VO members and to BRAC staff. In principle, the appraisal endorses both types of loan subject to (a) the availability of resources from the Donor Consortium in relation to (b) the clear priorities expressed by BRAC through other components of the proposal to pursue breadth of outreach to its target group. If, owing to limited resource availability, there is a need to re-allocate funds among different components of RDP-III, housing loans to staff should be the first category to be reduced. Housing loans to members would be the next casualty if resources are tight.

8.22 If housing loans to VO members are retained, BRAC should monitor their repayment rates carefully to assess the credit risk in relation to mainstream lending for productive and income-generating activities. If housing loans demonstrate their reliability in RDP's portfolio over the next few years, BRAC might consider transferring them to RCP along with the majority of the RDP portfolio as Area Offices are redesignated as RCP Branches. Such a transfer would only be feasible, however, if it represented a nominal cost to RCP as these types of loan were not part of the original forecast.

9. TRAINING

The Spectrum of Training

9.1 BRAC has established what is probably one of the largest, most comprehensive and most professional training programmes in Bangladesh in support of its rural development work. It comprises four broad areas and sets of trainees, including:

- i) human development training, focusing on its target group members;
- ii) occupational and technical skills training, also for its members;
- iii) basic training for new employees including POs and the training of NFPE schoolteachers;
- iv) management training to develop the technical and managerial skills of its full-time staff.

9.2 Responsibility for these fields of training is shared among different staff and physical facilities within BRAC. Human development training is the primary responsibility of the Training and Resource Centres (TARC). The TARCs are also responsible for training newly recruited NFPE schoolteachers. Skill training represents part of the work of the sectoral POs in RDP and RCP. Management training used to be conducted at the TARCs but is now the responsibility of the recently created Management Development Programme (MDP). Training actually takes place in a variety of physical settings, including the TARCs, Regional and Area/Branch Offices, at rented premises, and at MDP's new Management Training Centre at Rajendrapur, near Dhaka.

Training Capacity and Achievements

9.3 Against this background it is extremely difficult to measure a BRAC-wide training capacity. The physical capacity of premises dedicated to training (such as the TARCs and the MTC) does not give a definitive picture because they are not the only places where training takes place. BRAC's planning figures for the workload of full-time trainers are also unreliable because they can be - and currently are - exceeded. Beyond this, training is not only carried out by full-time trainers but also by field staff (such as sectoral POs as mentioned above).

9.4 It is also difficult to obtain definitive data on training achievements in relation to targets for two main reasons. First, owing to the sheer size, dynamism, flexibility and evolution of BRAC's operational work, the targets themselves are subject to change at different times. Secondly, for the same reason that the variety of staff and physical settings for training make it difficult to measure capacity, it is equally difficult to monitor achievements - especially for training which takes place outside the TARCs and the MTC. Nevertheless, there is some evidence of points of stress in training activities; of considerable variations between targets and achievements in some categories of training; and of internal difficulties in setting realistic plans and training targets, as discussed below.

9.5 Human development training, for which the TARC's are principally responsible, is monitored more closely than some other categories. At the aggregate level, human development training appears to be slightly behind targets. But the TARC-based component of this training has slightly exceeded targets for 1991. On the whole, the TARC system has demonstrated relatively good ability to plan and to keep track of its activities.

9.6 In contrast, there is considerable variance among different units within BRAC for skill training - both in the 1991 targets and in reports on achievements. Skill training achievements reported by RDP, for example, show shortfalls and over-achievements in relation to the targets set in January 1991, ranging from an achievement of 25% of the target for horticulture nursery training to 175% of target for the training of cow-rearers. This raises questions not so much about capacity but about RDP's ability to plan its training activities accurately, to monitor throughputs, and to feed experience back into future planning. The probable reasons for the difficulty are (a) the diffusion of responsibility for skill training among different sectoral specialists, and (b) the absence of a focal point in the management structure responsible for planning, monitoring and coordinating skill training.

Signs of Strain

9.7 Whenever there seems to be a shortfall in achievements in relation to targets it could be an indication of inadequate capacity. Yet it is often difficult to draw hard conclusions if targets change, or if the original plans and targets were not wholly accurate. Nevertheless, one clear sign of strain is that TARC-based trainers are already dealing with a training workload which has averaged 24.7 training days per trainer per month over the six months to March 1992, as compared with a planning norm of 21 days per month - an over-utilisation of about 17.5%. This cannot be attributed to seasonal variation since 1992 data reveal an increase of 4 training days per trainer per month over the corresponding period in early 1991.

9.8 BRAC management policy is to keep staff busy; keep staff 'on their toes'. And the expansion in recent years - including both pressure of work and the prospects of early promotion - has made this inevitable, serving rather like a consistent flow of adrenalin throughout the organisation. On the other hand, there is real fatigue among training staff and this could be to put quality at severe risk. Certainly there has already been a considerable drop in training follow-up. The pressure to meet training targets has also led to examples of new trainers being assigned to conduct training courses on their own within four weeks of being inducted as trainers. This does not comply with BRAC's own guidelines of allowing learning periods of (a) three months before conducting solo training of group members, and (b) six months before taking sole responsibility for staff training courses.

RDP-III Targets

9.9 The existing signs of strain on the training front are of major potential concern (and have been raised as a key issue in Section 5 of this report) because in the RDP-III proposal training targets show some very large increases, as revealed by the following examples:

- i) human development training increases from 183,767 participant days (p-d) in 1991 to 473,218 p-d in 1995;
- ii) skill training increases from 83,553 to 507,525 p-d over the same period - including a five-fold increase in poultry and livestock training, a twenty-five fold increase in sericulture training, and a ten-fold increase in fisheries training, all of which is conducted in the field;²⁰
- iii) as noted above, the expansion of NFPE - by 9,000 schools in RDP-III alone - is also likely to place considerable stress in the short run on TARC training capacity, each NFPE teacher requiring a minimum of 15 days initial training, leading to a potential workload of 525,000 p-d if NFPE achieves its overall growth target during the RDP-III period (without taking into account refresher training which, though lagging behind the need for training new teachers, will soon begin to grow).

9.10 The increase in human development training implies a rise in throughput of nearly 160%. As noted above, the system for this is in place through the TARCs. The key issues are (a) whether the planned new physical facilities will be open and operational on time to cope with the pattern of increase (and this includes the completion of the behind-schedule Comilla TARC as well as the construction of the proposed new mini-TARCs), and (b) the ability of the TARCs to cope simultaneously with increases in NFPE teacher training as well as forthcoming refresher training for serving teachers.

9.11 The increase in skill training represents an expansion to more than 6 times the 1991 level over a period of just four years. In theory, the key factor determining capacity to deliver this volume of training is the supply of sectoral POs. It is more complicated than this, however, even assuming that the required number of POs can be made available. Skill training was segregated from the TARCs primarily to ensure more effective coverage of the constantly expanding geographical area being covered by BRAC. One of the unintended consequences has been that the sectoral POs, who provide much of this training, have become isolated from other trainers. Training delivery has suffered. BRAC is aware of this and is proposing to overcome it in RDP-III by relocating the Regional Offices - where the sectoral POs are based - to the TARCs. This will probably help by permitting regular interaction and cross-fertilisation of ideas and motivation between the TARC-based trainers and the sectoral specialists. The appraisal strongly endorses this proposal.

9.12 The NFPE teacher training workload is an area of concern but one which it will be difficult to clarify and resolve. The RDP-III proposal shows a total throughput for NFPE of 118,525 p-d over the three-year period, based on 13 days training per new teacher. Since NFPE management now reports a rise in training duration to 15 days per new teacher, throughput would be about 15% greater, at 136,760. Yet as noted in para 9.8 (iii) above, if BRAC were to achieve its overall target of having 50,000 NFPE schools in operation by the end of 1995, actual training throughput requirements could be considerably greater than this. The uncertainty lies in the difficulty of predicting

²⁰ But since Area Offices provide part of their space to Human Development Training while an estimated thirty to forty per cent of their capacity will be required for the consolidation activities proposed for institutional development, there is likely to be a substantial shortfall in the space available for skill training in RDP III.

what success BRAC will have in mobilising the resources for the overall target. Another factor is that, through time, refresher training for teachers after two years of service (and lasting for 15 days) could also rise sharply according to the pace and pattern of overall NFPE expansion.

9.13 NFPE remains confident that it can rely on the TARCs and currently has no plans to rent its own capacity for teacher training before 1996. Indeed, as noted earlier in this report (Section 7, para 7.40) there are arguments in favour of retaining teacher-training in the TARCs, offering greater variety of work to training staff. But the reliance of NFPE on the TARCs is because the RDP-III proposal clearly indicates that the first batch of three new RDP-III mini-TARCs are expected to be operational in January 1994. Yet it will be impossible to achieve this target through the construction of BRAC's own buildings.²¹ Much will therefore depend on whether BRAC is fortunate enough to be able to rent suitable facilities.

9.14 Recommendation for a special analysis of training targets and capacity In view of the difficulty experienced by the appraisal in assembling clear data on training targets, capacity and achievements it would be advisable to undertake a separate, comprehensive review of these issues prior to the commencement of RDP-III. What is needed is a planning and programming analysis of BRAC-wide training targets and capacity, including analysis of projections both for targets and for capacity during RDP-III. The analysis should also not be confined to RDP-III and the specific funding package requested from the Donor Consortium. It should extend to cover (a) the training implications of non-RDP, non-Consortium activities such as WHDP, and (b) training projections for programmes such as NFPE which are within the scope of RDP-III but to which RDP-III will make only a partial contribution. Owing to the uncertainties of being able to mobilise resources for the overall expansion pattern put forward for NFPE, the review should include sensitivity analyses of training capacity at different levels of adherence to the overall target.

Training Utilisation, Effectiveness and Impact

9.15 BRAC has designed a system for monitoring training utilisation. But the system is not fully used because trainers are overworked. Moreover, there is insufficient clarity regarding appropriate methodologies and indicators to go much further at present to assess the effectiveness and impact of training. Nevertheless, there is a great deal of interest within BRAC to pursue these issues and to continue the development of appropriate methods and indicators. Following discussions with the Training Department and RED, BRAC has agreed to take the following steps to strengthen its capacity to evaluate training:

- i) the Training Department, together with RED and possibly the Monitoring Department are jointly planning to organize a methodologies workshop to examine ways in which different organisations approach the problem of measuring training effectiveness;

²¹ This is a matter which has already been raised as one aspect of the key issues and challenges for RDP-III in Section 5 of this report and is discussed further in Section 10.

- ii) the same three Departments will jointly appoint a team of monitoring and research staff and trainers to adapt the methodologies discussed to BRAC's training courses and to field test them - possibly in teams of two people each (which would also provide trainers with a much-needed change in work and could counteract trainer fatigue);
- iii) in this way, BRAC could gradually build a system of monitoring and evaluating training effectiveness at various participant levels and institutionalise this function within RED and/or the Monitoring Department.

Training Staff at Head Office

9.16 The Training Department at HO consists of three professional staff, one of whom is occupied primarily with training for non-BRAC clients. Given the magnitude of the training portfolio within BRAC and the ever-increasing demands being placed on this area, BRAC should consider expanding its staff strength in the Training Department with the addition of two senior professionals - one to deal with monitoring and evaluation of training referred to above, and the other to focus on curriculum development.

Management Development

9.17 BRAC has long recognised the need for a management development facility - not just for itself but for other government and non-government agencies with aims, objectives and programmes similar to its own. Earlier plans to set up such a facility with the status of an institute met with difficulty and led to delay. Nevertheless, BRAC has now commendably acted on its own discretion to set up the MDP with the expectation that it will reserve 35% of its capacity for training the staff of outside agencies. Not surprisingly, MDP is still far from being fully operational. Meanwhile, its principal facility, the MTC at Rajendrapur, has been used partly in the role of a TARC. This has at least helped to overcome the backlog in TARC capacity noted earlier, including the delay in the construction of the Comilla TARC.

9.18 Against a background of already pressing demand for management training - a demand that will continue to grow during RDP-III - MDP faces three main priorities:

- i) training staff - MDP has yet to build up a team of full-time 'faculty members';
- ii) training curricula - similarly, MDP is still trying to adapt and develop appropriate training curricula and materials;
- iii) clarifying priorities - this particularly relates to the allocation of capacity to internal and external trainees, but also to priority trainees within BRAC.

9.19 Training staff The lack of a full-time team of trainers is probably the sharpest constraint facing MDP at present. Meanwhile, it has been drawing on senior specialised BRAC managers to the extent possible in workshop-style training sessions. These are reported to have been quite successful. Inevitably, however, one effect has been to limit the subject matter on offer to such fields as financial management, monitoring and the like. Another effect has been to limit the training material mainly to BRAC itself - its programmes, systems and procedures - there being less capacity to provide training in more general management skills. It is for this reason that Annex 4 to this report characterises the programme as one of Development Management rather than Management Development.

9.20 One promising development is that towards the end of April 1992, MDP was planning to convene a screening session of 60 BRAC staff from different programmes (including 10 from WHDP; 12 from RCP; 25 from RDP; 10 from the TARCs; and 2 from NFPE). The aim was to draw up a short-list of 15 potential faculty members, narrowing down to a final selection of five people. Even then it will take time - possibly including overseas training - for these new MDP staff to become fully effective management trainers. In addition, MDP has recently recruited three young staff with MBA qualifications as potential trainers. But they will be spending two years in field postings as POs to gain experience before returning to MDP. All to say that the development of full capacity in terms of training staff cannot be expected to be built up rapidly.

9.21 Training curricula and training material Outlines of training sessions provided so far indicate that the MDP recognises the breadth of training required by BRAC staff. This, however, needs to be backed up with more detailed curricula and training material. In the field of pure or general management training - the management of people, information, time and the like - there is a wealth of such material available internationally. But it may take time to choose among different approaches.

9.22 The outcome of the RDP-III appraisal will also generate additional pressure on MDP. The two most significant examples are (a) the re-emphasis on institution-building, and (b) the introduction of an improved credit portfolio management system. In the former case the only appropriate approach is to draw on the experience of senior staff who embody BRAC's institutional memory of successes, failures and potential pitfalls in this difficult area in the preparation of curricula and training material. In the field of credit management there will be two distinct aspects in which staff will need to be trained. The first will be the purely mechanical/mathematical operation of the system, enabling management staff to understand tabular listings in the 'aging by account' system and what they mean. The second will be more truly managerial - of using the information that the credit management system provides to take management decisions and corrective action where necessary. For both aspects BRAC should consider requesting financial assistance from the Donor Consortium to bring in external consultants to develop appropriate practical training curricula and material.

9.23 The priority fields and staff categories for management training within BRAC are:

- i) operational systems and procedures at Area/Branch Office level, including financial and administrative management for Area/Branch Managers and the application of managerial discretion to sustain or improve the quality of the credit portfolio;
- ii) communication and analytical skills for Area/Branch Managers;
- iii) training or re-training senior POs to act as promoters and facilitators of institution-building;
- iv) process documentation for staff of the Monitoring Department

9.24 Clarifying the role and priorities of MDP The role of MDP originally envisaged, allocating 35% of its capacity to agencies other than BRAC was laudable from two points of view. It showed a breadth of vision on the part of the organisation, fully consistent with one of its aims 'to influence the system as a whole'. At the same time, it offered the prospect of defraying the pure overhead cost of MDP's internal training role - especially by charging commercial rates to non-BRAC trainees. This is reflected in the RDP-III proposal, where the gross cost of the MDP is reduced by just under 31% by the item 'Training Income' to a net request for funding of Tk. 11.46 million (inflation adjusted to Tk.13.76 million).²²

9.25 On the other hand, as noted, MDP is not yet fully operational while the internal need for its services is of critical importance for its existing managers as well as those that will be required for future growth. In the circumstances, there is a case to be made for expressing the priorities of MDP in the following terms:

- i) assigning the highest priority to bringing MDP up to full operation, including the development of its own cadre of professional management trainers;
- ii) pressing ahead in developing its training curricula and materials;
- iii) reserving MDP capacity for BRAC staff exclusively during the period of RDP-III;
- iv) broadening the MDP intake to include external trainees only when it has (a) reached a satisfactory level of development, and (b) shown that it can cope with the internal demand for management training within BRAC.

9.26 If the above strategy is acceptable to BRAC and to the Donor Consortium it will have the effect of increasing the dependence of MDP on financial support from the donors. As now, MDP could continue to charge fees to its internal clients, principally RDP. But these fees would, as now, be lower than those applied to external clients.

And whether as a result MDP operated at a nominal loss or not, it would effectively rely on external donor support. In such a situation, both BRAC and the donors could suggest that MDP should reduce its overheads until such time as it can grow to become a major centre for training non-BRAC managers of rural development programmes.

10. PLANNING, MANAGEMENT AND ORGANISATIONAL DEVELOPMENT

Strategic Planning

10.1 BRAC shows an ability, boldness and level of confidence in strategic planning which are rare in Bangladesh. It is significant, for example, that a time-scale of 10 years is seen as falling within the short term in BRAC's perspective while a 15-20 year horizon is seen as no more than the medium term. Examples of its boldness in strategic planning include the projections in the RDP-III proposal of targets for the expansion of NFPE to 100,000 schools by 1997 and for the production of silk through the sericulture programme to reach MT 1,100 by the year 2000 AD.²³

10.2 BRAC's motivation in its approach to strategic planning has at least four main dimensions:

- i) it is motivated to reach as many of the target rural population as it can with real, tangible development assistance;
- ii) BRAC recognises that credit alone, if it can only be used by the target group for low risk, low return traditional activities, will not contribute adequately to aggregate national output - hence there is a need for active development and promotion of higher-order and new economic activities that can be undertaken by the rural poor;
- iii) there is a sense of vision within BRAC and a sense of confidence in the country and its people that, drawing on the examples of NFPE and sericulture quoted above, Bangladesh need not continue to be trapped with very low levels of literacy while there are no fundamental geographical or climatic constraints to matching the level of output of silk that is currently produced by Thailand;
- iv) BRAC has an explicit aim to influence other development agencies and programmes - including the government - but recognises (a) that it must reach a sufficient scale in its own activities to wield the necessary influence, while (b) it will nevertheless take time for that influence to be translated into action by others.

Programme Planning and Design

10.3 As would be expected of any large organisation, BRAC's vision and strategy emanate from a very small group at the highest levels, focusing on the Executive Director. As will be clear from Section 4 of this report, however, the evidence of the RDP-III proposal suggests that at present BRAC lacks the ability to articulate its strategy with sufficient clarity and analytical backing. Similarly, it lacks the ability to put forward the design of specific plans, projects and programmes in such a way as to comply with the increasingly convergent requirements of international development assistance agencies.

²³ RDP-III Proposal, page 31 (NFPE) and page 21 (silk production)

10.4 The importance of clear project and programme design is not just for the convenience of donors (though this would do much to ease and speed the passage of proposals through donor approval procedures). More specifically, it is important when the scale and scope of individual projects, programmes and funding packages each makes only a partial contribution to strategic plans which are as extensive and as ambitious as those of BRAC. It is for this reason, for example, that this report has shown concern over such questions as BRAC-wide projections of known and possible training workload in relation to capacity in terms of physical facilities and trainer workload. Of course, the more ambitious BRAC's strategic plans are the more difficult it is to assign levels of confidence of being able to adhere to them. This is shown most clearly at present in the case of the NFPE component which comprised 6003 schools at the end of 1991, is scheduled to reach 50,000 schools by the end of 1992, but to which the remainder of RDP-II plus the request in RDP-III will contribute only another 10,500 schools.²⁴

10.5 Technically, it should not be inherently difficult for BRAC to improve its in-house ability to articulate its strategy and to design specific project and programme documents. Complying with donor requirements and formats is a matter of (a) collecting relevant guidelines and examples of well-designed project documents, and (b) developing a format mutually acceptable both to BRAC and the Donor Consortium as a whole.

10.6 Somewhat more difficult is the question of assigning responsibility for detailed planning, including the preparation of project and programme proposals. The appraisal does not recommend setting up a separate planning unit within BRAC because this does not seem to fit with BRAC's organisational culture and could in any case run the risk of being too far removed from practical experience and requirements. On the other hand, the managers of the principal operational programmes have a heavy management workload, raising doubts about the amount of time they might be able to spare to translating detailed plans into full project and programme proposals. Without going so far as to put forward a specific recommendation, two options might be explored:

- i) strengthening the day-to-day management capacity at HO level, giving Programme Directors more time to step back, including time for planning and designing proposals;
- ii) forming ad-hoc teams of senior managers as and when specific proposals are needed.

10.7 The first of these options would obviously add to overhead costs - but with continued expansion may become affordable and, indeed, more generally justified. The second option would have the benefit of bringing different Directors together, hence ensuring compatibility and consistency in the proposals that would be produced.

²⁴ RDP-II is scheduled to add 1,500 schools in 1992 while the request for RDP-III is set at 9,000 new schools.

Overlap with Other Rural Development Programmes and NGOs

10.8 BRAC's policy is not to expand into villages or wider areas where similar work is being carried out on a significant scale by other NGOs or the Grameen Bank. In practice, however, there is evidence of considerable overlap in the field - apparently most extensively with the Grameen Bank. Even so, when BRAC VOs co-exist with local organisations promoted and formed by other agencies, BRAC staff try to avoid direct overlap among the actual membership of its own and other organisations, hence to avoid duplicate access to different channels of credit among individual villagers.

10.9 There are three issues related to overlapping which are of principal concern and which, taken together, have implications for BRAC's planning:

- i) competition among different programmes and agencies;
- ii) differences among models;
- iii) independence and the exercise of discretion among organisations of the rural poor to choose among different services;

10.10 The first of these issues is important because the number of rural poor in Bangladesh still exceeds the capacity of government, quasi-government and non-governmental programmes to provide them with adequate access to development assistance. It would be unfortunate if competition among different programmes operating in the same geographical area were to mean that those living in areas not served - or not served so intensively - continued to be denied access to assistance. Some donors are already now drawing attention to significant differences in access to credit and other forms of assistance between, for example, Rangpur (where BRAC, Grameen Bank and the Rangpur Dinajpur Rural Service (RDRS) are all operating) and such areas as Feni, Noakhali and especially the Chittagong Hill Tracts (where few or no similar services operate).

10.11 The differences among the organisational and service models used by different programmes and agencies could lead to confusion among the target group, and could possibly affect success rates. BRAC's model and that of RDRS illustrate the range of differences that exist. In its credit service, RDRS insists on members having saved at least one third of the funds needed for an income-generating activity. Unlike BRAC, RDRS also has an explicit policy of 'graduating' its groups - withdrawing direct assistance after a period of five years. It bases this policy (a) on an assumption that five years will be a sufficient period to allow group members to take their own decisions about holding their groups together, and (b) ensuring that after graduation, groups can continue to have access to credit through commercial outlets such as the Rajshahi Krishi Unnayan Bank and the Bangladesh Bank.

10.12 The question of independence and freedom of choice among organisations of the rural poor presents a dilemma. The disqualification of members of other programmes and agencies from joining BRAC VOs, for example, can be seen as a rational method of avoiding overlap and duplication at the individual level. On the other hand, because different programmes offer different services, it could deny some people access to the

services they need. In this situation, much will depend in the future on the degree of institutional maturity shown by groups sponsored by different agencies. Those that are truly mature and independent will no doubt make their own choices about how and from where to preserve their access to credit, advisory and other services.

10.13 The larger NGOs have long recognised the need to avoid overlap - at least to avoid the risks that may go with it. In 1986-87 BRAC joined with RDRS, Proshika and FIVDB to set up the Inter-Organisational Relations-Building group to share experience and to minimise or rationalise overlap. This initiative was not sustained. Nevertheless, the conclusion of the appraisal is that BRAC should try again to set up mechanisms for dialogue with other large NGOs and agencies before developing its detailed operational plans for RDP-III, including the location of new Area Offices and NFPE schools.

Operational Planning

10.14 Apart from the implications of overlap on operational planning, as noted above, there is just one other operational issue that the appraisal must stress as a problem area - the planning and timetabling procedures for the construction of new physical facilities. The 1990 Annual Review drew attention to a backlog in physical facilities for training and this has been echoed by the 1991 review of training capacity and, more recently, by the Mid-Term Evaluation. As of March 1992, examples of actual and potential delays include:

- i) of the 20 new RDP Offices scheduled for construction during 1992, the Construction Department had information on sites for only eight, though it takes typically 6-7 months to build an RDP Office - sometimes longer if low-lying sites have to be built up above flood levels or if the sites acquired present other difficulties;
- ii) the Comilla TARC was to have been built during 1991, though owing to site difficulties and the need to undertake a structural re-design, construction work began only in January 1992;
- iii) RDP-III proposes to open three new mini-TARCs in January 1993 and another three one year later - but since (a) the construction duration is not likely to be less than nine months per building, and (b) no progress has been made in site acquisition or design work, it will not now be possible to adhere to the proposed timetable, at least for the first batch of three.

10.15 BRAC does not seem to share the concern of the appraisal on the issue of delays in completion of physical facilities. It takes an understandably cautious approach in selecting and purchasing sites, aiming to minimize the risk of paying inflated prices. Yet the underlying issue hinges on the timetables that BRAC sets for itself but does not seem able to meet. The tactic usually adopted is to rent facilities until the way is clear to build. This, of course, is feasible, though not without some sacrifices in the quality and space standards that BRAC aims for in the interests of adequate working conditions. The clearest example is the rented MDP facility in Dhaka Uttara, providing a gross floor area of 280 sq ft per trainee. In contrast, the substitute for this facility, to be incorporated in the planned new HO building is expected to provide 1,000 sq ft per trainee.

10.16 Another danger is that backlogs can easily grow if remedial action is not taken at an early stage. And although the Construction Department has grown considerably in recent years there is obviously a limit to its capacity to catch up. What is needed is a rolling programme approach in which suitable sites can be purchased adequately in advance and handed over to the Construction Department in time for building work to be completed on schedule and within budget. To permit this, there should be closer coordination, sharing of information and more frequent meetings between the operational 'customers' for new physical facilities and the Construction Department as the supplier. The principal customers are RDP and the Training Department, both of whose Directors should work with the Construction Department to develop better linkages.

Management Issues in the Context of Rapid Growth

10.17 One of the consequences of rapid expansion of operational activities has been the need for rapid promotion of field staff - without, in some cases, strict adherence to the policy and criteria for promotion originally laid down. As noted in the previous section of this report (para. 9.8), this has had beneficial effects, no doubt contributing to high morale. Yet Section 5 of this report has already raised the question of adequate management experience at the field level as a key issue for caution in further expansion.

10.18 A superficial analysis of staff by Level would suggest that BRAC is well-placed for expansion. As of December 1991, staff records show that of a total of 2,327 POs in Levels I through VII, there were 1,018 - nearly 44% - occupying Levels VI and VII. These are the grades from which staff can be promoted to become Area Managers. In fact, however, this bulge is misleading. Until July 1991 BRAC had been recruiting well-qualified staff (Master's Degree-holders) fresh from University as POs directly into Level VI.²⁵ As a result, of the 355 Level VI POs employed in RDP and RCP combined, some 200, representing 56%, had worked with BRAC for less than three years, as shown in Table 10.1 below. Moreover, of the 61 Level VI POs-in-charge of RDP or RCP Offices, just under 28% had less than three years experience.

10.19 The qualifications required of Area/Branch Managers are linked to various recommendations put forward earlier in this report, including those on re-emphasising institution-building and on ensuring full integration of sectoral specialists in loan monitoring. Against this background, and in view of the risk of an increasing proportion of middle managers being appointed without sufficient breadth or depth of experience of BRAC, the following recommendations are added - all aiming to ensure the highest possible calibre of ability and experience in the important role of Area/Branch Managers:

²⁵ Since then, new staff with Master's Degrees are recruited at Level V.

TABLE 10.1: RDP/RCP Level VI and VII POs by Length of Service
(as of February 1992)

	Duration of Service (Years)					Total
	<1	1<2	2<3	3<4	>4	
<u>RDP</u>						
Level VI	15	36	55	10	36	152
PO-in-charge	-	-	15	15	21	51
Level VII	15	-	-	-	5	5
Sub-Total	15	36	70	25	6	208
<u>RCP</u>						
Level VI	5	18	54	25	40	142
PO-in-charge	-	-	2	1	7	10
Level VII	-	-	-	-	1	1
Accounts	-	-	-	-	3	3
Sub-Total	5	18	56	26	51	156
TOTAL	20	54	126	51	113	364
Share (%)	(5.5)	(14.8)	(34.7)	(14.0)	(31.0)	(100.0)

Source: BRAC Personnel Department

- i) BRAC should adhere strictly to its earlier policy of requiring POs to serve for a minimum of three years after their initial training period, including one year experience each in institution-building, sectoral programmes and credit, before promotion;
- ii) ideally, and again in line with earlier policy, five years experience as a PO should be regarded as a minimum (though of course, not of itself a sufficient) condition for promotion to the role of Area/Branch Manager;
- iii) BRAC should further develop and refine its existing screening and selection procedures to reinforce its confidence in appointing resourceful Area/Branch Managers capable of taking initiative and using their own discretion rather than being guided principally by formulae and predetermined models;
- iv) steps should be taken to reduce the number and proportion of Area Offices and Branches being managed by POs-in-charge - particularly those who have only reached Level VI;

- v) wherever possible, only seasoned Area/Branch Managers should be selected to serve as managers of new RDP Area Offices;
- vi) MDP should assign special priority to the further development of training material, to the design of 'sandwich' training programmes for new Area/Branch Managers-designate, and to the reservation of its training capacity for newly selected Area/Branch Managers to ensure that they have adequate skills in local-level planning and implementation; administration and financial management; communication skills, including report-writing; and up-to-date familiarity with the major sectoral and support programmes.

Gender Issues in Personnel Policy

10.20 In terms of staffing, BRAC has a gender imbalance in favour of men. However, BRAC's affirmative action policy which aims at a gender balance is showing results. Within RDP the number of regular female staff has been growing since 1989 when BRAC aggressively began hiring female candidates. In 1989, women accounted for 1.6% of regular staff in RDP. This rose to 15% in 1990, and to 19% in 1991. During the same period, the share of female staff in the regular category in BRAC as a whole rose from 4.7% to 24%. In contrast, total female project staff (GSs) in RDP fell sharply from 14% in 1990 to 1.7% in 1991. This was due to two policy changes instituted by BRAC in 1990:

- i) GSs are no longer allowed to work in their own villages but are deployed in other areas within their own Upazila;
- ii) BRAC now requires a minimum educational level among GSs and has regularised them as BRAC project staff with a monthly salary.

10.21 During RDP-III, although efforts will continue to be made to recruit female GSs, the numbers of women in this category are expected to remain low. While BRAC's policy for RDP-III is to hire 75% women across the board for all positions, this target will be impossible to reach in the short run with respect to many of the sectoral specialist positions in such areas as fisheries and irrigation owing to the limited supply of qualified female candidates in these specialisms.

10.22 Over the three year period since 1989, when BRAC began its affirmative action policy in recruiting more women, the dropout rate among female staff has been declining. In 1989, in RDP it was about 50%. In 1990, 40% of new PO recruits were women of whom 43% dropped out (compared with a male dropout rate for RDP of 33%). In the same year, BRAC as a whole hired 30% women with a dropout rate for women of 36.7% compared with a male dropout rate of 30%. In 1991, 49% of all new recruits were women while the dropout rate, at 12% for women, was not only much lower than before but also much closer to the dropout rate among men, at 11%.

10.23 BRAC also actively moves bright female candidates quickly up the system. Currently, it has one woman in charge of an RDP Area Office. She was promoted to this position within a period of two years. These active efforts to promote women to managerial positions within the system demonstrate BRAC's commitment to establishing

a better balance between men and women in its staff structure. Nevertheless, as noted above, caution is needed to avoid promoting both men and women - however bright they may be - to managerial positions before they have been able to develop sufficient practical experience of BRAC and its programmes.

10.24 Women's Advisory Committee The Women's Advisory Committee (WAC) was appointed in January 1991. It has 15 members, comprising both headquarters and field staff, and meets once a month in Dhaka. Its mandate is to focus on three major issues:

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

10.25 In its first year, WAC has concentrated on the question of working conditions. Through a series of meetings and communications with field-based female staff and workshops held in BRAC areas around the country, WAC has identified a number of issues and problems related to the working environment in the field. Some of these issues, such as the desire of married female staff to reside outside of the Area Office with their husbands, and the need for separate toilet facilities for female employees in Area Offices, lend themselves to relatively straightforward remedial action. Dealing with discriminatory attitudes among male supervisors and colleagues is more difficult. WAC has designed training modules dealing with women in development issues and gender relations for incorporation into staff development courses. These have been tested in one or two courses.

10.26 WAC will complete its series of workshops with female staff around the country by about June 1992 and prepare a report based on its findings. Specific suggestions about how to adapt its procedures for generating feedback from female staff for the remaining workshops are included in Annex 5 to this report.

10.27 Gender training BRAC already recognizes the necessity and importance of introducing gender training for staff and VO members. WAC is also now interested in getting involved in gender training for BRAC staff. Gender training provides a way of learning to look systematically at women's and men's roles as a basis for development planning. It makes the pattern of roles, responsibilities, and resource access under the system of analysis visible. Different types of gender training stress different elements - including gender analysis and efficiency; equity; and gender subordination. The relative weight given to these elements differs according to the needs of the training audience. The WAC should be involved in the design of gender training - particularly in providing inputs and insights to the development of training exercises and modules related to BRAC's organisational culture and workplace. Details of the content elements likely to be required for different categories of BRAC staff are included in Annex 5 to this report.

10.28 To cover the costs of gender training over RDP III, an amount representing 1.5% of staff salaries has been added on an annual basis to the budget. This amount would be used for the development of gender training modules; the training of trainers; consultancies; conducting TARC-based training for staff; and field-based training for VO sub-group leaders.

Research and Evaluation

10.29 The RDP-III proposal indicates that the research and Evaluation Division (RED) will continue (a) its ongoing research programmes (such as the Village Studies Project - VSP), (b) evaluative and diagnostic studies of operational programmes (such as RDP and NFPE), including follow-up studies of management response to such studies, and (c) collaborative studies with other research and development agencies. In qualitative terms, the proposal identifies three main areas for improvement: (a) RED staff development through in-house and overseas training, (b) improving the quality of report presentation, and (c) improving the access of operational staff to RED outputs through summaries of reports disseminated in Bengali.

10.30 New, operational work areas The appraisal endorses the proposals for qualitative improvements but notes that the management of RED itself recognises the need to sharpen its focus on operational issues that directly affect the efficiency and success of BRAC's programmes. This is the priority role of RED but is not strongly reflected in the RDP-III proposal. Meanwhile, the appraisal has already identified some important issues and themes on which RED could make a significant input, including:

- i) training - Section 9 of this report has recommended a major initiative to evaluate the utilisation, effectiveness and impact of training (para 9.15). As noted, this will have to be based on collaboration among the Training and Monitoring Departments and RED and will involve a good deal of preparatory work even to develop appropriate methodologies and indicators.
- ii) process documentation - the use of this technique is seen by the appraisal as the only likely successful way of tracing progress through the re-emphasis on institution-building recommended in Section 6 of this report. But process documentation is new to BRAC and before it can be introduced it will be necessary (a) for RED to become familiar with it, possibly to adapt it to BRAC's needs and capacities, and (b) again to work closely with the Training and Monitoring Departments to ensure that those staff who will be responsible for compiling process documentation share an equal and adequate understanding of what it is, how it is to be applied, and how it is to be used.
- iii) curriculum development - also in pursuit of the re-emphasis on institution-building there will be a need to develop training curricula both for new and existing staff. Sulla and Manikganj are the richest repositories of BRAC's experience in this difficult field and there is a role for RED to play in codifying that experience as an input to training curricula, again in close collaboration with the Training Department.

- iv) collective loans - as mentioned in Section 8 of this report, collective loans are not only surrounded by real difficulties and potential risks but, in the case of some DTWs, have also been the source of apparently spontaneous and constructive initiatives. There is much useful work that could be done through collaboration among RED, the Monitoring Department and concerned field staff to explore and understand these initiatives and to assess their replicability among similar schemes elsewhere.

10.31 Building in collaboration and responsiveness The above list is not intended to be exhaustive. What is noteworthy about it is the common thread that all four examples of potential new work call for collaboration between RED and other units and departments in BRAC. At present the mechanisms for such collaboration are far from being well-developed. Nor is it straightforward to point to easy, mutually acceptable ways of ensuring greater collaboration and responsiveness. The appraisal would certainly not recommend introducing more committees, approval procedures and the like for to do so would be uncharacteristically bureaucratic for BRAC and could actually inhibit RED's responsiveness. An alternative might be to build into the budgets of operational programmes an element of discretionary funding, giving them a budget against which to commission and pay for work undertaken on their behalf by RED - what could be called a customer-contractor arrangement. Yet RED would probably then find it difficult to plan its work in advance and in turn the operational programmes might not obtain the degree or speed of response they expect. Somewhere between these two extremes BRAC should develop its own mechanism to permit the necessary collaboration and to ensure that the design of RED investigations fits with what operational managers need.

10.32 Staff strengthening If, as indicated in the RDP-III proposal, RED is to continue with its ongoing programme of work, including the Village Studies Project, the introduction of new elements and fields of work of the type outlined above will call for staff strengthening. At the very least, RED may need to add two senior social scientists with experience of rural institutions and related issues and the evaluation of training. If BRAC senior management is reluctant to recruit additional staff to RED on the grounds of keeping tight control over pure overhead costs it would be necessary to review priorities in ongoing research activities with a view to the possible redeployment of staff and budgets.

11. BUDGET

Proposed and Recommended Budgets

11.1 The RDP-III proposal put forward a net funding request to the Donor Consortium for Tk.2,567.86 million over three years. The appraisal has revised the budget in line with its substantive recommendations. This has led to a reduction of nearly 7.3% to a maximum of Tk.2,381.04 million.

11.2 There remain some areas of uncertainty in this maximum budget. Potentially the most significant of these uncertainties surrounds the sericulture programme. This was originally costed at Tk.261.41 million. Without changing the scope of the programme, the appraisal has re-costed the original proposal at Tk.265.12 million. But since it has not been possible to form a conclusion on the feasibility of the major expansion this would permit, a separate specialised appraisal of the sericulture programme has been recommended. The magnitude of the final budget for this component will not be known until this has been completed.

11.3 Another area of uncertainty lies with the funding requirement of MDP. The RDP-III proposal shows a total training income to MDP over three years of Tk.16.5 million, leading to a net funding request of Tk.27.47 million. The revised budget prepared by the appraisal shows a slightly lower total of Tk.26.23 million, and this retains provision for training income to MDP. Section 10 of this report, however, recommends to BRAC that MDP should devote its full capacity to internal training during RDP-III. If this recommendation is accepted, MDP would not earn commercial training fees from outside agencies and its budget would therefore need to be revised.

11.4 A third area of uncertainty surrounds the financing of the re-emphasis on institution-building. There are two issues here - both of which relate to RCP. First, as noted in the report, a decision has to be made as to whether the continuation of institution-building support to VOs in RCP Branches should be conceived as a social service justifying separate financing or as a technical service similar to those provided by the sectoral programmes, hence to be paid for by RCP. In the latter case it must still be decided whether the cost of the institution-building service should be covered by RCP from its operating income or by the VOs directly in the form of fees. The second issue of uncertainty is the length of time RCP VOs may need or want continued support before they can reach some level of institutional maturity, however this may be defined.

Exchange Rates

11.5 Changes in the exchange rate between the Taka and the currencies supplied by the Donor Consortium will obviously have an effect on the amount of foreign exchange required. The RDP-III proposal applied an exchange rate of Tk.40 against the US dollar, giving a dollar equivalent of US\$64.2 million to the amount requested. In anticipation of a further devaluation, the appraisal has used an exchange rate of Tk.42 to the dollar. This would have the effect of reducing the amount requested in the RDP-III proposal to US\$61.14 million. Against this, the recommended maximum budget of Tk.2,381.04 mentioned above would represent US\$56.69 million, including the provisional sum of US\$6.31 million for the sericulture programme.

11.6 Further changes in exchange rates would again affect the situation during the course of RDP-III - certainly for the majority of members of the Donor Consortium who agree on hard currency allocations rather than fixing their contributions in Taka. The World Bank/IMF are reported to be urging further devaluation.

11.7 With these caveats, the summary recommended maximum budget for RDP-III is presented in Table 11.1 below.

TABLE 11.1 RDP III Revised Budget Summary (Taka million)

Budget Item	1991		1992		RDP III			Total	
	Actual	%	Budget	%	1993	1994	1995	RDP III	%
I. Institution Building	19.46	6.0%	17.26	5.9%	28.70	34.38	43.03	106.11	4.2%
II. Income and Employment Generation Rural Enterprise Programme	33.16 5.65	10.3% 1.7%	35.35 5.09	12.0% 1.7%	91.14 5.59	136.99 5.10	145.85 5.07	373.98 15.76	14.8% 0.6%
Total Income & Employment Generation	38.81	12.0%	40.44	13.8%	96.73	142.09	150.92	389.74	15.4%
III. IGVD	16.64	5.2%	15.42	5.3%	28.48	23.15	28.36	80.03	3.2%
IV. Health and Family Planning	0.00	0.0%	0.00	0.0%	8.39	10.31	13.26	31.96	1.3%
V. Branch Operating Expense	62.10	19.2%	59.40	20.2%	94.55	115.26	151.23	361.04	14.3%
VI. Regional Office Operating Cost	3.81	1.2%	3.87	1.3%	7.38	8.76	11.33	27.47	1.1%
VII. Staff Training and Development	3.18	1.0%	2.09	0.7%	6.57	6.72	8.62	21.91	0.9%
VIII. Loan Fund Requirement	30.93	9.6%	39.67	13.5%	93.73	98.74	145.33	337.80	13.4%
IX. Capital Investment Requirement	25.03	7.8%	19.19	6.5%	40.15	42.59	69.68	152.42	6.0%
X. Non Formal Primary Education	76.15	23.6%	75.02	25.6%	198.35	279.31	407.70	885.36	35.0%
XI. Management Development Program Development of Rural Managers*	0.00 21.40	0.0% 6.6%	0.00 6.96	0.0% 2.4%	7.32	9.51	9.40	26.23	1.0%
XII. Training and Resource Centre	21.37	6.6%	10.98	3.7%	31.35	37.87	3.73	72.95	2.9%
XIII. Research, Monitoring & Evaluation	4.04	1.3%	3.31	1.1%	8.53	10.91	14.52	33.96	1.3%
Total Expense in Taka	322.92	100%	293.61	100%	650.23	819.60	1057.11	2526.94	100%
Less Loan Interest Income	31.85		50.22		43.73	45.43	56.74	145.90	
Net Requirement in Taka	291.07		243.39		606.50	774.17	1000.37	2381.04	
Net Requirement in US\$** (US\$1 = 42 Taka)					14.44	18.43	23.82	56.69	

Sources: 1991 Actual RDP Quarterly Financial Report and 1992 RDP Budget Quarterly Financial Report (adjusted 125 DTW)

* Although MDP is a further evolution of this program, the numbers are not comparable because several items are not included in MDP.

** The revised budget projects a devaluation in the Taka 42 per US\$, down from Tk 40, reducing the Net Requirement by US\$ 2.83 million.

12. BRAC-DONOR RELATIONS

Commonality of Understanding and Approach

12.1 The fundamental basis for the relationship that exists between BRAC and the Donor Consortium is the sharing of a common understanding and approach in combatting poverty with and through well-rooted institutions formed by the rural poor. It is important to stress this commonality, especially because many analyses have pointed to the role of prevailing inequitable production relations and institutional frameworks in perpetuating rural poverty.²⁶ Much practical experience, too, has shown how easily rural development initiatives can be distorted, even usurped, by antipathetic institutions and institutional frameworks.²⁷

BRAC's Performance

12.2 Since the inception of RDP-II/RCP, various reviews and the Mid-Term Evaluation have concluded that BRAC has adhered to agreed objectives, approaches and operational activities and in general has performed well. BRAC has also shown a continuing willingness to learn from its own experience. In doing so, it has shown considerable flexibility in adapting the details of its approach, both in terms of the models which guide its work in different fields and at the interface with its membership. Its management has displayed two important characteristics - professionalism and openness - which are the more to be valued because they are not widely shared among other development agencies in Bangladesh.

Accountability and Continuity of BRAC

12.3 As a non-governmental organisation acting as a conduit for international financial assistance, BRAC presents the donors with two issues they do not confront with the government - at least, not in the same way. The two issues are those of accountability and continuity. When financial assistance is provided on a government-to-government basis or from multilateral international agencies such as UNDP and the World Bank/IDA, individual project agreements are usually subsumed within official legal frameworks specifying the terms and conditions under which aid is provided. These overall frameworks also usually specify how the Government of Bangladesh will discharge its accountability in the receipt and use of funds, including, where relevant, the repayment of loans and credits. The role of the government in becoming a shareholder in the Grameen Bank, for example, was motivated largely to facilitate the negotiation of its first major injection of international assistance from IFAD. In other words, the government was able to formulate a credit agreement with IFAD within the framework of its legal relationship with the Fund as a United Nations agency.

²⁶ Most recently, for example, H.Z. Rahman and M. Hossain: *Re-Thinking Rural Poverty - A Case for Bangladesh*. BIDS, Dhaka, January 1992. (p. 313)

²⁷ *Study on Cooperatives in Bangladesh*. Sponsored by GOB, UNDP, IBRD, CIDA, DANIDA. Dhaka, July 1989. (Vol 1 pp. 22 & 57)

12.4 The existence of these official, legal frameworks for accountability, on the other hand, does not in fact provide international development assistance agencies with guarantees that their resources will always be used for the purposes and in the manner officially agreed. Indeed, for both food and financial aid to Bangladesh, there are nagging concerns about 'leakage' which donors have been unable to resolve and on which the government has been unable to provide adequate reassurances.

12.5 For BRAC, however, there is no equivalent official framework for accountability. Indeed, it is difficult to answer the question that some representatives of the donors have raised: to whom is BRAC accountable? In the case of the RDP-II/RCP funding agreement a solution was found in the form of arrangements for independent external auditing; schedules of reports to the donors on financial and substantive aspects of BRAC's work; and monitoring, review and evaluation exercises commissioned by the donors. These arrangements have worked reasonably well. For its part, BRAC has certainly held itself open to all these instruments. Even where there have been inconsistencies or lack of clarity in the data made available to this appraisal (as, for example, on training targets, achievements and capacity projections mentioned in Section 9 of this report), they reflect genuine difficulties in assembling clear, comprehensive information on BRAC's complex and multi-faceted work. They are difficulties that BRAC's managers currently live with, just as much as do review, evaluation and appraisal exercises.

12.6 Against this background, the appraisal recommends the continuation of the same general arrangements as for RDP-II/RCP in monitoring the use of assistance from the Donor Consortium and in carrying out regular external audits. Members of the Donor Consortium should rely on the results of these exercises to discharge their own accountability to their constituents and sources of funds.

12.7 The second issue of continuity also raises differences between BRAC and government. But they are to all intents and purposes differences only in theory or principle, not in practice. In the case of the government there is a guarantee that it will continue to exist. In practical terms, on the other hand, the political complexion of the government, its policies, agencies, institutions and staff, all of which form the fabric of government, are subject to major change. Lack of continuity in management owing to frequent transfers of senior civil servants is a phenomenon experienced by all donors. More recently, the abolition of the Upazila Parishad system of local government also demonstrates lack of continuity in the institutional framework of government.

12.8 In the case of BRAC there is no guarantee in principle that it will continue to exist indefinitely. On the other hand, BRAC is now such a significant actor in national development both in Bangladesh and internationally that it can be said to have become an institution in its own right, with all that this implies in the sense of continuity and permanence. Moreover, in practical terms, the situation is quite the reverse of that in the case of government. BRAC's strategy and policy, though they have evolved through time, have been internally wholly consistent. BRAC has also shown a continuity of management unmatched by any government development agency. In these terms, the conclusion of the appraisal is that the Donor Consortium should have no hesitation in providing further support.

12.9 Specific recommendations to the Donor Consortium are to:

- i) establish a time-span of not less than 18 months for BRAC to pursue a work plan agreed during negotiations for RDP-III;
- ii) agree on progress to be made by BRAC in tackling key issues and challenges and in implementing specific recommendations as put forward in this report. This should include dates and, as far as possible, verifiable indicators of implementation and achievements.

BRAC's Expectations of the Donors

12.10 BRAC increasingly expects the donors to regard and to treat it as a mature organisation responsible for taking its own policy and management decisions - albeit within the framework of the funding agreements it reaches with them. This expectation can be expressed in terms of the concept of the scope and time span of discretion, implying (a) the substantive range of decisions BRAC is free to take about how to pursue agreed objectives and targets (e.g. whether to support collective loans as particular models of poverty alleviation and empowerment), and (b) the time horizons over which BRAC should be free to pursue its work before having to account for its success or failure (e.g. how long should it take to build well-rooted rural institutions, and over what time scales can their sustainability be assessed).

12.11 While the appraisal understands that BRAC should have these expectations and endorses them in principle, it cannot put forward any detailed proposals for meeting them. Only BRAC can do this. What the appraisal can recommend is that BRAC should take as its starting point in its negotiations with the donors the suggestion already put forward in Section 4 of this report - the clarification, refinement and ranking of a more comprehensive set of objectives. For example, drawing a distinction between long-term development objectives and immediate objectives would already make a contribution to establishing reasonable time spans of discretion for the different categories of objective and even for different component objectives within the same category. From this point, if BRAC wishes, it would be possible to go on to set time spans of discretion with respect to the activities required to pursue the different objectives (e.g. the development, management and refinement of facilitation services provided by POs in support of institution-building work).

12.12 Proposed self-evaluation As another step to demonstrate the level of organisational maturity it has reached, the appraisal also recommends that BRAC should undertake its own evaluation of itself during the course of RDP-III. An evaluation of this sort would probably confront BRAC with some difficult decisions. The composition of the evaluation team would have to be chosen carefully. The team itself would have to demonstrate careful judgement and balance in expressing its conclusions. Against this, a convincing evaluation of BRAC by BRAC could have far-reaching benefits in developing its relationship with the Donor Consortium.

12.13 If this proposal is acceptable to BRAC and the Donor Consortium, the appraisal recommends that the terms of reference for it should be agreed in advance with the consortium. The self evaluation should also be undertaken before any evaluation commissioned by the Donor Consortium. According to its outcome, it could obviate the need for a donor-sponsored evaluation.

Additional Studies and Reviews

12.14 This report has already identified the need for the following two special exercises to be carried out in 1992;

- i) Sericulture Appraisal As noted in Section 7 and Annex 3 of this report, the proposals for sericulture expansion should be the subject of a special appraisal as soon as possible. Terms of reference for this exercise are contained in Appendix B of Annex 3;
- ii) Training Study As recommended in Section 9 of this report, there is a need for a BRAC-wide planning and programming analysis of training targets, capacity and achievements, including projections forward not only within RDP-III but all other confirmed and potential funding arrangements for the full range of BRAC programmes. This analysis should be undertaken during the last quarter of 1992, before the commencement of RDP-III as it may affect the allocation of resources between training and other components of the programme.

12.15 The 1992 Annual Review During the appraisal wind-up meeting BRAC suggested that in view of the recent MTE, the appraisal, and the proposed sericulture appraisal and training analysis the 1992 Annual Review should be cancelled. This was not universally accepted by the donor representatives because, of the various recommendations put forward by the MTE and by the appraisal, there were some which could be implemented or initiated by BRAC itself. It was therefore felt to be important to examine progress on these fronts before the commencement of RDP-III.

12.16 Whenever the next annual review takes place, it should be preceded by the proposed planning and programming analysis of training. Also, in planning the timing of the review, BRAC should indicate to the Donor Consortium the time scales over which progress can be expected to have been made in implementing agreed recommendations. The terms of reference and composition of the review team should reflect these priority areas. In addition, the annual review should collaborate with BRAC in developing terms of reference and arrangements for the proposed self evaluation, if this recommendation is accepted by both partners.

The Donor Liaison Office

12.17 The DLO occupies an important position in BRAC-donor relations. The principal difficulty surrounding it is illustrated by the range of views about its future role expressed by representatives of different members of the Donor Consortium in Dhaka. Some, reflecting partly their strength of confidence in BRAC and partly their individual access to BRAC, felt that the Office could be scaled back in its role and staffing

(though at present it has only one full-time professional). But the majority view among donor representatives was for an expansion of its role and a strengthening of its staff. The appraisal supports the strengthening of the DLO, focusing on the following issues:

- i) Streamlining the current reporting system To reduce the volume of information going to donors (though not the substance, utility and accessibility of information), the DLO summary reports should synthesise and interpret the information it sends to donors, and reduce the frequency of mailings to 4 or 6 times a year (except for urgent business). Donors and the DLO officer should meet to review the current reporting process and identify other ways it can be improved.
- ii) Developing a system for contracting consultants directly This would make it easier for BRAC and the donors to hire consultants by reducing the number of steps in the process and simplifying the administration and management of consultancies.
- iii) Creating a resource centre The DLO plays an important role in providing information on BRAC to donors, consultants and visitors. The DLO has already collected a large volume of information - including monitoring and evaluation reports, appraisals, reviews, research reports and other material relevant to understanding BRAC's programmes and activities - that could be easily organized into a resource centre. The resource centre could also include a directory of BRAC staff (names, roles and responsibilities), donor contacts, and consultants. Making this information more readily accessible would reduce the amount of time currently required (by consultants, the DLO officer, and BRAC staff) to collect appropriate documentation.
- iv) Assigning a BRAC staff member to work with the DLO This could provide a focal point within BRAC for donor coordination and serve to enhance communication links between the donors and BRAC. The role of this focal point would include coordinating appointments and field visits for consultants and other visitors; providing information on BRAC activities outside of RDP; and assisting in maintaining the proposed up-to-date information resource centre.

DLO Staffing

12.18 This revised role of the Donor Liaison Office would call for staff strengthening in the form of one junior international Research Assistant responsible mainly for the information liaison function including setting up and maintaining the proposed information resource centre

12.19 Draft terms of reference for the Donor Liaison Office, reflecting these issues, are included as Annex 7 to this report.

TABLE 11.1 RDP III Revised Budget Summary (Taka million)

Budget Item	1991		1992		RDP III			Total	
	Actual	%	Budget	%	1993	1994	1995	RDP III	%
I. Institution Building	19.46	6.0%	17.26	5.9%	28.70	34.38	43.03	106.11	4.2%
II. Income and Employment Generation Rural Enterprise Programme	33.16 5.65	10.3% 1.7%	35.35 5.09	12.0% 1.7%	91.14 5.59	136.99 5.10	145.85 5.07	373.98 15.76	14.8% 0.6%
Total Income & Employment Generation	38.81	12.0%	40.44	13.8%	96.73	142.09	150.92	389.74	15.4%
III IGVD	16.64	5.2%	15.42	5.3%	28.48	23.15	28.36	80.03	3.2%
IV. Health and Family Planning	0.00	0.0%	0.00	0.0%	8.39	10.31	13.26	31.96	1.3%
V. Branch Operating Expense	62.10	19.2%	59.40	20.2%	94.55	115.26	151.23	361.04	14.3%
VI. Regional Office Operating Cost	3.81	1.2%	3.87	1.3%	7.38	8.76	11.33	27.47	1.1%
VII. Staff Training and Development	3.18	1.0%	2.09	0.7%	6.57	6.72	8.62	21.91	0.9%
VIII. Loan Fund Requirement	30.93	9.6%	39.67	13.5%	93.73	98.74	145.33	337.80	13.4%
IX. Capital Investment Requirement	25.03	7.8%	19.19	6.5%	40.15	42.59	69.68	152.42	6.0%
X. Non Formal Primary Education	76.15	23.6%	75.02	25.6%	198.35	279.31	407.70	885.36	35.0%
XI. Management Development Program Development of Rural Managers*	0.00 21.40	0.0% 6.6%	0.00 6.96	0.0% 2.4%	7.32	9.51	9.40	26.23	1.0%
XII. Training and Resource Centre	21.37	6.6%	10.98	3.7%	31.35	37.87	3.73	72.95	2.9%
XIII. Research, Monitoring & Evaluation	4.04	1.3%	3.31	1.1%	8.53	10.91	14.52	33.96	1.3%
Total Expense in Taka	322.92	100%	293.61	100%	650.23	819.60	1057.11	2526.94	100%
Less Loan Interest Income	31.85		50.22		43.73	45.43	56.74	145.90	
Net Requirement in Taka	291.07		243.39		606.50	774.17	1000.37	2381.04	
Net Requirement in US\$** (US\$1 = 42 Taka)					14.44	18.43	23.82	56.69	

Sources: 1991 Actual RDP Quarterly Financial Report and 1992 RDP Budget Quarterly Financial Report (adjusted I25 DTW)

* Although MDP is a further evolution of this program, the numbers are not comparable because several items are not included in MDP.

** The revised budget projects a devaluation in the Taka 42 per US\$, down from Tk 40, reducing the Net Requirement by US\$ 2.83 million.