BRAC - DONOR CONSORTIUM

RURAL DEVELOPMENT PROGRAMME

PHASE III
(1993-1995)

APPRAISAL

VOLUME II

ANNEXES

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MAY 1992

BRAC - DONOR CONSORTIUM

RURAL DEVELOPMENT PROGRAMME

PHASE III
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APPRAISAL

VOLUME II

ANNEXES

MAY 1992

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ANNEX I

TERMS OF REFERENCE

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FOR THE
APPRAISAL OF BRAC'S
RURAL DEVELOPMENT PROGRAMME (RDP III)

1.0 INTRODUCTION

1.01 BRAC's Rural Development Programme (RDP) II received financial support to continue its programme of expansion from a Donor Consortium (DC) comprising: NOVIB, ODA, NORAD, DANIDA, AKF/CIDA, SIDA EZE and Ford Foundation. As per the Project Document signed in May, 1990, the total amount of project funding is US$18 million, for the period, January 1990 through December 1993.

1.02 It was suggested at the Donor Consortium Meeting, in May, 1991, that an appraisal mission of RDP, phase III, will be carried out immediately after the Mid-Term Evaluation given the lead time required for new project approvals.

1.03 The proposal document for RDP III will be available by January 15, 1992 for review by the Appraisal team members.

1.1 <u>GENERAL OUTLINE</u>

1.11 The Appraisal proposal shall provide a general assessment of the existing BRAC programmes, as well as an in-depth assessment of the proposed Rural Development Programme (RDP) expansion in the context of the Rural Credit Project (RCP).

1.12 The Appraisal Team shall consider the relationship between the BRAC proposal, the priorities, plans, political will, willingness and actual implementation capabilities of the Government of Bangladesh as well as other NGOs.

1.13 The Appraisal Team shall consider the RDP proposal in view of BRAC's primary aim, i.e. social change, which is also a prerequisite of overall development. It shall examine what the contributions of the programmes are towards the strengthening of social cohesiveness, group solidarity and social and economic power.

1.14 The team will also review the RDP III proposal in the historical context of BRAC's development over twenty years. This review should refer to the evolution of BRAC's vision, programme strategies and possible future directions and should identify those aspects of BRAC's contribution which distinguish it qualitatively and quantitatively from other governmental and non-governmental development organisations in Bangladesh.

1.15 The Appraisal shall consider how the proposed growth and changes are likely to affect BRAC's effectiveness in serving its target group.

1.16 The Appraisal Team should give special attention to the impact of RDP on the situation of women and their participation in the programmes.

1.17 The Appraisal shall assess the rationale as well as the social and economic viability of the proposed expansion and any likely or proposed changes in the nature of BRAC's overall activities, particularly in view of its primary goal, i.e. social changes.

1.18 The Appraisal shall consider the capacity of BRAC to implement and maintain the proposed activities within the context of past and current rates of growth, the quality and adequacy of BRAC's social supports, financial planning and projections, staff development and internal capacity for monitoring, reporting and evaluation.

1.19 The team should assess the impact of external factors (outside influence) on BRAC's programmes based on Government policies i.e. sustain economic growth, political stability, etc.

1.20 The Appraisal shall consider the present consortium arrangements, to what extent they are appropriate, what changes are needed from both BRAC and the Donors. These recommendations shall take into account Donor needs as well as the Donor's desire to place the least possible administrative burden on BRAC.

1.21 Throughout the appraisal process, the Team shall be especially concerned with four issues:

(a) How BRAC's proposal for RDP III is based on the experience gained from RDP II and RCP;

(b) By operating a largely self-supporting credit institution for the landless organised under the RDP, how BRAC intends to assure enhanced empowerment of its target group and preserve its autonomy and flexibility as an NGO;

(c) How BRAC intends to ensure participation of women at all levels of management considering that more than two thirds of its members are women;

(d) Recognising that problems inevitably arise, how BRAC intends to assure the control and managerial capacity of its programme expansion;

(e) BRAC's perceptions of the political, social and economic climate of Bangladesh, BRAC's ability to identify the needs and capacities of the rural poor with whom they are working and the developmental role BRAC sees for itself within the broader community of Government and other NGO's.

2. RURAL DEVELOPMENT PROGRAMME (RDP III) PROPOSAL

2.1 WITH RESPECT TO OBJECTIVES

Are the social and economic objectives and targets realistic (supported by results) and relevant? (dealing with the most important problems)?

Assess the significance of the objectives, with respect to the impact on the social and economic situation of landless men and women - in particular income generation, skill training, education, social values, behaviour and discipline and access to credit? The number of people expected to benefit and the impact on the social, economic and physical development of the BRAC areas.

What are the impacts of current activities in the field of income generation and micro enterprise development (both for men and women) through individual and group loans? What is the expected impact.

What are the market possibilities for new products and services in the rural areas? What is BRAC's capacity to assess the potentiality of new products, carry out feasibility studies, marketing assessments for new ventures?

How has BRAC addressed "collective" (i.e. geared towards collective, social goals) and "individualistic" (i.e. geared towards the improvement of the situation of individuals goals? Is this mix of collective and individualistic objectives consistent with BRAC's overall goal?

What are the achievements of BRAC so far in the following areas: health; literacy and non-formal education (especially for women); group formation, strengthening or building up of social cohesiveness and joint community activities; villager's decision making capacity, independence and social power; strengthening or creation of social values (honesty, discipline, decrease of factionalism/violence), dealing with bad landlords and wage levels?

How realistic and achievable are the expansion plans for the NFPE Programme and whether this expansion will have any negative impact on the quality.

2.2 WITH RESPECT TO NECESSARY INPUTS

What is the basis of the estimations of the necessary inputs for the whole programme with regard to:

- o human and financial resources;
- o technical means;
- o management and institutional support;
- o training and group formation?

How will BRAC be able to provide these inputs, now and in future?

Is the area office and its structure still needed in the present form and is it appropriate?

Is the Village Organisation (VO) the most effective and appropriate structure to achieve RDP objectives?

What has been the experience of BRAC's groups in the democratisation process that took place in Bangladesh at the beginning of 1991?

What elements are needed to advance the development and strength of the union and upazila federations? What are the rationale, priorities and appropriateness of the federation process?

What has been learned from BRAC's experience with group formations? What are the critical elements and stages in the process?

What correlations can be observed between the internal functioning of the groups (e.g. leadership, democratic processes, significant involvement of women) and the training received on the one hand and the external functions of the groups (e.g. success in mobilising resources, loan, wage struggles) on the other hand?

What factors affect group effectiveness? internal factors (composition leadership)? external factors (physical and political environment)?

How does the group formation and the development process contribute to the social and political empowerment of women?

2.3 WITH RESPECT TO VIABILITY

Is the proposed programme cost effective considering BRAC's experience of RDP II and RDP I?

Are the proposed programmes responsive to what is now known about people's expectations?

How significant is the contribution of BRAC's activities to the economic upliftment of the target group?

To what extent has BRAC learned from its experiences in socio-economic development, and applied these lessons in its current strategies and plans for the future?

What degree of sustainability has been achieved by economic activities (not only financial but also social and environmental sustainability)?

2.4 WITH RESPECT TO MONITORING

Does the RDP II monitoring, communication and supervision system contribute to: .

- o successful implementation of the programme?
- o gradual improvement of strategies and approaches?
- o full understanding by all concerned of the goals and objectives?

Are the monitoring indicators relevant for measuring the actual development impact (social and economic)?

Are the qualitative aspects given sufficient attention?

Are there sufficient and adequate financial safeguards and "early warning systems" in place in the management information system?

What tools has BRAC developed to monitor and evaluate the longer-term impact of the programmes.

3.0 CREDIT COMPONENTS

What are the targets for individual/group credit and saving?
Are they realistic and how were they derived?

What are the targets for the number of people served by RDP: groups, individuals (men and women)? How were they derived?

Is the proposed management structure of RDP Area Offices adequate?

What is the viability and profitability of the current BRAC credit activities?

4.0 TRAINING

What are the experiences of BRAC's training operations and capacities?

Are the present expansion is sufficient to meet the demand on both staff and member's training;

Is the proposed establishment of the MDP programme for the training of rural managers adequate for RDP? In particular with respect to:

- o philosophy and aims;
- o skills, attitudes and concepts;
- o strategies, approaches and techniques;
- o training methodologies;
- o training facilities;
- o flexibility and follow-up.

5.0 METHODOLOGY

Although the Appraisal team will be responsible for the selection of the evaluation methodology, it is suggested that the team utilize, but not be limited to, the following methods to assess the soundess of BRAC's proposal:

(a) Review of existing independent published and unpublished studies and reports relevant to each component of BRAC's proposal, including external evaluations;

(b) Review and analysis of internal BRAC monitoring and evaluation reports, costs data, quantitative and qualitative program results, and assessment thereof relevant to the specific BRAC proposal;

(c) Review and analysis of available information of BRAC's organization and management structure, amounts and sources of financial support, administrative and fiscal practices, staff size, training, pay scales, turnover, continuity and such other information directly relevant to the BRAC proposal;

(d) Limited field observations and interviews, on and off BRAC sites, including: local and national government officials; male and female villager's attitudes and opinions; BRAC staff attitude and opinions; and the operations of BRAC program components relevant to the BRAC proposal;

(e) Testing of the reliability and consistency of the foregoing information and determination of relevance of BRAC's growth projections of RDP;

(f) Interviews with staff of other NGOs (Proshika) and institutions engaged in poverty alleviation efforts similar to BRAC's.

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

The Appraisal Team shall prepare a comprehensive and concise analyses of the RDP III BRAC proposal in a report of not more than 35 pages, with the necessary appendices, by considering the following key issues and questions as well as any other questions the team deems relevant. Where the Team identities shortcomings, recommendations for remedial action should be made.

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

6.0 TIMING AND LENGTH OF MISSION

The mission will take place in March, 1992. The team members are expected to arrive in Dhaka on March 2nd, 1992 for a period of four weeks. During this period they will carry out the field work and complete the draft report.

7.0 LOGISTICS

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

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

- Documentation requirements
- A list of people to be interviewed
- Data collection methods
- Description of how the issues contained in the ROTs will be addressed
- Tasks involved in conducting the appraisal and assigned responsibility
- Final schedule for completion of tasks

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

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

Edit the final report;

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

8.0 TEAM COMPOSITION

8.1 As agreed at the Donor Consortium Meeting of May and November, 1991, the appraisal team will consist of a total seven professionals as follows:

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

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

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

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

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

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

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

Documentation requirements
A list of people to be interviewed
Data collection methods
Description of how the issues contained in the TORs will be addressed
Tasks involved in conducting the appraisal and assigned responsibility
Final schedule for completion of tasks.

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

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

Edit the final report;

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

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

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Edit the final report;

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

ANNEX 2

INSTITUTION-BUILDING

INSTITUTION BUILDING

DRAFT REPORT

Prepared by
Sunimal Fernando, Member

BRAC RURAL DEVELOPMENT PROGRAMME III
(RDP III) APPRAISAL TEAM
March - April 1992

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INSTITUTION BUILDING

I. NATURE AND SCOPE OF THE APPRAISAL

Scope

1.1 The report on Institution-building is a part of the Appraisal of the BRAC Rural Development Programme III (RDP III) 1993-95, which has been proposed for Funding support to the Donor Consortium in February 1992.

1.2 The Terms of Reference (TOR) pertinent to Institution-building focused on the following:

* Assessment of BRAC's current Institution-building efforts in achieving BRAC's Development Goals of Poverty Alleviation and Empowerment of the Landless Poor.

* Assessment of the model of Village Organisation (VO) Maturation or progress to self-sustainability through 4 years of institution-building support under RDP and another 2 year of institution-building support under the Rural Credit Project (RCP), known as the 4+2 Model.

* Assessment of the adequacy of BRAC's Monitoring and Research Capacities and Tools to monitor the inter-related processes of VO Maturation and Social Empowerment against appropriate Performance Criteria and to continuously test the assumptions underlying strategies and programme designs pertinent to institution-building.

* Assessment of the proposed strategy for Federating VOs at Union level as a further step in the Institution-building and Social Empowerment Process.

* Proposals for strengthening Institution-building in RDP III for achieving the explicit Development Goals of BRAC.

Methodology

1.3 As the time horizon for the entire assignment was as narrow as one month, information was gathered for arriving at a professional judgement within a severe time constraint by using the following methods:

* Literature Review : Reading of relevant reports, journal articles and other publications. (Annex 1)

* Discussions with the Executive Director, Senior BRAC Staff and with selective NGO leaders outside BRAC. (Annex 2) Two rounds of discussions were held with relevant senior head-office staff : once at the commencement of the study and next at the conclusion of the study but prior to report-writing.

* Brain-storming sessions with small groups at head office, area/branch office and VO levels. (Annex 3)

* Field visits to the districts of Manikganj, Rajbari and Mymensingh. (Annex 4)

* Participation in 4 VO meetings and 1 meeting of a Union level VO Co-ordinating Committee. (Annex 4)

* Participation in meetings organised by the Appraisal Team within themselves, with the Mid-term Evaluation Team of RDP II, with members of the Donor Consortium, and with the Senior staff of BRAC. (Annex 5)

1.4 The methodology was designed in such a way as to evolve the ideas and recommendations contained in the report through a participatory process of close collaboration between the Consultant and BRAC.

2. BACKGROUND

BRAC's Development Goals and Strategies

2.1 BRAC subscribes to 2 unambiguous development goals:

* Poverty Alleviation

* Empowerment of the Landless Poor, with a special focus on women

2.2 To reach its development goals, BRAC recognises the critical importance of institution-building at village level : The building of Village Organisations (VOs), optimally of 45-50 members which is further organised into small groups of 5 each, as the primary unit for development intervention. Institution-building at village level is therefore projected as a critically important development strategy of BRAC.

2.3 The complexity in the relationship between Poverty Alleviation, Empowerment and Institution-building has been the source of much internal debate and discussion in BRAC from the early 1970's till the present time. As a result, different strategies to achieve the goals of BRAC have jostled with each-other for acceptance and recognition in the 20 year history of the Association. The principal ones seem to be the following:

* Poverty Alleviation can be achieved by empowering the Landless Poor through building up VOs as organic institutions of the Landless Poor, having the capacity to effectively negotiate the re-distribution of economic, social, cultural and political resources on behalf of the Poor with other social groupings, organisations and institutions that go to make up the socio-political fabric.

* Poverty Alleviation requires the development of organisations of the Landless Poor, having the capacity to manage and implement programmes with resource flows (Credit, Skills, Training, Education, Health Services) targeted at the Poor. The consequent empowerment in terms of income, knowledge, information, health and organisational strength, will significantly assist the organisation to mature into a socio-political vehicle of the Landless Poor with the capacity to re-structure their relationships with other social groupings, organisations and institutions in the wider society.

2.4 While the programmatic graduation from Outreach (1978-86) to the RDP Model in 1987 expresses a significant shift, - from the first to the second strategy defined above -, it is noteworthy that at no stage in its history has BRAC subscribed to a position which states that social and political empowerment automatically follows upon the heel of economic empowerment; or that an organisation which is economically and managerially sustainable, naturally develops in the course of time into an institution that gets organically woven into the socio-political dynamic of the wider social system.

2.5 By implication, BRAC has always continued to accept the position that Institutional Development, perceived as something qualitatively different from "Organisational Capacity for efficiently Managing Resources targeted to the Membership", requires significant inputs from BRAC.

2.6 In the matter of relating Poverty Alleviation, Empowerment and Institution-building, BRAC through its learning experience has rejected the following two extreme positions in favour of a 'middle path' :

* The position that the implementation of Credit Programmes and/or Sectoral Programmes (in Education, Health etc) by an interventionist NGO which has a Social Empowerment Ideology is counter-productive as far as achieving the goal of Empowerment is concerned : The Poor will relate to such an NGO either in the way that a client relates to his/her bank or else in the manner that a beneficiary relates to a Service Delivery Agency

* The neo-classicist position which maintains that access to economic resources in the form of 'minimumcredit' for the Poor, will set in motion a process of economic development through which social, political and cultural empowerment will be achieved through the operation of market forces.

2.7 In the short run, Poverty Alleviation requires the building up of VO capacity to efficiently implement and sustain Credit Programmes, Social Sector Programmes (in Education, Health etc) and Sectoral Programmes (in Sericulture, Irrigation, Poultry, Livestock, Fish Culture, Rural Trading, Rural Industries, Food Processing, Social Forestry etc) which are targeted to the Landless Poor. This brings immediate results. But in the longer run, the Eradication of Poverty requires the building-up of VO Group Solidarity through a dynamic process of Group Maturation so that it becomes the vehicle for Institutionalising the interests and the strength of the Landless Poor, and their capacity for re-negotiating their relationships with the groupings, organisations and institutions of the wider society and polity that control resources.

2.8 As BRAC moves on from Outreach (1978-86) to RDP, and from RDP to RCP, and as it progressively expands the geographical coverage of its activities, what needs to be appraised is whether BRAC has in place the management systems and tools to ensure that the short term objective of Poverty Alleviation through efficient village level management of resources targeted by BRAC to the Landless Poor is not followed at the expense of BRAC's longer term goal of Poverty Eradication through the Socio-political Empowerment of the Poor.

2.9 The need for a cautious approach is particularly relevant in the situation in which BRAC finds itself in the wider context of a Bangladesh. Poverty, malnutrition, illiteracy and disease are endemic in the country. They are widespread to an extent unknown in other parts of South Asia. While the government of Bangladesh has not succeeded in grappling successfully with any of these problems, BRAC has not only intervened successfully in each of these areas of micro level development, but has also demonstrated its institutional capacity to replicate its successful model very extensively. The situation in Bangladesh may morally compel BRAC, as a successful national NGO, to respond to the immediate needs of the country by expanding its interventions horizontally and focusing its resources on the short run Poverty Alleviation needs of the Poor at the expense of their longer term socio-political Empowerment Agenda.

2.10 As of December 1991, there is a total of 120 RDP and RCP Area/Branch offices covering 5198 villages with 11,376 VOs having a membership of 617,136 persons (32% Male and 68% Female). At the end of RDP III in 1995, BRAC proposes to have a total of 255 RDP and RCP Area/Branch offices covering over 15,000 villages with over 30,000 VOs which will have an estimated membership of over 1.5 Million people. Given the scale of the proposed expansion, it is very important that the Social Empowerment Process of VOs be carefully monitored and institutional support for this longer term empowerment process be carefully worked out through practical steps that should come out of the learning process itself : Otherwise, the pressure to meet physical targets in a rapidly expanding scale of operations may lead to the neglect of BRAC's longer term institution-building goal at VO level defined above.

The Frontline Programme : RDP

2.11 The RDP which grew out of the merging in 1986 of two parallel programmes, the Rural Credit and Training Programme (RCTP) and the Outreach Programme, follows a target group approach and is focused entirely on the Landless Poor. Although in its 20 year history BRAC has developed several parallel programmes, the multi-sectoral Rural Development Programme (RDP) remains as BRAC's frontline activity. It is through RDP that BRAC seeks to create the institutional base at village level for continued and sustained development.

2.12 As the RDP III (1993-95) Proposal puts it, "Institution-building is the base from which all other village activities grow. The process includes the formation of village organisations (VOs) separately for men and women, mobilisation of savings and human development training" (Sec 4.1). Village level institution-building is the cornerstone of the BRAC Model, the component on which all else depends in the BRAC development strategy. BRAC's field-based staff, university trained men and women who have been recruited and further trained at one or other of the BRAC Training and Resource Centres (TARC), mobilise men and women from the target group to form VOs. When BRAC's RDP staff enter a new area, they conduct a survey to identify the poorest villages and BRAC's target group within those villages. After completing the survey, BRAC staff establish contact with the Landless Poor in specific villages, talking informally about problems they face and the possible advantages in organising to face these problems. A series of small discussion meetings are held, culminating in the formation of a VO with around 50 members.

Strategic Elements of Intervention for Institution-building in the RDP Model

2.13 Once the VO formation process is over, BRAC implements a series of strategic interventions over a 4 year period to build up the institutional capacity of the VO.

* A Consciousness - raising and Functional Education (CR & FE) course is conducted for all VO founder members very early in the first year, as BRAC considers conscientisation and awareness-raising to be key elements in its institution development and empowerment strategy. The group is divided into batches of 25 members each. The training is conducted by locally recruited and temporarily employed teachers, mainly women, with an intermediate level education : They are given 2 weeks training at a TARC and are appointed for 2 years during which they can

conduct about 14 courses. Training is conducted in the village. The basic course consists of 30 classes of around 2 1/2 hours each. The course content focuses on common problems faced by the Poor and the course involves a dialogue on possible solutions.

* Issue-based meetings are conducted once a month by a Programme Organiser (PO) of the Area office. Issue-based meetings are the instrument for the follow-up of formal training and is meant to serve as a forum for discussion, problem-solving and decision-making.

* As a complement to the CR & FE training (which is compulsory), VO members are also offered a separate Legal Rights Course (on a payment of Tk 10 for the whole course) which is conducted by a Para-legal Teacher who is selected from among the literate VO members in the area and given a 4 week course at a TARC. This is a 26 day course, with 1 1/2 - 2 hours of training per day.

* BRAC also offers 6 day field based courses (at Area Office) to around 3-5 members per VO on Leadership and Group Management respectively. These courses, though only for a very limited number of VO members, are meant to respond to the need to develop management capabilities and leadership if VOs are to grow into strong, efficient and sustainable institutions.

* Credit is introduced after the process of weekly meetings and regular savings (each member depositing Tk 2/- per week) has proceeded for 6 months.

* To promote more active participation in management and to enhance the internal democracy of VOs, each VO is divided into 'Small Groups' each comprising 5-7 members. Each 'Small Group' elects a Group Leader for 2 years with no right to re-election. Much of the credit management activities, identification of income-generating activities and other matters relating to Savings, Credit and Income-generation takes place in the small group. Small Group Leaders are given specific responsibilities for collecting savings and loan installments. In respect to Loan Repayment' if a member is in default, the other members of his/her Small Group are not entitled to new loans, thereby ensuring Peer Group Pressure on loan defaulters. Each VO has a Management Committee whose membership is rotated among the Small Group Leaders, thereby restricting the scope for monopolisation of leadership in the hands of a few members and facilitating the institutionalisation of Participatory Management Practices and a more democratic leadership style. The Management Committee elects a Chairman who can hold office was a maximum period of 2 years.

* After this, BRAC provides Sectoral Training in specific economic activities such as Fish-culture, Sericulture, Poultry, Livestock and Deep Tube Wells. Sectoral Training which offers new income-generating skills is provided by Sectoral POs attached to each Regional office. Sectoral POs visit Area/Branch Offices on a pre-arranged schedule of field visits approved by the Regional Manager. In the field of 'Skills for Income-generation', extension services and follow-up of training is provided by the so-called 'SkillsPOs' and 'SkillsGSs' (Gram Shebok/Shebika) stationed at the Area office. Additional services are rendered by para-professionals who are specially trained group members.

The 4 + 2-Model

2.14 The RDP Model consists of a 4 year Institution-building intervention at village level. The model assumes that through a 4 year period of conscientisation, technical training, management training and experience with credit discipline, a viable, sustainable institution of the Landless Poor would have evolved. The model, which according to BRAC is based on its own learning experience, assumes that in 4 years the institution-building process would progress to the point where the 4 year old VOs can continue their activities without substantial BRAC support. Each 4 year old Area office will thereafter be bought by the RCP provided the Financial Breakeven Point (an outstanding Credit Volume of Tk 4.8 Million) is reached : At this level of credit, the interest earned by a RCP Branch will be sufficient to cover the operation cost of the credit programme and will, in addition, generate a sufficient surplus to pay for certain non-credit staff of the branch office.

2.15 In 4 years, therefore, when a RDP Area Office has reached the critical credit volume and RCP buys it out and converts it into a RCP Branch office whose financial sustainability is supported entirely by the interest earned from its volume of credit, it is designed to have organised 120 VOs with a membership of around 6000. But since all its 120 VOs would not be 4 years old, RDP will continue to provide institution-building support services to new RCP Branches for an additional 2 years, by which time it is expected that all VOs within the branch would have completed a 4 year institution-building cycle.

3. APPRAISING THE FOUR YEAR MODEL OF VO MATURATION

3.1 Information derived from field visits, brain-storming sessions and individual discussions indicates that in a 4 year period a VO cannot reach the level of maturity that would enable it to progress towards institutional sustainability without further supportive inputs from BRAC.

3.2 It was observed that the social behaviour of VOs matures progressively from year 1 to year 4. Through their own learning experience, seasoned BRAC staff members were able to identify indicators of Maturation/Absence of Maturation (ie. Social Behaviour Indicators) associated respectively with First, Second, Third and Fourth Year VOs in Manikganj.

3.3 Manikganj is the district in which BRAC, from its inception, has invested most in terms of material and human resources. The institution-building inputs in Manikganj have been the most intense. Therefore the achievements of Manikganj, though exceptional, can be meaningfully used for modeling the quality and level of VO maturation that can in fact be reached respectively in Year 1, Year 2, Year 3 and Year 4.

3.4 It was observed that the VOs in other areas which have historically not received or do not now receive the same amount of institution-building inputs from BRAC as Manikganj was priviledged to receive in the past, mature at a decidedly slower pace when compared to the VOs in the Manikganj model.

3.5 The indicators of year-wise VO maturation in the Manikganj model demonstrate what is achievable in institution-building at village level under optimum conditions of BRAC institution-building support. But what is more important is that the Manikganj model clearly demonstrates that even under optimum conditions of BRAC support, the goal of VO Empowerment and Sustainability calls for a much longer period of sustained BRAC support than 4 years.

3.6 The social behaviour of First Year VOs in the Manikganj model indicate the following levels of maturity:

* Regular Savings
* Regular Meetings
* Some people who joined the VO with the expectation of personal advantage such as getting a job in a Ayesha Abed Foundation Production Centre, getting some `relief'grant from BRAC, getting a quick loan etc. drop out.
* `Cleaning out' of persons who are perceived as `agents' of the elites or of those who control resources.
* People who joined merely to assume positions of leadership, leave with some of their supporters.
* New members with a social orientation more appropriate to that of the fledging VO, join.
* Access to credit becomes the primary interest of the members.

* Most members indiscriminately ask for loans and feel a sense of power and experience the value of group - power for the first time when they receive a loan.

* A substantial amount of negative influence from outside continues to impede group integrity.

* There are as yet no significant signs of openness within the VO whose members have yet to develop trust and confidence in each other.

* Disunity manifests itself from time to time, providing frequent challenges for the fledging VO.

* Competition for leadership : More acute in male VOs than in female VOs.

* No clear internal leadership. Hence heavy dependence on BRAC for ideas.

* Self perception is that of a group of individuals who have got together to access credit.

3.7 The social behavior of Second year VOs in the Manikganj model indicate the following levels of maturity:

* No more `flushingout' of inappropriate and disruptive people. The `cleaningup' process is complete.

* Clearer leadership emerges. Emergence of leaders with the leadership qualities of using their time for group motivational activities, trying to get benefits for other members and not for oneself, ability to analyse problems, ability to evaluate loan eligibility and repayment capacity of individual members and honesty in financial matters.

* Greater discipline and experience in Credit Management.

* Members show greater discrimination in applying for loans.

* No disruption on account of competition for leadership.

* Increased openness at group meetings resulting from the growth of mutual trust and mutual confidence among members : Early beginnings of Group Dynamics.

* Self perception of the VO as `owned' by the members rather than by BRAC.

* Members discuss their personal problems increasingly with VO members who start helping one another overcome their problems.

3.8 The social behaviour of Third Year VOs in the Manikganj Model indicate the following levels of maturity:

* Clear leadership has emerged. Members increasingly take ideas from their leaders. More mature leadership qualities are seen such as the ability to motivate others, initiative in problem-solving, initiative in accessing relevant information from outside and communicating it to the members, initiative in proposing new ideas to BRAC, and capability to access and influence officials at the Union level.

* Emergence of Group Action usually for the first time on economic issues such as accessing Khas land (government land) and Food - for - Work from the Union Parishad and Wage Negotiations with Landlords; Social Issues such as Wife-beating/illegal divorce, the Dowry Question and participation in the Salish (village judicial bench where the village leaders hear and adjudicate on disputes).

* Credit ceases to be the primary factor keeping the group together : The VO begins to develop a life of its own through experiencing their collective strength by doing things together and working towards solving their problems together.

* Group dynamics take over: Mutual trust and confidence among members results in frank and open group discussions.

3.9 The social behaviour of Fourth Year VOs in the Manikganj Model indicate the following levels of maturity:

* Working together with 2 - 4 other VOs on common economic, social or political issues. The start of integrative networking among VOs.

* Capacity to organise effective Group Protest on perceived injustices and corrupt practices at Union Parishad level.

* Less dependent on BRAC Institution-building PO for decision-making on economic, social and political issues: Greater capacity of VO members to take decisions by themselves and solicit BRAC support for the execution of such decisions.

* Enhanced capacity for effective collective action on social issues such as arranging of dowry - free marriages, active participation of VO members as a pressure-group in the adjudication of disputes in the village `Salish' and in cases ofincidence of wife beating/illegal divorce affecting individual members.

* Enhanced capacity for effective collective action on economic issues such as Wage Negotiations with landlords and in accessing Khas land (government land).

* Enhanced capacity for effective political action at Union Parishad elections as well as in holding the Union Parishad and local level government officers in the fields of agriculture, irrigation, health and local government accountable to the Landless Poor.

* Enhanced emphasis on group action to access resources controlled by structures and agencies outside the village, specifically those operative at Union Parishad level.

* VO feels strong enough to complain, when necessary, to the BRAC Area office against the GS or sometimes even against a PO.

* Greater capacity toself-manage the Credit Programme : Increased involvement of VO in decision-making about selection of loanees and a concurrently diminished role for the GS and PO.

3.10 It is seen that even in the exceptional circumstances of Manikganj, the 4th year represents only the start and not the maturation of VO capacity growth for collective action independent of BRAC. Even in the exceptional circumstances of the Manikganj model, it is only in the 4th year that a VO starts developing an agenda of its own, independent of BRAC. The 4th year, in the Manikganj model, represents a kind of watershed or turning-point on the progression towards Institutional Sustainability. It will, even in this exceptional model, take many more years for the process to mature to the point when BRAC can `let go' the VO; and until such time, it will be necessary for BRAC - through an institution-building input - to guide and accompany the VO through its crises, problems, successes and tears which will mark the long and arduous road to increasing Empowerment and Sustainability.

Recommendations

3.11 It is therefore recommended that BRAC should radically modify its 4+2 Model and provide for sustained institution-building inputs to VOs for an indefinite period after 4 years. Indicators of Empowerment and Sustainability should be creatively developed jointly by the Research and Evaluation Department (RED) and the Monitoring Unit. Since most indicators of Social Empowerment and Institutional Sustainability are qualitative and do not lend themselves to quantitative measurement, implementation should be qualitatively rather than quantitatively monitored through an Action Research methodology termed `Process Documentation'.It is critically important that BRAC should have in place a mechanism to track Social Indicators of Institutional Maturity and Empowerment.

3.12 `Process Documentation'or documentation of the Process of VO Empowerment and Sustainability will not only help sharpen PO Accountability in Institution-building; it will also provide Management with information for policy and strategy development in this field.

3.13 For maximising the impact of `Process Documentation' on PO Performance on the one side and Policy Making and Strategy Formulation on the other, the analytical data should be presented in an attractive and readable form to sustain the interest of both the POs and of Management in its output.

4. DEVELOPMENT IDEOLOGY AND DEVELOPMENT PRACTICE IN INSTITUTION-BUILDING: THE WIDENING GAP

BRAC's Development Vision and its Implications for Institution Building

4.1 An `Institution' is an Organisation/an Organisational Framework for specified Societal Activities which has woven itself organically into the essential fabric of Social, Political or Economic life. When BRAC defined its Development Vision in the immediate aftermath of the liberation war when whole communities as well as the nation had shared a trauma of suffering and destruction, its content and its emphasis were influenced by the historical context in which it did so. Its Vision was that of empowering the Poor through group solidarity to break their dependence on local elites and to access resources available within the village economy as well as resources from the wider economy. To achieve these objectives, BRAC sought to build up Village Organisations (VOs) of the Rural Poor in which a depth of Group Solidarity will grow through participation in a long process in which the members share not only economic resources but also threats, crises and challenges out of which the members emerge with a deeply felt experience of being together in adversity and crisis. BRAC's Vision was one of evolving Village Organisations through such a long process of common struggle into Village Institutions which become an essential element of the Socio-economic and Political Fabric of rural life.

4.2 The perception of BRAC Headquarters is that the original Development Vision remains essentially the same; and that in fact it has been enriched during its 20 year history by the addition of new programmatic ingredients such as a Credit and Savings Scheme, Sectoral Programmes for Income-generation, a Primary Education Programme and a Health Programme, all of which have been designed - in the perception of BRAC Headquarters - to strengthen the Institution-building and Empowerment Process of the Landless Poor as originally perceived.

Ideology and Practice

4.3 From 1979 onwards, the role of Credit and of Sectoral Support Services in the total programme portfolio of BRAC became progressively more and more important. From the start of RDP I in 1987, Credit and Credit Management came to occupy the Centre-Stage of BRAC activities.

4.4 Although the Institution-building and Empowerment Ideology in BRAC remains unmodified, with a strong ideological commitment to the Social and Political objectives of Development as defined above, in actual practice there has been a clear and progressive shift away from the Ideological Mode towards a Management or Enterprise Mode in Institution-building at Village level. The field staff working at Area/Branch office level give progressively less emphasis in their work to building-up village level institutions based on a depth of group solidarity that grows out of a long period of struggle as a group against the injustices and inequalities of village structures and external structures where Power and Resources Control lie. On the other hand they place increasing greater emphasis on building up village organisations of the Poor having the skills, discipline and managerial capacity to manage a Credit Programme efficiently.

4.5 Progressively less time is devoted by Area/Branch Managers and Programme Organisers (POs) to the task of developing among the landless poor the skills of Social Analysis, Social Mobilisation for Socio-political Action, Strategising skills for confronting iniquitous village structures and oppressive village institutions on the one side and structures external to the village (eg. those at Union Level) on the other. Progressively more time is devoted by field level staff for inculcating Credit Management Skills, the Discipline of Organised Meetings, Management Skills for a Savings Programme, Enterprise Skills etc.

4.6 POs time spent on Institution-building, Credit and Sectoral Programmes respectively, (impressionistic figures based on interviews with POs in a number of Area/Branch offices), is provided below:

Table 4.1

Programme	Time Spent on I.B.	Time Spent on Sector P	Time Spent on Credit
Outreach	80%	20%	-
RDP I	40%	20%	40%
RDP II	20%	20%	60%
RCP	10%	20%	70%

4.7 Monthly Programme Meetings at BRAC Headquarters (Programme Chief & Regional Managers). Time spent on Institution-building, Credit and Sectoral Programmes respectively, (impressionistic figures based on Interviews with senior staff largely at Regional Manager level) is provided below:

Table 4.2

Programme	Time Spent on I.B.	Time Spent on Sector P	Time Spent on Credit
Outreach	70%	30%	-
RDP I	40%	30%	30%
RDP II	30%	30%	40%
RCP	15%	25%	60%

5. RECOMMENDING A NEW RE-EMPHASIS ON INSTITUTION-BUILDING IN RDP III AND RCP

5.1 In order to narrow the gap between the Institution-building Ideology/ Empowerment Ideology of BRAC at Headquarters level and Institution-building/ Empowerment Practice at field level, it is recommended that

* BRAC accepts and budgets for a sustained institution-building input to VOs after Year 4, supported and guided by a qualitative monitoring of the VO Empowerment Process through `Process Documentation'. The cost for this continuing input after Year 4 should not be borne by RCP. Separate donor funding should be solicited for it.

* In every RDP and RCP Area/Branch office, 1.5 (or 1 ?) PO be given the responsibility of Institution-building as their specified task.

* Two Senior POs per 10 Area/Branch offices with at least 5 year experience in the field be attached to every Regional Office; their specified task being to provide back-up support to the Institution building POs working at Area/Branch office level, and to take the initiative in organising supra-village training workshops of VO leaders on issues, strategies and management tools relating to VO Empowerment (Social and Political) and VO Sustainability.

* Special training courses be designed for Institution building POs : social analysis skills, analytical skills in Group Dynamics, skills to facilitate Strategising of Group Action, should be transferred through special training courses to the POs.

* To qualify for appointment as Area/Branch Manager, a PO should have at least 1 year's experience as a Institution-building PO.

* Institution-building POs should be re-trained to function as 'Facilitators' rather than as 'Teachers'. It has been noticed but POs tend to Dominate rather than Facilitate VO Meetings thereby constraining initiative and innovativeness of VOs in institutional development.

5.2 If the Institution-building/Empowerment objectives of BRAC as defined by Headquarters are to be re-inforced in practice, BRAC support to its VOs will be required for an indefinite period to be determined through experience and with the help of the monitoring process using 'ProcessDocumentation Methodology'as recommended above : The input in terms of Units of Time given by POs to a VO for Institution-building can be expected to progressively decline, but over a longer period that 4+2 years. On the basis of subjective impressions provided by over 40 POs interviewed, the declining rate of input in terms of Units of Time given by POs to a VO as a support to Institution-building can be expected roughly to be as follows:

Year	1	....	100 units of time
	2	....	80
	3		70
	4		55
	5		50
	6		45
	7		40
	8		35
	9		30
	10		25
	11		20
	12		15
	13		10
	14		5
	15		2
	16		0

5.3 It is therefore clear that a new re-emphasis of the Institution-building/Empowerment objectives of BRAC will require BRAC inputs in this field well beyond 4+2 years.

6. FACILITATING THE GROWTH OF INTERACTIVE NETWORKS AMONG VOs

Networking among VOs

6.1 When VOs take joint action with other VOs on social and political issues, this is an indicator of Empowerment and VO Maturation. During the Outreach Programme, especially during the early part of Outreach (1978-1982), BRAC POs followed a policy of encouraging and facilitating VOs to plan and implement Action with other VOs on social and political issues, such as:

* Occupying Khas lands which were illegally appropriated by landlords
* Pressurising Government Institutions to make them accountable to the Poor
* Wife beating and illegal separation
* Nullifying the institution of Dowry
* Union Parishad elections
* Transforming the Salish (Village Judicial Bench) into a instrument of Justice for the Poor
* Corruption in the Union Parishad
* Wage increases
* Resource mobilisation from the outside system - eg. from the Union Parishad

VO Co-ordinating Committees/Federations

6.2 Between 1983-1986, 10 Union level Co-ordinating Committees of 5 year old VOs were formed in Manikganj. They continue to function till today. In Sulla too, a similar supra-village organisation was formed, known as the VO Secretariat. The 10 Union level Co-ordinating Committees of Manikganj were facilitated by BRAC in 1986 to form a Upazila level Co-ordinating Committee. Both Manikganj and Sulla were special Integrated Development Projects. The Co-ordinating Committees which in effect represent of Federating Process of VOs, were formed at a time when BRAC had plans to withdraw from these two areas. It was BRAC's intention to devolve on these Co-ordinating Committee (In effect,Quasi-Federations) the responsibility for all BRAC interventions other than the Credit Function : ie. for conducting VO meetings, social mobilisation, institution-building/empowerment, supervision of para-vets and health workers, formation of new VOs, and a host of other such non-credit functions. Issues such as the financing of these Committees were, however, not worked out. Later when it was decided that BRAC will not withdraw from these areas, the internal debate in BRAC on the role and function of higher level committees (Federations) took a back-seat. Interest within BRAC on this subject is seen again in 1990. A Task Force to study the issue of the Federating of VOs was appointed in 1991.

6.3 The recommendations of the Task Force (RED : Dec 1991 : Federating Village Level Organisations - Recommendations of a Task Force) were that:

* The main purpose of federations should be to assist in the consolidation of the empowerment process

* A federation should be an organisation of the landless people with no control by BRAC

* The federating process should be confined to the Union level.

* Any social, political or economic issue involving the interest of the Poor at a level higher than that of the VO should be taken up by the federation.

* A federation should pressurise local public sector staff in agriculture, health, family welfare, education etc., for better services on behalf of the Poor.

* A federation should be financed with monthly membership fees of Tk. 5/- per VO to be paid by the constituting VOs to the federation.

* A federation should not be formed until its constituent VOs reach a level of maturity on the basis of certain agreed indicators of VO maturity, to be developed.

* BRAC should facilitate the initiative for federation : Area Managers should be made responsible and a senior PO should be attached to each RM's office to oversee this activity.

* The empowerment process initiated at VO level should be consolidated at Union level through the federating process : A long term objective could be to evolve through this process a national level organisation of the Poor.

<u>VO Federations in RDP III</u>

6.4 BRAC has not taken any decision about the Task Force Recommendations. But while this is so, BRAC makes a clear commitment to the federating of VOs in its RDP III Proposal:

* "Beyond the VO level, there are Federations of VOs at the Union level to strengthen their efforts to obtain better access to government services and basic rights. Until recently there was no official BRAC policy on federations. From now on, Federations of VOs will be formed in each RDP/RCP union" (RDP III Proposal :(Sec 4.1)

6.5 A similar commitment was made in 1989 too in the RDP II (1990-92) Proposal, but not implemented as yet :

* "Federating of Village Organisations: In the course of group discussion, it soon becomes obvious that many problems cannot be solved at the village level, or by one village acting alone. Wage bargaining action, large-scale economic activities and access to government services require a number of village organisations to act jointly and to bring pressure to bear at Union and Upazila levels. This has led to grouping of Village Organisations served by one BRAC Area Office or located within one Union to meet monthly and address such issues and to conduct negotiations with governmental or other authorities concerned. In a few instances, when BRAC has operated for some years, the Area Office or Union level groupings are being federated at the Upazila level. Further Federation at both levels is to be encouraged in the 1990-92 period but neither targets nor geographical areas for such action have been established" (RDP II Proposal : Page 19)

Recommendations

6.6 BRAC has stalled on its commitment to VO Federation, and continues to be in two minds on this question, for good reason. Cause for maximum caution is endorsed. The federating process is a political process. The road towards the evolution of a People's Movement is implicit in such a process. In facilitating a federation process, BRAC should handle it with sensitivity to the political environment both in the country and also within the Bangladesh NGO Community. In doing so, BRAC could share the experience of other NGOs such as Proshika Kendra, Proshika Comilla and Nijera Kori. It should also be sensitive to some of the more recent debates within the wider NGO Community in Bangladesh such as that on the strategy of federating VOs belonging to different NGOs into single federations at Union and/or Upazila levels. Policy guidelines and strategies need to be worked out within a broader political context.

6.7 Neither Donors nor Appraisors can have the necessary socio-political sensitivity to the Bangladesh context to offer recommendations to BRAC about the political viability, timing and mode of implementing a federation process of VOs. This should be left to the judgement and discretion of BRAC which is best qualified and equipped to handle these process with caution and circumspection.

6.8 If BRAC decides to embark on a process of federating VOs, it could start by facilitating a process of increasing interaction among VOs through quarterly workshops for VO Management Committee members at supra-village level and half yearly workshops for two leaders from each VO at Union level. This could be organised by the Institution-building POs of the Area/Branch Offices supported by the senior Institution-building POs of the Regional Office, proposed above. The BRAC strategy should be to encourage the federating process to grow from below, and not to force a mechanistic process of VO federation : It should be demand-led not supply-driven.

7. "ALTERNATIVE TRAINING" FOR VO LEADERS AND MEMBERS

People-to-People Exchange of Information and Experience

7.1 BRAC has, during the past 20 years, invested a substantial amount of human and material resources in Manikganj where much experimentation of BRAC strategies and tools of empowerment and social mobilisation has taken place. Manikganj thus provides a rich and diverse training ground for implementing a programme of direct People-to-People Exchange of Information and Experience in social mobilisation, empowerment and institution-building.

7.2 Manikganj has about 350 VOs of which around 200 have a fund of institution-building experience from which others can benefit. These VOs, however should not be over-burdened with visits of groups of persons from VOs in other parts of Bangladesh. Each VO could conveniently host a maximum of 3 visiting groups per year.

7.3 In organising such a programme, it will be necessary for BRAC to meet the travel and subsistence expenses of the visiting groups and provide a minimum of pocket money to partially cover the loss of earnings had they remained in their own homes. BRAC will also need to set up and budget for a small unit at Manikganj to organise the exchanges in consultation with the RDP and RCP Programme Chiefs at Head Office.

7.4 The programme will need separate budgeting, at present not provided in the proposed RDP III budget.

Recommendations

7.5 It is recommended that BRAC should capitalise on the rich learning experience available at Manikganj by organising an experimental learning programme there, for small groups of VO members from other parts of Bangladesh who could come and live for 7 days (plus 2 days for travel) with selected VOs in Manikganj, to see their achievements for themselves at first hand and learn from their experience. This will provide an innovative form of "Alternative Training" for VO members.

7.6 "Alternative Training" programmes should be confined to the 6 months of the dry season, when there will be a minimum loss of earnings for members of the visiting groups and minimum inconvenience for the host VOs.

7.7 In organising the proposed programme of "Alternative Training", BRAC should access the Alternative Training Methodologies and Tools (commonly known in development literature as "Peasant Exchange Methodology") developed in other parts of the world.

7.8 Appropriate host VOs in Manikganj should be identified, the programme should be planned after studying "Peasant Exchange Methodology" developed elsewhere, and the programme should be first implemented on a pilot scale prior to methodological and logistical refinement for wider replication.

8. MONITORING OF INSTITUTION-BUILDING (VO MATURATION/EMPOWERMENT)

Strategic Interventions in Institution-building

8.1 Through a 20 year history, BRAC has developed the following strategic interventions which it implements through VOs for empowering the Poor. Institution-building is perceived as constituting Capacity-building at VO level to internalise these strategic interventions:

* Building up Group Solidarity for Social Action in matters of concern to the Landless Poor.
* Consciousness-raising and Awareness-building of VO members through training, discussions, workshops and issue-based meetings.
* Organisational capacity-building for efficient management of a Savings and Credit programme.
* Development of new skills for Employment and Income-generation.
* Health Improvement.
* Primary Education.

Monitoring Indicators

8.2 For the measurement of progress in Institution-building, the Monitoring Unit of BRAC uses the following 20 indicators:

* Number of issue-based monthly meetings held.

* Functional Education (Social Awareness) Training completed.
* Human Development Training (Leadership Training) completed.
* Skills Training completed.
* Outstanding Borrowers.
* Overdue Borrowers.
* Per Capita Weekly Savings.
* Attendance Rate at monthly meetings (during last one year).
* Group's Passbooks (upto date or not).
* Group's Resolution Book (Adequately used or not).
* Group's Quarterly Report prepared by members (numbers of report prepared).
* Number of households with sanitary latrines.
* Percentage of eligible children (6-10 years) attending school.
* Percentage of eligible children immunised (over 1 year).
* Percentage of VO girls married before 18 years old.
* Percentage of pregnant mothers immunised.
* Percentage of mothers having second baby in less than 3 years.
* Percentage of VO's decisions implemented.

Inadequacy of BRAC's Monitoring Indicators

8.3 While recognising the difficulty of developing relevant and meaningful indicators for measuring Social Empowerment, and while noting that BRAC stands ahead of most other Development Organisations in Bangladesh as well as elsewhere in its attempt to develop such indicators, it is noted that the 20 indicators currently used by BRAC do not throw any light on the following 3 critical aspects of Institution-building :

* Building up of Group Solidarity for Social Action in matters of concern to the Landless Poor.
* Consciousness-raising and Awareness-building of VO members.

* Development of confidence and capacity to maintain the VO in the absence of any BRAC support with the exception of Access to Credit.

Recommendation

8.4 It is recommended that the Research and Evaluation Department (RED) organises and implements a Rural Studies Programme specifically designed for the qualitative monitoring of these aspects of Institution-building/Social Empowerment which cannot be measured quantitatively. Measurable indicators/proxy indicators could, in the course of time, be developed from these qualitative studies.

Indicators of VO Maturation

8.5 Some of the indicators of Group Maturation and Consciousness-raising that cannot at present be measured quantitatively are the following:

* Group Action vis-a-vis Government Agencies.
* Group Action at Elections.
* Joint Action with other VOs.
* Joint Action in Accessing Khas land (Government land).
* Joint Action on Dowry - free Marriages.
* Joint Action on Wife - beating and Illegal Separations.
* Conflict Resolution within the VO.
* Conflict Resolution between VOs.
* VO Participation with Elites in village level decision-making.
* VO Participation with Elites in adjudication in the village Salish (Judicial Bench).
* VO Participation in Wage Negotiations.
* Group - level Protest Action against perceived corruption and injustice in Union Parishad.

Recommendation

8.6 At present, BRAC does not have in place a satisfactory system of monitoring VO Maturation/Empowerment. This situation needs to be corrected. As it may or may not be possible even in the very long run to develop quantitatively measurable indicators or proxy indicators of VO maturity/Empowerment, it is recommended that RED, in collaboration with the Monitoring Unit, develop in programme of Process Documentation : To document qualitatively the implementation of activities related to institution-building through the adoption of Action Research Methodology, using a issue-based research design. Through Process Documentation, RED will be able to provide sharp-focused, issue-oriented information to Management on critical aspects of VO Maturation/Social Empowerment which cannot by their very nature be measured quantitatively.

9. GROUP MOBILISATION ON SOCIAL ISSUES: THE ROLE OF ISSUE-BASED MEETINGS

The Difference between Organisational and Institutional Sustainability

9.1 "Organisational Sustainability" is the capacity of an organisation (in this case, a VO) to efficiently plan and implement a programme of activities (in this case, a Savings and Credit and a Income Generation Programme) without an external intervention (in this case, from BRAC). "Institutional Sustainability" on the other hand, reflects a situation in which a Group Formation (in this case, again, a VO) has woven itself organically into the social fabric as an essential vehicle of the group (in this case, the Landless Poor) to the degree to which its continuity is organically guaranteed by the social fabric of which it is a vital part.

9.2 Organic integration into the social fabric (ie. Institutional Sustainability) can only be the result of a long process through which the New Formation negotiates a relationship with other groups, formations, organisations and institutions that already function within the social fabric.

9.3 To realise its commitment to developing the Institutional Sustainability of VOs, BRAC needs to facilitate and guide the process leading to it. The principal management tool that BRAC uses for this purpose is the monthly Issue-based meeting.

Issue-based Meetings as a Tool of Empowerment

9.4 Through discussion with senior POs it was noted that from the early beginnings of Target Orientation (1976-79) and the Outreach Programme (1980-86) through RDP I (1987-89) to RDP II (1990-92) there has been a progressive decline in both the amount and the effectiveness of the inputs provided by BRAC to VOs in support of the socio-political process leading to Institutional Sustainability. There has been a decline in the frequency of issue-based meetings/workshops/

discussions at VO level. Also, where the Issues themselves are concerned, there has been a progressively increasing shift away from socio-political issues (ie. Issues relating to the re-negotiation of relationships between the Landless Poor and other groups, formations, organisations and institutions in the wider socio-political system), towards socio-economic issues (ie. issues of a more pragmatic kind, relating to Savings, Credit, Health - including water, sanitation and family planning -, Education, Women's Rights within the family and Income-generating Projects). In Pre-outreach (1976-79) and outreach days (1980-86) days, issue-based meetings were held very frequently, whenever the need arose. This pattern continued under RDP I (1987-89), but with the increasing emphasis on Credit and Sectoral (Income-generating) Programmes, and the increasing workload of POs, issue-based meetings were organised less frequently than before. The focus of discussion at issue-based meetings also began to shift from socio-political to socio-economic matters. This process got accelerated under RDP II (1990-92) with the strict scheduling of monthly issue-based meetings onto a pre-planned programme that is often displayed on the wall of the Area/Branch office.

9.5 The strict scheduling of issue-based meetings, the increasing emphasis on Credit and Sectoral Programmes, and the increasing workload of POs (it was observed by many senior staff members of BRAC that between 1980 and 1992 the workload of an average PO has increased by over 100%) have combined to evolve a situation in which POs hardly take the initiative any more to organise VO level workshops, informal discussions of VO members, VO level meetings/discussions in which non VO members from the target group also participate to discuss socio-political issues involving the relationship between the Landless Poor and the groupings, formations, organisations and institutions of the wider society and polity.

9.6 It is also noted that the "regimenting" of issue-based meetings under a strict, inflexible scheduling system was met with substantial resistance on the part of the older VOs who were used to a more flexible, informal arrangement. It was observed by many POs interviewed that, for this reason, the re-organisation of issue-based meetings under RDP II which started in April 1990 could succeed only as late as October - December 1991, and that too after many VOs had lost a significant number of male members who were unable to adapt themselves to the inflexible schedules imposed. The poor performance of the older VOs in the conduct of issue-based meetings in the second and third quarters of 1991 has been well documented by BRAC (RED/BRAC : Oct. 1991 : Issue-based Meetings of RDP : A Status Study)

Teacher or Facilitator

9.7 From the very limited number of issue-based meetings of VOs attended, it was observed that the POs conducting them tend to dominate the discussion instead of encouraging the VO members to develop their capacity to conduct their own meetings and discussions. All the POs interviewed perceived their role in issue-based meeting to be that of a "Teacher" or "Instructor" rather than that of a

"Facilitator" or "Enabler". They saw their function as being one of "Knowledge Transfer to the Poor" rather than "Facilitation of Knowledge Creation by the Poor".

9.8 POs and Area/Branch Managers interviewed provided the following consensus on what they subjectively perceived to be the dependence of VOs on POs for the conducting of issue-based meetings:

Table 9.1

Age of VO in years	% of issue-based meetings that will be cancelled if PO does not attend
1	100%
2	100%
3	90%
4	70%
5	60%
6	
7	
15	0%

9.9 Despite the observed reluctance of POs to encourage VOs to choose the Issues for discussion rather than subscribe to the Issues provided by the PO, the subjective impression of Area/Branch Managers and POs interviewed indicates a satisfactory level of VO capacity to do so:

Table 9.2

Age of VO in years	% of VOs with capacity to select their own issues
1	0%
2	10%
3	30%
4	50%
5	80%

9.10 Their subjective evaluation of the capacity of VOs of different ages to conduct their own Issue-based meetings successfully and effectively without the intervention of a PO is as follows:

Table 9.3

Age of VO in years	% of VOs with capacity to successfully and effectively conduct their issue-based Mtgn
4	0%
5	10%
6	15%
7	30%
8	40%
9	50%
10	60%
11	
12	
20	100%

Exclusion of Non VO Members

9.11 Senior POs and Area/Branch Regional Managers interviewed recalled how upto the end of the Outreach Programme (1986) and to a much lesser extent into RDP I as well, it was not uncommon for non-VO members from the target group to participate in some of the VO meetings when issues of importance to the Landless Poor were discussed. They pointed out that it was largely with the imposition of strict rules of discipline under RDP II that participation in VO meetings became limited exclusively to VO members.

Decline in Male Participation

9.12 Senior staff members of BRAC pointed out that there was a decline in male participation in VO meetings with the implementation of RDP II. They attribute this, among other factors, to the scheduling of all VO issue-based meetings for the afternoon - between 3.00 pm and 6.00 pm - which is very inconvenient for landless men who commonly work as wage labourers and return home after 6.00 pm.

Field Level Perception of Institutional Sustainability

9.13 None of the POs and Area/Branch Managers interviewed had a correct perception of "Institutional Sustainability". Branch Managers and POs functioning in RCP tended to equate "Institutional Sustainability" with "Organisational Capacity for Planning and Implementing a Credit Programme without BRAC Facilitation".

9.14 None of the Area/Branch Managers and POs interviewed perceived a need for VOs to become institutionally sustainable within a stipulated number of years.

Recommendations

9.15 A programme to re-orient POs through training with the skills to function as "Facilitators" or "Enablers" rather than as "Teachers" or "Instructors" in Institutional-building.

9.16 Scheduling a stipulated number of village level workshops and informal village level discussions into the work programme of every institution-building PO.

9.17 Modification of the list of Discussion Issues to give a greater emphasis to issues relating to social analysis, group dynamics, conflict and conflict resolution, social and political strategising etc.

9.18 Permitting the participation at issue-based VO meetings/ workshops/informal discussions, of 5 to a maximum of 10 persons belonging to the target group but not members of the VO concerned. They could either be non-BRAC members or they could be members of a VO from another village. They will be invited to participate on account of their knowledge or experience relating to the issue concerned. Such a procedure will also contribute to the forging of network linkages for the VO both within the village as well as with VOs from other villages.

9.19 Providing for greater flexibility in fixing the times for holding VO meetings. Night meetings, where necessary, to suit the convenience of male members may be concerned, with a male PO facilitating such meetings and staying overnight in the village as was done during the RDP I phase as well.

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ANNEX 2: INTERVIEWS CONDUCTED

	Date	Time (hrs)	Place	Name & Designation
01.	2.3.92	15.30-18.00	Dhaka	E.D. Setty: Institution-building Specialist - Mid Term Evaluation Team.
02.	3.3.92	09.30-11.00	Dhaka	Ms. Jannice Jiggins Gender Specialist - Mid Term Evaluation Team.
03.	5.3.92	10.30-12.00	BRAC	Dr. Mushtaq Chaudhury, Head, RED Golam Samdani Programme Co-ordinator, MDP. Aminul Alam. Programme Co-ordinator, RDP Shabbir Choudhury, Programme Manager - Training F.D. Abed, Executive Director.
04.	06.3.92	11.00-12.30	TARC, Savar	M. Rob Chaudhury, General Manager, Ayesha Abel Foundation (AAP)
05.	06.3.92	13.00-14.00	TARC, Savar	Md Hamiduzzaman, Senior Trainer-in-Charge, TARC, Modhupur
06.	08.3.92	14.30-17.00	Savar	Dr. Zafrullah Chaudhury Co-ordinator, Gonoshasthaya Kendra (GK)
07.	09.3.92	08.30-12.00	BRAC	Aminul Alam, Programme Co-ordinator, RDP.
08.	09.3.92	12.00-14.00	BRAC	Dr. Shafiqul Islam, Manager, Monitoring.
09.	09.3.92	14.30-17.00	BRAC	Shabbir Chaudhury, Programme Manager, Training Kaburuzzaman, Senior Trainer
10.	10.3.92	14.00-17.45	ADAB, Dhaka	Dr Mahbubul Karim, Executive Director, ADAB
11.	11.3.92	09.00-12.00	BRAC	Sukhen Sarkar, Programme Co-ordinator, RCP.
12.	11.3.92	12.00-13.00	BRAC	Ms Shamshad Rahman Khan, Senior Personnel Officer.
13.	11.3.92	13.30-15.00	Grameen Bank,	M. Khalid Shams, Deputy General Manager.
14.	11.3.92	16.00-19.30	Dhaka	Dr. Monowar Hossain, Managing Director, Multi Disciplinary Action Research Centre (MARC)
15.	12.3.92	09.00-10.30	Dhaka	Syed Abdul Karim, Senior Programme Officer, SDC.

	Date	Time (hrs)	Place	Name & Designation
16.	12.3.92	11.00-13.00	Dhaka	Qazi Faruque Ahmed, Executive Director, Proshika.
17.	12.3.92	13.30-15.00	Dhaka	Richard Holloway, Representative, PACT.
18.	12.3.92	15.30-16.30	Dhaka	Dr. Ishtiaque. A. Zaman, General Manager, Palli Karma - Sahayak Foundation.
19.	12.3.92	17.00-18.30	BRAC	Dr. Salehuddin Ahmed, Director, Programmes.
20.	13,3,92	08.00-11.30	Manikganj	Shahidul Hasan, Regional Manager, NFPE. and former RDP Regional Manager, Manikganj.
21.	18.3.92	19.30-22.00		Rajendrapur Kazi Md Abu Hashem, Senior Trainer in Charge, Management Training Centre (MTC), BRAC.
22.	19.3.92	09.00-11.30	Dhaka	Ms. Khushi Kabir, Project Co-ordinator, Nijera Kori
23.	19.3.92	12.00-13.00	BRAC	F.H. Abed, Executive Director.
24.	21.3.92	09.00-12.00	BRAC	Sukhen Sarkar, Programme Co-ordinator, RCP.
25.	21.3.92	14.00-15.30	BRAC	Aminul Alam, Programme Co-ordinator, RDP.
26.	21.3.92	16.00-18.00	Dhaka	M.D. Sahahuddin, Principal Programme Co-ordinator, Proshika.
27.	22.3.92	09.00-12.00	BRAC	Dr. Safiqul Islam, Manager, Monitoring.
28.	22.3.92	14.00-16.30	BRAC	Dr. Mushkaq Choudhury, Head, RED.
29.	23.3.92	14.00-16.30	Dhaka	Raphael Gomes, Deputy Director, Corr - The Jute Works.
30.	24.3.92	10.00-12.20	Dhaka	M. Mahbubur Rahman, Action Research Fellow, CIRDAP.

ANNEX 3: BRAIN-STORMING SESSIONS

01. Place : TARC, Savar
Date : 6.3.92
Time : 13.30-16.30 hrs
Participants : Sayed Jayhul Islam,Senior Trainer
Md Humayun Kabir, Trainer
Md Harun Ul Rashid, Trainer
Sayed Wakiul Islam, Trainer
S.M. Shahidullah, Trainer
M.D. Hossain Bhuyain, Trainer
Ahesanul Kabir, Trainer
Md Delewar Hossain, Trainer
Ms Rawshan Khurshid, Trainer
Ms Anima Majumdar, Trainer

02. Place : RED, BRAC
Date : 10.3.92
Time : 9.00-13.45 hrs.
Participants : Dr Musttaq Choudhury, Director. Research
M.G. Sattar, Manager
Fazlul Karim, Epidemiologist
Ms Aleeze Sattar, Anthropologist
Dr Zafar Ahmed, Sr Economist
Dr Safiqul Islam, Manager. Monitoring
Dr Shams Mustafa, Economist

03. Place : Gheor II RDP Area Office, Manikganj District
Date : 14.3.92
Time : 15.30-21.30 hrs.
Participants : Md Hamidul Haq, PO in Charge
Shahera Banu, PO
Shanker Roy, PO
Ms Nilufa Sultana Shekta, PO
Ms Khakeda Afrioz, PO
Deepak Kumar Mahalanabish, PO

04. Place : Gurki VO (Male), Manikganj District
Date : 15.3.92
Time : 9.00-12.00 hrs.
Participants : Group of 12 VO Members

ANNEX 5: MEETINGS

01.	Date	2.3.92
	Time	8.30-11.30
	Place	Canadian Club
	Meeting	Debriefing : Mid Term Evaluation Team, Donors, BRAC Senior Staff and Appraisal Team
02.	Date	2.3.92
	Time	13.30-15.00
	Place	DLO
	Meeting	Evaluation Team and Appraisal Team : Joint meeting
03.	Date	4.3.92
	Time	8.30-10.30
	Place	DLO
	Meeting	Appraisal Team
04.	Date	5.3.92
	Time	16.00-19.00
	Place	DLO
	Meeting	Appraisal Team
05.	Date	7.3.92
	Time	14.00-19.
	Place	DLO
	Meeting	Appraisal Team
06.	Date	8.3.92
	Time	8.30-12.30
	Place	DLO
	Meeting	Appraisal Team and Donor Representatives from Danida, SIDA, NORAD, AKF, CIDA, and FORD Foundation
07.	Date	10.3.92
	Time	18.00-20.30
	Place	DLO
	Meeting	Appraisal Team
08.	Date	16.3.92
	Time	16.00-19.00
	Place	DLO
	Meeting	Appraisal Team
09.	Date	24.3.92
	Time	16.00-20.00
	Place	DLO
	Meeting	Appraisal Team

10.	Date	26.3.92
	Time	8.30-12.30
	Place	DLO
	Meeting	Appraisal Team
11.	Date	28.3.92
	Time	7.30-9.00
	Place	DLO
	Meeting	Appraisal Team
12.	Date	28.3.92
	Time	15.00-17.00
	Place	BRAC
	Meeting	Appraisal Team with BRAC Executive Director and Senior Staff.
13.	Date	28.3.92
	Time	17.30-20.30
	Place	DLO
	Meeting	Appraisal Team
14.	Date	29.3.92
	Time	10.00-12.30
	Place	BRAC
	Meeting	Appraisal Team with BRAC Executive Director and Senior Staff.
15.	Date	30.3.92
	Time	8.00-9.30
	Place	DLO
	Meeting	Appraisal Team
16.	Date	1.4.92
	Time	8.30-10.00
	Place	DLO
	Meeting	Appraisal Team
17.	Date	1.4.92
	Time	14.00-16.30
	Place	Canadian Club
	Meeting	Debriefing : Appraisal Team, Donors, BRAC Senior Staff
18.	Date	2.4.92
	Time	8.00-9.00
	Place	DLO
	Meeting	Appraisal Team.

ANNEX 4: FIELD VISITS

01.	Date:	13.3.92	
	Places visited:	Manikganj:	RCP Regional Office
02.	Date:	14.3.92	
	Places visited:	Manikganj:	RCP Regioal Office Jagir Union Co-ordinating Committee Gheor II RDP Area Office
03.	Date:	15.3.92	
	Places visited:	Manikganj:	RCP Regional Office Manikganj RCP Branch Diara Bhawanipur, VO (Female) Gurki VO (Male) Dergram VO (Female)
04.	Date:	16.3.92	
	Places visited:	Manikganj:	Bandutia VO (Female) Bandutia VO (Male) NFPE School, Bandutia Village
05.	Date:	17.3.92	
	Places visited:	Rajburi:	Rajbari RDP Area Office Vinodpur VO (Female) Vinodpur VO (Male)
06.	Date:	18.3.92	
	Places visited:	Mymensingh:	Trishal RCP Branch Churkhai RDP Area Office Bondal Middle VO (Female) Bondal Middle VO (Male)

11.	Place :	Churkhai RDP Area Office, Mymensingh District
	Date :	18.3.92
	Time :	15.00-18.00
	Participants :	Akbar Hossain Mollah, Regional Manager Mohinudeen Azad, Area Manager Nazrul Islam, GS Vinoy Chandra Bonik, PO, NFPE Amal Bhattachargee, PO, NFPE Ms Sueda Maherun Nessa Kabir, PO Kazi Mossarem Hossain, PO Mohammad Harun Ul Rashid, PO Ms Latifa Begum, PO Kirom Choudhury, PO

05.	Place :	Dergram VO (Female), Manikganj District
	Date :	15.3.92
	Time :	16.15-18.00 hrs.
	Participants :	Group of 12 VO Members
06.	Place :	Rajbari RDP Area Office, Rajbari District
	Date :	17.3.92
	Time :	9.00-13.00 hrs.
	Participants :	Abdul Razak, Area Manager Sunil Roy, PO Safiqul Islam, PO S.M. Abdul Rahman, PO Ms Anjum Anara Khatum, PO Abdul Motelab, PO Abdul Momen, Ex - PO Hafizur Rehman, PO Ayub, Senior Area Manager, IGVGD
07.	Place :	Vinodpur VO (Male), Rajbari District
	Date :	17.3.92
	Time :	13.30-14.30 hrs.
	Participants :	8 VO Members
08.	Place :	Vinodpur VO (Female), Rajbari District
	Date :	17.3.92
	Time :	14.30-16.00 hrs.
	Participants :	10 VO Members
09	Place :	Bondol VO (Male), Mymensingh District
	Date :	18.3.92
	Time :	11.00-12.00
	Participants :	8 VO Members
10.	Place :	Trishal RCP Branch, Mymensingh District
	Date :	18.3.92
	Time :	8.30-10.30
	Participants :	Nuri Alam Siddiqui, Senior PO Bikash Ranjan Roy, WHPD/Upazila Manager Abdul Kashem, PO, NFPE Mohammed Ashrafuddin, PO, Fisheries Quazi Mozammel, PO, Credit

ANNEX 6: A NOTE ON THE RESEARCH AND EVALUATION DEPARTMENT (RED)

Established in 1975, to provide Research Support for BRAC's activities, RED had upto the end of 1991 conducted over 200 Studies and published more than 175 Research Reports which were intended primarily for BRAC's internal use. A good number of Journal Articles too have been produced for wider consumption. But no Appraisal Studies, ie. Studies for determining whether or not new ideas are worthy of promotion, experimentally or on a more extensive scale, have been conducted.

RED appears to have achieved a high degree of success in its Health-related work. As for Social and Economic Studies are concerned, `The Net : Power Structure in Ten Villages' (1983), `Who Gets What and Why : Resource Allviation in a Bangladesh Village' (1983), `Ashram Village : An Analysis of Resource Flows' (1980) and `Peasant Perception : Famine, Credit Needs, Sanitation' (1984) fall into this category. These studies of micro processes in Bangladeshi villages were conducted in the nineteen-seventies and early nineteen eighties at a time when little was known about Rural Social Structures and micro level Socio-economic Processes in Bangladesh. These early studies clearly had, therefore, a clear influence or internal management decision-making.

In contrast, a number of examples of recent work do not display the same depth of insight and sensitive analysis. They seem to depend too heavily on the Questionnaire, placing heavy emphasis on Sampling Procedure and the Derivation of Statistically Significant Results. These studies are useful in certain instances but they cannot and do not - by the very nature of the research methodology used - provide the qualitative insights and analysis of micro-level social processes necessary for understanding the processes of Social Empowerment and VO Maturation. They demonstrate, in a highly time-consuming fashion, that various correlations exist, without advancing knowledge of the underlying relationships which determine why this should be so.

Although at the beginning of every year workshops are conducted with each Programme Department to identify Research Needs, and Research Proposals are circulated for comments and on completion of a study, seminars are arranged to which the relevant people are invited, it is observed that the use of Research, in the field of Social and Economic Studies, by Management is minimal for the following reasons :

* On account of the research methodology used, the Research Reports do not provide the kinds of qualitative insights, social analysis and evaluation that Management would find useful, especially in respect to qualitative processes such as those of Social Empowerment and VO Maturation and Sustainability.

* The time lag between the identification of a problem by Management and the availability of the findings can often be long, by which time things have moved on.

* Data Presentation : Research findings are presented in a manner that does not attract the interest and attention of the kind of people who work in Management. Data presentation takes a form more suited to the environment of an Academic Institute rather than to that of an Operational Enterprise.

In order to link RED more organically with the Operational Programmes of BRAC and in order that it may play a more decisive role in monitoring and evaluating the qualitative processes of Social Empowerment and VO Maturation, the following may be considered.

* Much closer interaction between RED and the Operational Programmes of BRAC. The field staff of BRAC possess, through their experience in the field, a wealth of information and insights on the micro level Social and Economic processes of relevance to BRAC. They do not, however, have the research and analytical skills of RED. Research issues could be identified in close association with the field staff, with those closest to the village - ie. those at the frontline - and conducted in close association with them.

* Research should be as far as possible, a response to problems faced by Management either at policy-making level or else at field level. In either case, the research methodology should be one of `Action Research' in which the focus should be on the Implementation of BRAC programme at micro level and the documentation of the Implementation Process against the explicit background of BRAC's Goals and Objectives. This research methodology is known as Process Documentation.

* A system could be considered in which specific studies are commissioned by individual BRAC Programmes and/or Field Offices in which RED commits itself to providing the report by a specified date. Such studies could be paid out of Programme Budgets.

* Data collection in the field by young, inexperienced Field Investigators who stay relatively long periods in the field and its subsequent analysis by Senior Researchers based at Head Office in Dhaka is not satisfactory where analysis of micro level social processes such as Social Empowerment and VO Maturation are concerned. Understanding such social processes requires the active intervention of Mature, Senior, Experienced Social Science Researchers in the field itself. Since senior researchers are, in practice, not willing to stay in the field for long periods, the research methodology adopted should be one in which `quick and dirty' studies are undertaken by Senior Researchers staying

TABLE 1: PROJECTED EXPANSION OF POULTRY AND LIVESTOCK PROGRAM (REVISED RDP III PROPOSAL)

	1991	1992	1993	1994	1995	Growth Rate
No. Participating AOs/BBs	120	140	165	195	235	18%
RDP	90	90	95	105	125	9%
RCP	30	50	70	90	110	39%
As % of all AOs/BBs	100%	100%	100%	100%	100%	
RDP	100%	100%	100%	100%	100%	
RCP	100%	100%	100%	100%	100%	
POULTRY PROGRAM PARTICIPANTS						
Key rearers	99773	154775	182635	215509	258610	28%
RDP	63736	54775	104102	116375	137064	26%
RCP	36037	100000	78533	99134	121547	51%
Chick rearers	1238	1838	2169	2559	3071	26%
RDP	886	938	1236	1382	1628	17%
RCP	352	900	933	1177	1443	52%
Feed sellers	61	109	129	152	182	34%
RDP	42	59	73	82	97	24%
RCP	19	50	55	70	86	56%
Egg collectors	155	360	425	501	602	47%
RDP	120	225	242	271	319	31%
RCP	35	135	183	231	283	92%
Poultry workers	5033	6333	7473	8818	10582	20%
RDP	3262	3833	4260	4762	5608	15%
RCP	1771	2500	3213	4056	4973	30%
Total p/l participants	106260	163415	192830	227539	273047	27%
RDP	68046	59830	109913	122871	144715	25%
RCP	38214	103585	82917	104668	128332	50%
As % of all VO members	18%	19%	18%	18%	18%	
RDP	17%	11%	17%	16%	17%	
RCP	19%	35%	20%	19%	19%	
LIVESTOCK PROGRAM PARTICIPANTS						
Paravets	942	1192	1567	1942	2342	26%
RDP	652	692	867	1042	1242	18%
RCP	290	500	700	900	1100	41%
Cow Rearers	30185	42185	75185	47435	53435	23%
RDP	28185	38185	34435	35435	37435	9%
RCP	2000	4000	8000	12000	16000	71%
Goat rearers	4962	9212	13802	19698	25690	52%
RDP	2171	4421	5011	6907	8899	46%
RCP	2791	4791	8791	12791	16791	58%
AI Workers	58	58	93	133	173	33%
RDP	35	20	33	63	93	40%
RCP	23	38	60	70	80	39%
Total participants	36147	52647	90647	69208	81640	28%
RCP	31043	43318	40346	43447	47669	13%
RCP	5104	9329	17551	25761	33971	62%
As % of total VO members	6%	6%	9%	5%	5%	
RDP	8%	5%	5%	5%	6%	
RCP	3%	1%	2%	3%	4%	

34,000 in 1991, to 55,000 in 1993 to 80,000 in 1995. The poultry and livestock program budget would increase from the 1991 annual level of Tk. 8.1 million (estimated) to Tk. 16.4 million in 1993 to Tk. 26.7 million in 1995 (Table 1).

A critical challenge for the poultry and livestock program 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 program operations and client follow up in the older areas. A related issue is how the poultry and livestock programs (as well as other sectoral programs) will actually operate under RCP. This aspect of the RCP model still needs to be tested and refined. Questions such as whether the programs 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 program components will be introduced have yet to be answered.

Fisheries BRAC's fisheries program 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.

Under the fisheries program, 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), the government (as part of its strategy to release fingerlings in the open water system throughout the country) and 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 more established components, while the Thai Sorputi ponds are relatively new.

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 supported by the fisheries program 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, and training 31,365 new program participants. The annual budget will increase from Tk.1.7 million in 1991 (estimated) to Tk. 5.2 million in 1993 to Tk.7.9 million in 1995 (Table 2).

A major challenge for fisheries program staff during RDP III will be providing adequate training and follow up to VO members who establish household based Thai sorputi ponds, since 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 currently comprise a disproportionate portion 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. However, the ponds are still collectively managed, so the risks of collective management are likely demand. This is an important aspect of credit programs that go to scale as it helps to prevent market saturation and offers members an alternative to trade. BRAC is at the forefront in experimenting with this approach, which addresses a problem facing most NGOs promoting minimalist credit as a poverty alleviation strategy.

BRAC's institution building efforts are the foundation of its sectoral programs, which operate through the village organization (VO) structure. This base provides an organizational framework for the provision of ongoing training, technical advice, credit, and follow-up assistance to members. To date, the programs have achieved broad outreach: of 120 Area Offices and Bank Branches in 1991, 100% had active poultry and livestock programs, 49% had fisheries programs, and 71% had sericulture programs. The number of BRAC members active within the sectoral programs is also impressive: in 1991 these sectoral programs reached approximately 150,000 members or about one quarter of all BRAC members. The sectoral support programs have been especially effective in reaching women, who comprise from 60% to 95% of all program participants.

Sectoral staff closely monitor their programs in terms of the number and gender of participants, services delivered, and production 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 impacts of BRAC's sectoral programs on incomes and employment is less well understood. At present, the monitoring system does not provide information upon which to track the quality of services provided, enterprise performance, or socioeconomic impacts on members and their households. RED studies have addressed the latter issue with respect to the credit and poultry programs, showing positive effects. Moreover, the midterm evaluation found positive economic returns for poultry program participants and potential for positive income and employment effects in the sericulture program. However, more consistent attention to evaluating the quality of services delivered, financial returns, and socioeconomic impacts is needed in the context of continued investment in and expansion of the sectoral support programs.

Assessment of the RDP-III Proposal for Sectoral Programs

Poultry and livestock BRAC's innovative poultry program 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 program design is anticipated. The livestock program 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.

In line with the rate of overall expansion agreed upon during the appraisal mission, BRAC will expand the poultry and livestock programs 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 program participants would increase from 163,415 in 1993 to 273,047 in 1995. Required inputs would include hiring and training 23 new skill POs and 115 new GSs. It would further involve training new 291,500 program participants. The number of poultry loans disbursed each year will grow steadily, from a current base of

SECTORAL SUPPORT PROGRAMS

Background

BRAC's sectoral support programs provide credit, training, and technical assistance to four major sectors: poultry and livestock; irrigation; fisheries; and sericulture. During RDP III, BRAC proposes to expand its support to three of these sectors (poultry and livestock, fisheries and sericulture). The irrigation program will be consolidated in RDP III, following rapid expansion during RDP II[1]. In addition, BRAC will extend its support to a new sector: horticulture and social forestry. The Rural Enterprise Program (REP) will continue to experiment with innovative ideas, technologies and business enterprises. Finally, BRAC proposes to establish a new unit to expand market opportunities for sectoral program participants.

Approach BRAC's approach to promoting sectoral development is innovative and based upon a learning approach. As a rule, each sectoral program is tested out on a small scale and adapted prior to large scale expansion. The programs are refined on an ongoing basis, even after they have gone to scale. The programs support both traditional (poultry, livestock, fisheries) and non-traditional (sericulture) sectors, emphasizing those which involve or have potential for involving large numbers of women. They are designed to promote vertical integration within each sector by involving members (both individuals and groups) at all stages of the production, processing, and marketing chain. BRAC plays a direct role in facilitating the supply of inputs, intermediate processing (e.g. silk reeling and weaving), and direct access to markets (e.g. egg collectors). BRAC's approach is to assist members to take ownership of enterprises along the chain, most often as individuals, but also as groups. This is achieved through the provision of credit, training in occupational and management skills, and technical advice and assistance from specialist staff. The sectoral programs are implemented with the direct support of BRAC departments responsible for credit (RDP and RCP), training, experimentation (REP), and monitoring.

Organization and management Sectoral programs are typically introduced to the Village Organizations (VO) during their second year of operation under RDP. At the field level, program activities are managed by Skill POs based at the regional offices who cover from 4 to 8 Area Offices and Bank Branches, and GSs based at each Area Office or Bank Branch. Within each RDP Area Office one general PO is responsible for monitoring all the sectoral activities within the participating VOs. This component of support is withdrawn as the RDP office matures into a RCP Bank Branch. One sectoral department head manages the program at the Head Office level. The Skill POs are directly responsible for carrying out client training and technical assistance, mostly at the field level, but are only indirectly involved in credit delivery.

Accomplishments to date BRAC's sectoral support programs are central to its objective of economic empowerment of landless groups. The programs 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

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[1] The irrigation program is covered in a separate annex of the appraisal report.

BRAC DONOR CONSORTIUM RDP III APPRAISAL

SECTORAL SUPPORT PROGRAMS

Jennefer Sebstad

March 1992

ANNEX 3

SECTORAL PROGRAMMES AND SUPPORT SERVICES

10-12 days in the field : This will be much more productive than the present strategy of juniors going for long periods to the field and seniors analysing their information at head office, as far as providing information for Management is concerned.

* Data presentation needs improvement. RED could benefit from a sensitive Editor whose task could be to re-package research data for the kinds of persons at both Policy-making and Operational levels in BRAC. This calls for a skill which is not commonly found in research departments : Hence the need for a Professional Editor or Editorial Unit within RED.

TABLE 1 (continued): PROJECTED EXPANSION OF POULTRY AND LIVESTOCK PROGRAM (REVISED RDP III PROPOSAL)

	1991	1992	1993	1994	1995	Growth Rate
POULTRY LOANS						
Total no. new loans	10347	27037	22037	27620	33790	48%
Total annual disbursements(Tk mil)	22.0	50.2	44.5	54.9	66.9	41%
LIVESTOCK LOANS						
Total no. new loans	24015	28015	33023	39033	47043	18%
Total annual disbursements(Tk mil)	156.0	182.0	214.5	253.5	305.5	18%
STAFF						
No. Poultry/Livestock POs	25	28	33	39	47	17%
No. Areas per PO	5	5	5	5	5	1%
No. participants per PO	5696	7717	8590	7609	7547	9%
No. GSs		127	165	195	235	17%
No. participants per GS		1701	1718	1522	1509	-3%
POULTRY/LIVESTOCK VO MEMBER TRAINING						
No. participants	68929	63022	59990	70375	87875	9%
No. participants days						
POULTRY/LIVESTOCK BUDGET						
Total expenditure (Tk millions)	8.8	8.8	16.4	21.5	26.7	14%
Program expenditure per participan (Tk)	62	41	58	72	75	7%

TABLE 2: PROJECTED EXPANSION OF FISHERIES PROGRAM (REVISED RDP III PROPOSAL)

	1991	1992	1993	1994	1995	Annual Growth Rate
No. of Participating Branches	59	80	105	135	165	29%
RDP	39	51	62	76	99	26%
RCP	20	29	43	59	66	36%
As % of Total Branches (RDP + RCP)	49%	57%	60%	63%	65%	
RDP	43%	57%	59%	61%	68%	
RCP	67%	58%	61%	66%	60%	
FISHERIES PROGRAM PARTICIPANTS						
Carp Culture	5100	6800	10000	14100	17300	36%
RDP	2600	3000	4900	7400	9300	39%
RCP	2500	3800	5100	6700	8000	34%
Thai sorputi	16386	18193	28193	41203	51193	34%
RDP	10662	12081	17981	25291	31181	32%
RCP	5724	6112	10212	15912	20012	39%
Fish nurseries	180	303	403	503	603	37%
RDP	104	172	232	292	352	37%
RCP	76	131	171	211	251	36%
Small hatcheries	0	120	160	222	274	24%
RDP	0	80	108	158	198	27%
RCP	0	40	52	64	76	18%
Total Participants	21666	25416	38756	56028	69370	35%
RDP	13366	15333	23221	33141	41031	33%
RCP	8300	10083	15535	22887	28339	37%
As % of all Members	4%	3%	4%	4%	5%	
RDP	3%	3%	4%	4%	5%	
RCP	4%	3%	4%	4%	4%	
FISHERIES LOANS						
No. of loans per year			DATA UNAVAILABLE			
Total Annual Disbursements (Tk mil)						
FISHEREIES STAFF						
No. of fisheries POs	10	12	15	18	21	20%
No. of Area Offices/Branches per PO	6	7	7	8	8	7%
No. of Participants per PO	2167	2118	2584	3113	3303	12%
No. of GSs	24	80	100	120	145	75%
Participants per GS	903	318	388	467	478	-5%
FISHERIES VO MEMBER TRAINING						
No. of Participants	1811	12040	11100	10100	10100	137%
Total Participant Days	9930	10000	25700	22700	22900	37%
FISHERIES BUDGET						
Total Expenditure (Tk millions)	1.7	1.7	5.2	6.5	7.9	63%
Program Expenditure Per Participant (Tk)	78	67	134	116	114	18%

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, and play a facilitative role in helping groups address these problems.

Sericulture Through a comprehensive set of program activities, BRAC aims to become a major player in Bangladesh's sericulture industry during RDP III. BRAC proposes to expand several existing components of the sericulture program (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 (silkworm egg production, bush plantation, cocoon drying units, yarn twisting machines, decentralized reeling and weaving units owned and operated by VO members, power loom weaving, sericulture training centres, and a full-scale marketing unit).

The proposed growth targets and the scale of expansion are ambitious. Many of the new components are technically and organizationally complex, relatively capital intensive, and have yet to be developed and tested out. The proposed level of investment in sericulture is greater than any previous BRAC income generating activity. 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 in 1993 to 219 in 1995 and the number of individual participants would increase from 39,500 to 123,800 during the same time period (13,400 of these people would receive training). The number of sericulture loans disbursed each year would increase from 2,750 in 1992, to 7,425 in 1993, to 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. Program expenditures would jump from Tk. 8 million in 1992 to Tk. 60 million in 1993 to Tk.110 million in 1995 (Table 3).

The appraisal team has identified a number of technical, organizational, and financial risks associated with the program. 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 out strategies for post cocoon processing (drying, reeling, and weaving);

iv) identifying BRAC's competitive advantage in terms of "product line"; and

v) developing a marketing strategy.

Additional challenges and risks are presented in Appendix A.

TABLE 3: PROJECTED EXPANSION OF BRAC SERICULTURE PROGRAM (RDP III PROPOSAL)

	1991	1992	1993	1994	1995	Average Annual Growth Rate
No. of Participating Branches	85	104	139	179	219	27%
RDP	63	66	85	107	123	19%
RCP	22	38	54	72	96	45%
As % of Total Branches (RDP + RCP)	71%	74%	79%	83%	86%	
RDP	70%	73%	81%	86%	85%	
RCP	73%	76%	77%	80%	87%	
Total Mulberry Trees Planted (milli	2.6	5.5	8.2	11	13.9	55%
RDP	1.9	3.6	5	6.3	7.2	42%
RCP	0.7	1.9	3.2	4.7	6.7	82%
SERICULTURE PROGRAM PARTICIPANTS						
Plantation/Caretakers	3920	5000	6400	8400	10000	26%
RDP	2860	3500	4400	6000	7000	25%
RCP	1060	1500	2000	2400	3000	30%
Mulberry Growers	15475	31000	47000	63000	80000	53%
RDP	11470	19673	28741	37659	44932	42%
RCP	4005	11327	18259	25341	35068	80%
Silkworm Rearers	2141	3000	5500	11200	20000	76%
RDP	1137	1300	1500	3000	5000	49%
RCP	1004	1700	4000	8200	15000	98%
Chawki Rearers	97	200	500	1000	2000	114%
RDP	54	100	150	300	500	75%
RCP	43	100	350	700	1500	149%
Reelers	145	200	500	1100	2100	100%
RDP	140	150	200	400	600	48%
RCP	5	50	300	700	1500	412%
Weavers	5	100	2300	4700	9700	1078%
RDP	0	50	800	1700	4000	
RCP	5	50	1500	3000	5700	998%
Total Participants	21783	39500	62200	89400	123800	55%
RDP	15661	24773	35791	49059	62032	42%
RCP	6122	14727	26409	40341	61768	81%
As % of all Members	4%	5%	6%	7%	8%	
RDP	4%	5%	6%	7%	7%	
RCP	3%	5%	6%	7%	9%	
SERICULTURE LOANS						
No. of loans per year	1853	2750	7425	15200	28800	103%
Total annual disbursements (Tk mil)	2.3	4.6	22.6	46.2	89.0	173%
SERICULTURE STAFF						
No. of Sericulture POs	15	25	50	75	100	63%
No. of Area Offices/Branches per PO	6	4	3	2	2	-21%
No. of Participants per PO	1452	1580	1244	1192	1238	-3%
No. of GSs	75	100	170	250	300	43%
Participants per GS	290	395	366	358	413	10%
Specialist staff	0	0	18	30	37	45%
Other support staff	0	0	198	253	294	22%
SERICULTURE VO MEMBER TRAINING						
No. of Participants	1000	1700	4100	4400	4900	57%
Total Participant Days	30000	51000	59200	62300	67400	25%
SERICULTURE BUDGET						
Total Expenditure (Tk millions)	6.77	7.68	60.1	103.36	109.94	194%
Program Expenditure Per Participant (Tk)	311	194	966	1156	888	89%

The most immediate problem, however, is that BRAC has not clearly articulated its plan for the program and 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 program.

Given the limited information available on the proposed program to this appraisal mission, BRAC has agreed to develop a business plan as soon as possible. On the basis of this plan, the appraisal team recommends that the Donor Consortium commission a sector specific appraisal of the program in May 1992 upon which to base a final funding decision. This appraisal should include a sericulture expert with experience in running a successful community based sericulture program, and a finance/marketing expert familiar with the international silk market. The terms of reference for the sericulture program appraisal is attached in Appendix B. While delaying a final funding decision on the program, this approach is justified by the importance of this program to BRAC, the large number of BRAC members who would be involved, and the level of funding requested.

Social forestry and horticulture Under RDP III BRAC will develop a new sectoral program in social forestry and horticulture. Its aim is to improve incomes and nutrition, increase fuelwood and building materials supply, and reduce soil erosion through the promotion of village sapling nurseries and vegetable cultivation.

The social forestry program will build upon BRAC's experience in establishing mulberry sapling nurseries. The program will train VO members (mostly women) to prepare nurseries and raise seedlings for sale on the open market and provide credit for the purchase of inputs. The horticulture program will train VO members to cultivate vegetables and seedlings and offer credit to lease land and to purchase seeds, fertilizer and insecticide, hand tube wells, and fencing materials. To ensure seed supply, the program will train seed growers. During RDP III, BRAC will provide training and credit to approximately 26,000 VO members in 100% of the Area Offices and Bank Branches under this program. To this end, BRAC will hire and train 12 new Skill POs and 30 new GSs (Table 4)

Challenges for the program 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.

Income Generation for Vulnerable Group Development (IGVGD) IGVGD is a special BRAC program that operates outside the RDP structure. The program consists of a comprehensive set of activities that are described elsewhere.[2] In brief, IGVGD supplements a monthly food ration provided by the Government to participants with an income generation activity, modelled after BRAC's poultry program. This enables beneficiaries to earn an equivalent monthly income when they leave the program after two years. One difference between this program and other RDP programs is that it is targeted to destitute women who constitute the poorest 3% of Bangladesh society.

[2] "BRACs Poultry Programme" BRAC December 1990.

TABLE 4: PROJECTED EXPANSION OF SOCIAL FORESTRY AND HORTICULTURE PROGRAM (REVISED RDP III PROPOSAL)

	1991	1992	1993	1994	1995	Average Annual Growth Rate
No. of Participating Branches	120	140	155	195	235	18%
RDP	90	90	95	105	125	9%
RCP	30	50	70	90	110	39%
As % of Total Branches (RDP + RCP)	100%	100%	100%	100%	100%	
RDP	100%	100%	100%	100%	100%	
RCP	100%	100%	100%	100%	100%	
SOCIAL FORESTRY AND HORTICULTURE PROGRAM PARTICIPANTS						
Vegetable cultivators (hort)	0	4275	13300	21355	28650	102%
RDP	0	4275	10450	13755	17250	67%
RCP	0	0	2850	7600	11400	108%
Seed/seedling growers (hort)	0	225	701	1123	1500	102%
RDP	0	225	551	723	900	67%
RCP	0	0	150	400	600	108%
Seeding producers (social forestry)	160	160	733	436	388	77%
RDP	160	160	633	336	338	62%
RCP	0	0	100	100	50	-25%
Total Participants	160	4660	14734	22914	30538	779%
RDP	160	4660	11634	14814	18488	754%
RCP	0	0	3100	8100	12050	105%
As % of all Members	0%	1%	1%	2%	2%	
RDP	0%	1%	2%	2%	2%	
RCP	0%	0%	1%	2%	2%	
SOCIAL FORESTRY AND HORTICULTURE LOANS						
No. of loans per year	160	4660	14734	22914	30538	779%
Total Annual Disbursements (Tk mill	0.3	17.4	54.7	86.3	115.4	1396%
SOCIAL FORESTRY AND HORTICULTURE STAFF						
No. POs	0	11	9	10	12	4%
No. of Area Offices/Branches per PO	0	13	18	20	20	17%
No. of Participants per PO	0	424	1637	2291	2545	112%
No. of GSs	0	90	95	105	125	12%
Participants per GS	0	52	155	218	244	84%
SOCIAL FORESTRY AND HORTICULTURE VO MEMBER TRAINING						
No. of Participants	4741	5400	11600	8500	10150	30%
Total Participant Days			39024	28500	33150	-5%
SOCIAL FORESTRY AND HORTICULTURE BUDGET						
Total Expenditure (Tk millions)						
Program Expenditure Per Participant						

Another difference is that the program operates at the Upazila level (rather than the Area Office level) in collaboration with the Government's Department of Livestock and the Directorate of Relief and Rehabilitation. The bulk of program activities are in non-RDP areas. It is funded by the Donor Consortium in collaboration with the World Food Program.

The program currently operates in 36 Upazilas. During RDP III, the program will phase out of 18 of these Upazilas and start up in 18 new Upazilas, so it will maintain its current level of operation in 36 Upazilas (Table 5). The basic program structure will remain unchanged, with the exception of two new components. The first will involve continuing the revolving loan fund in areas where the program 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 program in 36 Upazilas). Both of these new components will be supported by World Food Program outside the Donor Consortium.

The 1992 RDP II mid-term evaluation has confirmed that the IGVGD program offers high 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 team recommends continued support for the program. Challenges for BRAC during RDP III will include institution of the revised loan reporting system to provide information similar to that provided by RDP's loan reports; understanding more fully the longer term effects of the program on participants once the food rations end and the program is phased out; and integrating the VGD target group into BRAC's mainstream programs.

<u>Rural Enterprise Program</u> The Rural Enterprise Project experiments with new, innovative technologies and business ideas in support of RDP's sectoral programs. Promising projects are tested out on a pilot basis with VO members and, if successful, they are integrated into mainstream sectoral programs. The sericulture, social forestry, fisheries, irrigation, and poultry and livestock programs all are using some technologies developed by REP. During RDP III, REP will continue to develop new enterprise 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 program budget. BRAC anticipates that the other half -- which will involve primarily agroforestry activities -- will be covered by FAO outside the Donor Consortium.

TABLE 5: PROJECTED EXPANSION OF IGVGD PROGRAM (RDP III PROPOSAL)

	91/92	92/93	93/94	94/95	95/96
No. Upazilas (yr. beginning)	36	36	36	36	36
No. New upazilas	0	18	0	18	0
No. Upazilas phased out	0	18	0	18	0
Total Upazilas (yr. end)	36	36	36	36	36
Within RDP	30	18	18	18	18
Outside RDP	6	18	18	18	18
IGVGD PARTICIPANTS					
No. new VGD cardholders	75000	100000	0	100000	0
Poultry workers	5900	3000	0	3000	0
Key rearers	55000	20000	60000	20000	60000
Chick rearers	600	350	0	350	0
Feed sellers	220	0	220	0	220
Egg collectors	500	0	300	300	0
Total participants	62220	23350	60520	23650	60220
as % of VGD cardholders in Upazila	83%	23%	61%	24%	60%
IGVGD LOANS					
No. new loans	45257	18000	54000	36000	54000
Total annual disbursements	46.0	13.1	150.8	26.2	150.8
IGVGD STAFF					
Area managers	3	4	4	4	4
POs per area manager	12	9	9	9	9
Upazila POs	36	36	36	36	36
Participants per PO	2000	2800	2800	2800	2800
Trainers	144	144	144	144	144
Participants per trainer	700	700	700	700	700
Credit officers	36	72	72	72	72
New loans per CO	1257	250	750	500	750
IGVGD TRAINING					
No participants	62220	23350	60520	[illegible]	60000
No. participant days	933300	350250	907800	[illegible]	900000
IGVGD BUDGET					
Total expenditures (Tk million)	14.1	14.1	28.0	23.2	28.4
Expenditure per participant	227	604	463	981	472

The 1992 mid-term evaluation of REP's achievements shows progress in several problem areas flagged by earlier evaluations (closer integration with the mainstream sectoral programs; maturation in terms of methodology and process in technology transfer; more even balance between technology on one hand and organization and management on the other; and a stronger field orientation)[3]. The evaluation and appraisal teams have also identified some key challenges facing REP:

i) maintaining strategic focus. Due to the competence of REP staff in project analysis, they are often called upon to do 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 programs (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) developing an operational policy for turning over failed experimental projects financed by normal RDP/RCP loans.

iv) continuing to identify and experiment with new, non-traditional business activities for women (such as the rural restaurant project).

<u>Proposed Marketing Unit</u> The RDP-III proposal includes a request for support to establish 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 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.

Appraisal of the proposed marketing unit suggests that, at least in the short run, there is limited justification for establishing a separate unit. Sectoral program staff do not anticipate a high degree of surplus production from the poultry, livestock and fisheries projects in the near term. According to staff, local market demand for the products (with 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.

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

Nonetheless, marketing bottlenecks may become a problem in the future as the programs expand and the supply of products increases, so it is important for BRAC to keep ahead of this issue. To this end, the appraisal team has recommended an alternative strategy of adding two business/marketing experts (one specialist and one PO) within each of the mainstream sectoral departments with expertise in marketing. BRAC has agreed to this alternative strategy, which will require about the same level of funding. This approach will have several advantages. It will integrate the marketing function more closely within each sectoral department and make it the "every day business" of the programs. These staff will develop an expertise in markets specific to their sectors and deeper understanding of longer term market trends and opportunities. It will also help to ensure that the marketing support function is not fragmented among programs and reduce the management burden associated with an additional department.

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 programs and complementing the technical and organizational expertise of the current sectoral managers. They can work with sectoral program staff to monitor the financial performance of client enterprises, 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.

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

The service charge concept is still new to BRAC. To date, all the sectoral programs have introduced services charges, but it is not clear whether the amounts currently charged or the way in which they are recovered are appropriate. Moreover, BRAC has not yet analyzed the full costs of operating the programs (e.g. staff costs, Branch, Regional, and Head Office level operating costs, start up costs of new sectoral activities, and operating losses). Because the concept and systems are still new, sectoral program 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 programs under RCP, BRAC should now give priority to further developing these systems and training staff to implement them. It should also institute monitoring systems that can track sectoral program costs at all levels and service fee recovery rates at the Branch level for each of its programs (see Appendix C).

Credit Credit is discussed in detail in a separate annex of this report. Two brief points on issues specific to the sectoral programs: 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). The first strategy complicates management of the portfolio. The second introduces an additional element of risk associated with collective management. To this end, BRAC should review its policy with respect to loan ceilings, and may want to consider reintroducing medium term loans.

The second point is the importance of involving sectoral program field staff (POs and GSs) in the loan monitoring process. Sectoral staff should receive regular reports on the status of borrowers participating in their programs to provide an 'early warning' system for identifying potential problems in their projects and to support the loan monitoring process. It would also provide information for assessing effective credit demand within the context of their programs (specifically, whether loan sizes and terms are appropriate) and hone their credit analysis skills.

Training Skills training is a central component of the sectoral programs. The Management and Training annex of this appraisal report identifies several issues related to skills training[4]. The most important is that the quality of the skills training currently may be compromised by the separation of the training from the TARCs (most sectoral training is conducted in the Area Offices), the limited availability of space for training in the Area Offices, and the heavy staff training load. To ensure successful expansion of the sectoral programs under RDP III, BRAC must give priority attention to this critical issue. It should also ensure that the pace of expansion of the sectoral programs is kept in line with its capacity to maintain high quality training.

Summary and Recommendations

BRAC's innovative and comprehensive sectoral programs are central to its poverty alleviation objective by promoting higher level economic activities which aim to increase effective demand in rural areas. Few other organizations within (or outside) Bangladesh have achieved the scale of BRAC in promoting income generation programs that combine credit with skills training and technical assistance from specialist staff. Continued growth and development of the sectoral programs is particularly important in the context of BRAC's increasing emphasis on credit, given their role in promoting new, incremental income for the rural landless.

BRAC proposes significant expansion of its sectoral programs during RDP-III, particularly in sericulture. While the programs 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 program

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4 Dani, Anis Ahmad, "BRAC Donor Consortium RDP III Appraisal: Management and Training." March 1992.

effectiveness and longer term sustainability. The appraisal team recommends that expansion of the sectoral programs be modified in line with the recommended rate of expansion of RDP as a whole and that BRAC address the following issues:

i) Service charges The operating costs of the sectoral programs under RCP will be covered by service charge income. To ensure their sustainability under RCP, BRAC will need to (i) develop a service charge system within each sectoral program to cover full program costs (ii) train staff to maintain a high level of service charge recovery -- which will be particularly challenging in the fisheries and sericulture programs; (iii) sustain program operations at a level/volume necessary to carry the program costs; and (iv) curb any major increases in program costs.

ii) Business planning The business component of the sectoral programs needs to be strengthened. The addition of two staff members within each sectoral program with expertise in business management, finance, and marketing could strengthen this fundamental element of programs. These staff could work with the Training Department to develop modules and curricula for enhancing the business skills of sectoral staff and VO members (e.g. in business planning, financial management, bookkeeping, costing/pricing, marketing, credit management). They could also oversee the development, implementation, and monitoring of the service charge system.

iii) Marketing Rather than establishing a separate marketing unit for the sectoral programs, marketing expertise should be added to each sectoral program, as spelled out above.

iv) Loan monitoring by sectoral program staff Sectoral program staff (POs, GSs and headquarters staff) should be provided regular reports on the status of borrowers participating in their programs. This would provide an 'early warning' system for identifying potential problems in their projects and would support the loan monitoring process. It would also provide information for assessing effective credit demand within the context of their programs (specifically, whether loan sizes and terms are appropriate) and sharpen staff skills in monitoring the financial status of member enterprises.

v) Sericulture program BRAC needs to more clearly articulate its plan for the sericulture program. The current proposal does not discuss how certain critical problems and risks will be dealt with, nor does it include a full financial, technical, or management plan for the program. Given the limited information available to this appraisal mission, the team recommends that BRAC develop a business plan for the sericulture program as soon as possible (an outline for this plan is proposed in the final report). On the basis of this plan, the Donor Consortium could then commission a final appraisal of the program and make a final funding decision by mid 1992. The final appraisal team could include a sericulture expert and a financial/marketing specialist. While delaying a final funding decision on the program, this approach would appear to be justified by the importance of this program to BRAC (which would comprise its largest sectoral investment), the large number of clients who would be affected by the program, and the level of funding requested.

vi) Monitoring The current monitoring system for the sectoral programs provides a solid base of information regarding services delivered and production targets. It should be expanded to include a focused set if indicators to monitor the quality of sectoral services delivered, financial returns at the enterprise level, and socio economic impacts.

vii) Research and evaluation Sectoral program staff should work more closely with RED to identify key topics for research and evaluation and to develop appropriate terms of reference, methodologies, time-frames, and reporting formats for investigative work. BRAC should undertake evaluations of its more mature sectoral programs in 1993 (the poultry and livestock program, the fisheries program, IGVGD, and REP) in preparation for RDP-III's mid term evaluation. These programs are central to BRAC's economic empowerment objective, yet previous evaluations have not provided individual, in-depth assessments of each program. The evaluations should assess the technical soundness of the program; business related issues (markets, sales, profits, business management, ownership issues); the content and quality of staff and client level training; performance of the loans supporting each program; program organization and management; financial sustainability and program operation under RCP; and the impacts of the programs on client enterprises.

Appendix A

Sericulture Programme Challenges/Risks

SERICULTURE PROGRAM COMPONENT	CHALLENGES
Mulberry tree plantation	Ensuring trees are not planted on roads that flood 'Ownership' of trees Good maintenance and care of trees Distance between trees and rearers' homes Disease Proper picking and storage of leaves
Supply of eggs	Throughout RDPIII, BRAC will depend on the Bangladesh Sericulture Board for a majority of its silkworm eggs -- the basic input required for production. The quality and volume of supply has been very uncertain up to now, and there is little prospect of the situation improving in the near term. This introduces a considerable degree of risk into the project during RDPIII. BRAC proposes to establish grainages to produce its own eggs starting in 1993, but it will take several years to develop the capacity required for the proposed level of expansion (BRAC will be 9% self sufficient in egg production in 1993; 22% in 1994; and 47% in 1995)
Production of worms (chawki)	Supply of eggs and training of Chawki rearers required to produce quality worms
Production of cocoons	Training rearers Preventing disease Quality control (proper care and feeding; proper drying of harvested cocoons)
Supply of cocoons to BRAC or open market	Regularity of supply BRAC's pricing policy against low prices of BSB Transport Timing Organization and management related to supply

BRAC purchase of cocoons	Determining working capital requirements Organization and management related to purchase/storage/processing
Reeling yarn (decentral-ized reeling still at the experimental stage)	Skills Quality control Ownership (centralized vs. decentralized reeling centers)
BRAC purchase of yarn from reelers	Determining working capital requirements Quality control Pricing Organization and management related to purchase
Weaving (still at the experimental stage)	Weaving skills Weaving design Quality control Technology Working capital requirements Ownership (centralized vs. decentralized weaving centers) Organization and management related to weaving
Marketing (woven fabric or yarn) (untested at higher volume of production)	Quality control Regularity of supply Market demand analysis Market fluctuations Pricing Organization and management
Training	Staff training Expanding staff capacity to train clients Maintaining high quality client training
Technology choice	Implications for ownership Implications for management Implications for financial requirements
Organization and management	Coordinating the supply of inputs along the supply, processing and marketing chain

Appendix B

TERMS OF REFERENCE

FINAL APPRAISAL OF BRAC'S SERICULTURE PROGRAM PROPOSAL

1993-1995

Background

One component of BRAC's RDP III proposal to the Donor Consortium is a request for US$6.3 million over three years to expand its sericulture program. BRAC proposes to expand several existing components of the program (tree plantation, rearing silkworm cocoons, reeling yarn, and weaving fabric). In addition, it would introduce several new components along the production, processing and marketing chain (silkworm egg production; bush plantation; cocoon drying units; yarn twisting machines; decentralized reeling and weaving units owned and operated by VO members; power loom weaving; sericulture training centers; and a full-scale marketing unit). Through this comprehensive set of program activities, BRAC aims to play a major role in developing Bangladesh's sericulture industry.

The proposed growth targets and the scale and pace of expansion are ambitious. Some program components are technically and organizationally complex, and have not yet been developed and tested out. Under the current strategy, 123,800 VO members would be involved in the program by 1995 (up from 21,783 in 1991), and the program budget would increase to US$2.6 million in 1995 (up from US$169,000 in 1991). The number of sericulture program staff would also increase: between 1991 and 1995, the number of POs would expand from 15 to 100 and the number of GSs would increase from 75 to 300. In addition, 37 new specialist staff and 294 new support staff would be hired. The proposed expansion also would place significant demands on BRAC's loan portfolio and training units (Annex A).

The March 1992 appraisal team has identified a number of technical, organizational, and financial risks associated with the program. 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 out strategies for post cocoon processing (drying, reeling, and weaving);

iv) identifying BRAC's competitive advantage in terms of "product line"; and

v) developing a marketing strategy.

Additional risks identified by the appraisal mission are presented in Annex B.

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

Given the limited information available to the March 1992 appraisal mission, the team has recommended that BRAC develop a business plan for the sericulture program as soon as possible. An outline for this plan is presented in Annex C. On the basis of this plan, the appraisal team has recommended that the Donor Consortium commission a sector specific appraisal of the program upon which to base a final funding decision.

Terms of reference for the sericulture program appraisal

The Donor Consortium will hire a two person team to appraise BRAC's proposal to expand the sericulture program. The team will include a sericulture expert with experience in running a successful community based sericulture program, and a finance/marketing expert familiar with the international sericulture market. The appraisal team will evaluate the technical, financial, and organizational feasibility of the proposal and make specific recommendations to the Donor Consortium on whether to fund the program, modifications in program design (if any), and funding levels.

The team will appraise the following program components:

- o tree and bush plantation (ownership of trees; maintenance of trees; risks associated with disease; financial sustainability; service charges);

- o the grainage center (technology choice and implications for the ownership and management; effectiveness of the center in addressing problems associated with the quality and supply of silkworm eggs; training needs; staffing plan; pricing; marketing; financial viability; risks)

- o the Chawki and silkworm rearing components (technology choice; organization and management; training needs; credit demand; pricing; marketing; financial viability; quality control; risks associated with uncertainty in the supply of eggs; other risks)

- o the post cocoon processing components, including cocoon driers, reeling, twisting, and weaving units (technology choice and the implications for ownership and management; trade offs between centralized and decentralized ownership and management; training needs; credit demand; pricing; marketing; financial viability; quality control; risks associated with uncertainty in the supply of cocoons; other risks);

- o the marketing unit (product line; domestic and international market demand; access to domestic and international markets; BRAC's competitive advantage; pricing strategies; risks associated with uncertainty in the supply and quality of products; short term and long term marketing strategies; staffing plan).

In addition, the appraisal team will review BRAC's training strategy and capacity to implement the training. It will assess the scale, phasing, and pace of program expansion and the proposed budget. Finally, it will identify any major policy constraints related to the sericulture industry in Bangladesh which would affect the program.

Appendix C

BRAC's Sectoral Program Service Charge System

The purpose of this note is to (i) describe BRAC's current service charge system, (ii) identify the budget categories that should be included in measuring the full costs of the sectoral programs, and (iii) suggest issues that should be monitored as BRAC further develops its service charge system during RDP III.

Current system

Services charges are recovered by BRAC in four ways: (i) mark ups on inputs supplied (chicks); (ii) deductions at the time of loan disbursements (fisheries); (iii) direct fees for services provided (paravets); (iv) direct fees for user rights (mulberry trees). The current service charge system and rates for each program are detailed in Table C.1

Table C.1
Service charges for BRAC's sectoral support programs
(March 1992)

Poultry	Poultry Worker --25 paisa/vaccination/bird for VO members --50 paisa/vaccination/bird for non-VO members Chick rearer --Tk1/day-old chick sold (mark-up from Tk.7 to Tk.8) Feed mill operator --Tk 1/kg. feed sold (mark-up from Tk 8 to Tk 9 per kg feed)
Livestock	Paravet --Tk 25/year for general care --Tk 10/vaccination --Tk 5-30 for treatment of disease --Tk 20 for normal calf delivery Artificial Insemination Workers --Tk 5/insemination
Sericulture	Mulberry growers --Tk2/tree/year for user rights Sapling growers --25 paisa/tree sold (Tk 1 selling price)
Fisheries	Carp culture --Tk 10/decimal water body/year Thai sorputi --Tk 5/decimal water body/season (3-4 seasons/year) Nursery --Tk 20/decimal water body/season (3-4 seasons/year)
Social forestry	Nursery operators --10 paisa/tree sold (Tk1 selling price)

Horticulture	Nursery operators --Tk 5/decimal planted
Irrigation	Deep tube wells Year 1 --20 kg rice/acre command area* Year 2 --30 kg rice/acre command area Year 3 --40 kg rice/acre command area * service charges will be collected in cash, but tied to the government price of rice

Budget categories to include in measuring full costs of sectoral programs

Direct costs:

Staff
  PO salary and benefits
  GS salary and benefits
Operating expenses
  Transport
  Losses
Staff training costs
Client training costs
Start-up costs of introducing new program components

Indirect costs:

Branch Office support costs
Regional Office support costs
Head Office support cost
Research and development

Monitoring issues

To assess the effectiveness of its service charge systems, BRAC will need to measure and track the full costs of the sectoral programs and the income realized through fees. Other issues to consider in assessing the effectiveness of the service charge system include:

i) the design of the cost/fee structure

ii) client's willingness to pay for services

iii) appropriateness and efficiency of the recovery methods (e.g. mark-ups, direct collection, etc.)

iv) ability to maintain a high level of service charge recovery

v) capacity to sustain program operations at a level/volume necessary to cover program costs

vi) any major increases in program costs.

ANNEX 4

MANAGEMENT AND TRAINING

BRAC DONOR CONSORTIUM RDP III APPRAISAL

MANAGEMENT AND TRAINING

A REPORT BY

ANIS AHMAD DANI

MARCH 1992

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1.0 INSTITUTIONAL DEVELOPMENT AT THE LOCAL LEVEL

1.1 Introduction

1.1.1 The long-term objectives of BRAC are poverty alleviation and empowerment of the rural poor. Until the mid-80s, BRAC addressed these two objectives through two parallel programmes: the Rural Credit and Training Programme (RCTP), and the Outreach Programme. In 1986, these were merged to form the present integrated Rural Development Programme (RDP). RDP follows a target group approach and is aimed exclusively at the rural poor. Although BRAC has graduated into several parallel programmes, the multi-sectoral Rural Development Programme (RDP) remains the core of the entire effort and, as the frontline activity, has been charged with the responsibility of creating the institutional base for sustained development.

1.1.2 <u>The BRAC model</u> The model consists of a four-year phase of **institution building** at the village level, provision of **access to credit** for sustained development, creation of additional income opportunities through BRAC's **sectoral programmes**, and provision of **support services**, such as non-formal education, from concurrent BRAC activities in the social sectors. Development intervention starts with group formation. The primary unit is the Village Organisation, optimally 45-50 members, which is further organised into smaller groups of 5 each, to ensure more efficient interaction and group responsibility. After the initial four-year phase of conscientisation, technical and managerial training, and experience with credit discipline, the model assumes that a viable, institutional environment has been created. BRAC operates a Rural Credit Project (RCP), which has been designed as a successor institution to RDP and was fully capitalised by the same Donor Consortium at the time of RDP II, to continue self-sustained credit activities and technical services after the RDP phase. The model assumes that the VOs will federate into higher levels of organisation, perhaps with Federations at the Union Parishad level, to provide some of the organisational support currently delivered by BRAC.

1.1.3 <u>Implementation strategy</u> RDP initiates its activities by the establishment of an Area Office, staffed by an Area Manager, and a two-tiered network of extension staff: the Programme Organisers (POs), and Gram Shebok/Shebikas (GS). Some POs and GS are responsible for institutional development activities, while others have clear sectoral responsibilities. Immediately upon group formation, a process of Human Development Training starts with the support of a network of training staff, based at decentralized Training and Resource Centres (TARC). The core course of Functional Education and Consciousness Raising is provided to all VO members. Other, more specialised courses for group leaders, follow. Group discipline and consciousness raising activities continue through weekly meetings with the GS, and monthly issues-based meetings with the POs. Individual savings and credit activities run in parallel, and are supported by sectoral training to enhance income opportunities. During the RDP phase, all training and extension costs are borne by the programme. In four years, each Area Office is designed to have mobilized 6,000 members into 120 VOs, and to have reached a credit volume, whose rate of interest could pay for development activities in the RCP phase. At that stage, RCP buys out the Area Office, which is converted into an RCP Branch Office.

1.1.4 Monitoring Indicators The two key indicators relied on by the programme to determine maturity of an Area Office are the absolute number of VOs and VO members, and the volume of credit activity required to sustain the Area Office when it becomes a Branch Office. It is assumed that, if the Branch Office can be sustained, the VOs will also be sustained. Unfortunately, **this assumption is itself not sustainable.** The sustainability of the Branch Office is **a necessary** but not **a sufficient** condition to ensure sustainability of the VOs. **VO sustainability implies a level of organisational maturity among local leaders and group members which has to be established independently of the financial viability of Branch Offices.** Recently, BRAC has attempted to apply indicators to conduct VO assessment. While a major step forward, in the opinion of this mission, **the indicators are not adequate to monitor VO maturity**. More important, the indicators are not applied to determine whether VOs within the territory of a Branch Office are ready for transfer from the RDP mode to the RCP mode. All the VOs under an Area Office are transferred simultaneously to RCP when the Area Office becomes a Branch Office.

1.1.5 The 4+2 model envisaged in RDP III Based on the experience of RDP II, BRAC is aware that the process of VO formation goes on at least through the second year of operation of an Area Office. As a result, many of the VOs have not had a full four years under RDP at the time of transfer to the RCP mode. They may be behind on the standard series of training courses for Human Development Training, or skill training, offered to VO members and VO paraprofessionals, and have had a shorter exposure to conscientisation activities. RDP III has budgeted Tk 100,000 for continued institutional support, and skill training support for the first two years of functioning of RCP Branches, as a subsidy from RDP to RCP to cover these costs. The 4+2 model assumes that the basic design of a four-year institutional development phase is sufficient to generate the organisational maturity expected of VOs, an assumption which is inherently mechanistic. While there is substantial evidence of social change and organisational development among BRAC villages, **investigations made during brief field visits and discussions with management and field staff, and VO members, have raised doubts about the completeness of the model.** What is heartening is that BRAC staff themselves are acutely aware of the shortcomings of the model and are looking for ways to develop it further.

1.1.6 Scale of the proposed expansion During RDP III, BRAC is proposing to initiate 115 new Area Offices. With the transfer of 60 existing RDP branches to RCP, the net number of RDP Area Offices will go from 90 in 1992 to 145 in 1995. The number of RDP VOs will jump from 7,689 in 1991, to an estimated 14,000 VOs in 1995 under RDP alone. The combined RDP-RCP figure would move from 11,376 in 1991 to an estimate of over 30,000 VOs, with a concomitant increase in the number of VO members. The danger is that the pressure to meet targets at this scale may lead to a formula approach to institutional development. Given the scale of the proposed expansion, it is crucial that the organisational maturity of the VOs be carefully monitored, and that the institutional support envisaged in RDP III be thought out more carefully and operationalised through practical steps built up gradually through a learning process.

1.2 Micro-managing rural development

1.2.1 Capacity of Field Staff BRAC's field staff are enthusiastic, and motivated but relatively young and inexperienced. There is a clear difference between the mid-level staff, who started off as Programme Organisers during the Outreach Programme, prior to RDP, and those who have joined in the past few years. The older staff being more seasoned and rich in field experience, are able to respond to unforeseen circumstances more readily. The younger staff respond better to more structured training but tend to apply standardised solutions to practical problems. During RDP II, BRAC has depended more on younger, newly recruited staff. The experience of Programme Organisers encountered in the field ranged from 0.1-5.5 years with BRAC, with an average of 1.5 years. At 2.5 years, they tended to be moved up as Incharge of Area Offices, although the design mode is for Area Managers to have 5 years of experience. The pressure to expand is leading to significant discrepancies between desirable and actual experience.

1.2.1.1 This variance is already having an impact at the field level, where the monthly issues meeting has become a ritual motivational lecture by the PO on pre-determined topics selected out of a list provided by Head Office (see Annex 1.1). The dialogue is being conducted as a monologue. Retention of messages from the issues meetings is poor.

1.2.1.2 Of greater concern was the simplistic response from field staff, to queries about sustainability. The unanimous view of the younger staff was that sustainability meant the ability to pay for credit and services. The ex-Outreach staff, on the other hand, talked about organisational maturity and institutional self-reliance. Institutional development has clearly suffered at the hands of credit sustainability. This suggests that the next phase should concentrate on consolidation, perhaps even at the cost of shrinking targets for horizontal expansion in RDP III.

1.2.2 Organizational Achievements By December 1991, BRAC was operating in 5,198 villages, with 7,689 VOs under RDP Area Offices, and another 3,687 VOs under RCP Branches. Of these, 66% were female VOs. Total membership had reached 598,123, of which 405,974 (68%) were women.[1] This achievement is admirable but the scale of activities makes consolidation all the more difficult. The RDP III proposal for the next phase proposes an expansion by another 200%, to reach out to 25% of the target population, a mind boggling target. Targets may need to be reconsidered after interventions for continued institutional support to existing VOs are designed, tested, and implemented.

1.2.3 Limitations of the 4+2 model The current model of institutional development assumes that introduction of the VO structure, motivation through training courses aimed at conscientisation and skill development, and organizational and financial discipline through the VOs will lead to sustained development. What the model overlooks is that a target-oriented approach has the danger of running a programme directed and driven by BRAC staff, rather than by the villagers themselves. The weekly meetings are conducted by GS, primarily for credit and savings purposes. The monthly meetings have now been converted into issue-based meetings, with the PO in the role of a teacher. Villagers neither conduct meetings independently, nor maintain meeting records or financial records. Accountability is to BRAC, not to themselves, as a community.

[1] BRAC Report - No. 1, Dec 1991.

1.2.3.1 The statement that "BRAC is successfully managing the expansion planned within RDP II... without jeopardizing the quality of the programming" is probably true, if this dependence on BRAC is acceptable. If, however, the VOs are expected to become organizationally independent, more efforts are needed for consolidation.

1.2.3.2 As would be expected, RCP Branches are more interested in credit performance and financial viability than in institutional development. This trend is likely to be reinforced when financial sustainability criteria are applied more stringently to RCP Branches in the future. The problem would be less acute if, during the RDP phase, more emphasis were to be laid on leading the VOs toward organisational maturity. The VOs themselves, could then pick up the slack on institutional development, while RCP could concentrate on credit and savings activities.

1.2.4 Organizational Maturity Organizational maturity at the local level implies that villagers should not only participate in meetings, they should be able to conduct meetings themselves; they should not only listen to lectures on pre-selected issues, but should be able to set the agenda, and discuss matters of interest and direct relevance to themselves; in addition to knowing their individual savings they should also know the size of the VO's collective capital, and the resources which can be generated from other financial institutions by that capital; they should be able to record minutes of meetings, plan and monitor village development activities, and manage a VO budget; in addition to accessing resources from BRAC, they should be aware of, and able to access, other government and private resources available in their area, once they have learned how to from BRAC; and they should be able to collaborate on their own initiative with other small groups within the VO, or with other VOs as the need arises. BRAC's major role should be to develop local institutions to a level where they are able to undertake such activities. VO maturity should be monitored from the extent to which the VO is able to do so.

1.3 Consolidating achievements of RDP II

1.3.1 Levels of organization The VO is the basic unit of organisation relied on by BRAC. VO members have interests corresponding to at least three levels: interests of individual members, that of intra-VO groups, and supra-VO interests, which can be visualized as concentric circles. BRAC activities have been aimed primarily at level one, the inner-most circle of individual interests, manifested through savings and credit behaviour, where it has sought to teach organizational discipline at the cost of creating dependency. To a lesser extent, BRAC has tried to address level two but activities have largely been confined to the motivational sphere to engender group solidarity. Collective undertakings, even within the VO, are the exception rather than the rule. The outermost circle, corresponding to level three, remains untouched, and the concept of Federations remains a concept.[2] Consolidation activities will need to address all three levels simultaneously.

1.3.2 Strategy to operationalize support for institutional development Discussions regarding possible support activities for continued institutional development were conducted with BRAC field staff and senior management. The outcome is a three-pronged strategy to be carried out

[2] RDP III Proposal, p. 7.

concurrently with expansion activities in RDP III, by a special RDP support unit for institutional development in areas handed over to, or about to be transferred to RCP. The support unit will consist of a small number of Senior POs, carefully selected and groomed for institutional development, under each RDP Regional Manager. The institutional development role of the Senior POs will be supplemented by one carefully selected PO for institution building, based at each RCP Branch. Support activities will concentrate initially on RCP areas but, as they gain experience and momentum, will be expanded backwards to include RDP VOs as well. The entire support for institution building should be coordinated and guided by a carefully selected Senior Regional Manager who should be designated as Coordinator or Advisor, Institution Building. Institution building should be seen as a staff function under the overall guidance of the Executive Director.

Concurrent Interests of Group Members

Level 1: individual:

- consciousness raising
- savings and credit
- access to technical skills and resource inputs
- income generating activities

Level 2: sub-VO group:

- leadership development
- planning and management skills development
- intra-VO conflict resolution
- identification of local resources for future development
- common resource management
- feedback to BRAC on local priorities and needs

Level 3: supra-VO interests:

- awareness of government resources
- ways to access government resources
- influencing Union Chairmen toward development activities
- analysis of under-utilized physical resources in their area
- intra- and inter-VO conflict resolution
- supra-village infrastructure development
- exchange of development experiences
- feedback to BRAC on development priorities and activities
- clustering of VOs for future Federations

1.3.2.1 Within the innermost circle, the senior PO institutional development will have the task of ensuring the transition of RCP POs from the role of a **teacher** to **facilitator**. His prime task will be to transform the monthly issues meeting to a forum for internal discussion and planning among VO members, on issues of interest to them. This will involve practical facilitation at village meetings, as well as discussions with POs and GS at Branch meetings, to teach them to follow his example.

1.3.2.2 Institutional development activities in the middle circle will be directed at leaders of the small groups. A full day's workshop will be organised at Branch offices for small group leaders every quarter. To keep numbers at each workshop between 20-30, it is expected that the VOs will be clustered in groups of 3. The purpose of the workshop will be to broaden the vision of individual members by discussing activities of common interest including, but not limited to, BRAC programmes and non-BRAC resources which could be tapped to supplement existing village resources. A possible outcome will be action plans for development activities shared by some of the small groups.

1.3.2.3 The prime aim of activities in the outer circle is to foster supra-village institutions. Bi-annual VO Conferences meetings of village managers will be organised at the Union Parishad level. This will be a forum to discuss matters of larger interest including government resources, Union Parishad resources, large scale infrastructure needs of the Union Parishad, as well a consideration of BRAC's current programmes. Like the small group leaders' workshop, the Managers' Conference will be a crucial source of feedback to BRAC regarding the relevance of its programmes, and can provide a mechanism to determine demand of future programme activities. The Managers' Conference is expected to lead to a process of clustering of VOs into larger entities through which Federations may evolve organically, with an advocacy and management function for development at the supra-village level.

1.3.3 <u>Process documentation</u> The senior PO institutional development will be the major catalyst responsible for the three-pronged strategy. At the third level, it is hoped that senior management will also be involved on a rotational basis. It is not realistic to expect that senior management can participate in all Managers' Conferences, and certainly not in the small group meetings. Yet the lessons from these meetings could have a major impact on the future direction of BRAC, and need to be accessed by management. This highlights the need for thorough **process documentation,** a monitoring technique which BRAC is aware of, but has not extensively utilized. It is strongly recommended that process documentation be built into all activities as part of the institutional support strategy.

1.3.4 <u>Implications for management and training</u> If the institutional support activities are to be carried out effectively RDP staff and training staff will need to work together on the design of a simple format for each of the three kinds of meetings. Senior POs will have to acquire moderation skills, and the monitoring unit will need to acquire skills and apply systematic process documentation. Management will have to recognise that weaning away of VOs is a painstaking but do-able process. Having gone so far in developing VOs, the need for a consolidation phase is inescapable.

1.3.5 Financial implications The proposed strategy has financial and personnel implications well beyond that allocated under the heading of institutional development in the RDP III budget. Some suggested add-on costs for the three levels of institution building activity are estimated:

i) Staff requirements: Unit cost

Sr PO, Institutional Development		
at Tk 7,500 p.m. x 12 =		90,000 p.a.
	Travel 35%	1,500
	Staff training 7.5%	6,750

		128,250 p.a. per Sr PO

Each Regional Office is likely to need 2 Sr POs in 1993, 3 in 1994, and 4 in 1995. Some subsidy is also envisaged for the PO institution building at RCP Branches. Additional costs for group meetings are not envisaged.

ii) Level-2 meetings of small group leaders are envisaged quarterly at Area Offices. A full day's meeting is envisaged and is budgeted at Tk 20 per participant per day. Unit cost per Branch comes to:

120 VOs x 10 gp. leaders x 1 day x 4 times per year =	4,800 p/d
Annual cost per Branch 4,800 x 20 = Tk 96,000	

iii) Level-3 Managers' Conferences at Union Parishad level are envisaged bi-annually and is budgeted at Tk 100 per day since it will involve transportation, logistics at Union Parishad level, and supporting materials. Unit cost per Branch comes to:

a.	120 managers x 1 day x 2 times per year = 240 p/d Annual meeting cost per Branch 240 x 100 =	24,000 Tk
b.	Reproduction of the Report 6 meetings per Branch per year x 100 copies x 40 Tk =	24,000 Tk
		---------
		48,000 Tk

2.0 TRAINING FOR DEVELOPMENT

2.1 Introduction

2.1.1 Over the years, BRAC has established an elaborate network of training activities. BRAC's training programmes are designed to address training needs in (a)human development training, (b)occupational and technical skills, and (c)management training. Human development training is the primary responsibility of the Training and Resource Centres (TARCs), skill training is being conducted by the sectoral POs directly under RDP, and management training is gradually shifting from the TARCs to the Management Development Programme (MDP). It is extremely difficult to estimate BRAC's total training capacity, in terms of physical facilities since BRAC conducts training at the TARCs, at the Management Training Centre (MTC), Rajendrapur, at Regional and Branch offices, at space within the premises of other BRAC programmes (such as Ayesha Abed Foundation), and at rented premises. Except within the TARCs, and MTC, calculations based on trainer strength do not lend themselves to capacity estimations either, since BRAC relies on all its sectoral POs for training. Nevertheless, a comparison of targets vs achievements provides some insights into points of stress in the training system.

2.1.2 Training targets and achievements in 1991 are shown in the following table:

	1991 Target	1991 Achievements	
Human Development Training	183,767	166,605	91%
Skill Training	83,553	58,941	71%
Total[3]	267,320	225,546	84%

A detailed analysis by training course (see Annex 2.1) reveals over-achievement in Functional Education (teachers' training) and Legal Awareness, but underachievement in almost all the remaining. Skill training has fallen considerably behind targets.

2.1.3 Training targets for 1993-95, computed from the RDP III proposal, are appended as Annex 2.2. They reveal a phenomenal increase in the training load.

[3] Computed from 1991 date provided by BRAC Monitoring Department.

TRAINING TARGETS 1991-95

	1991	1993	1995
Human Development Training	183,767	345,378	473,218
Skill Training	83,553	403,330	507,525
Total	267,320	748,708	980,743

Given the underachievement of training targets in 1991, the basis for computation of 1993-95 targets is still unclear, except for training through the TARC system.

2.2 Human Development Training

2.2.1 TARC Capacity In March 1992, the TARC's had a total capacity of 462. This will increase to 658 by January 1993, the start of RDP III, when 7 TARCs will be fully operational. In 1992, capacity of the TARC system has been supplemented by another 275 by using space available at other BRAC premises, given a total existing capacity of 737[4]. The quality of accommodation at these supplementary premises varies considerably but is inferior to that at the TARCs. It is assumed that, with the construction of additional TARCs at more convenient locations, Human Development Training can move back to the TARCs, where the quality of interaction and support is far superior. Under RDP III TARC capacity is designed to increase to 958 by 1995. This will increase the number of participant days at TARCs from an existing total of 109,771 in 1992 to 227,621 in 1995.

2.2.1.1 The TARC training system is based on full-time residence at the TARC for the duration of training, and is a complete training experience. The training is designed to be participatory, with varying techniques to enhance the quality of interaction. Trainers and trainees share accommodation and dining facilities, and participate daily in one hour of morning work to maintain the TARC premises. Facilities are basic but adequate. The trainers meet every evening to review the day's work and obtain feedback from their colleagues. Feedback from trainers and trainees has been extremely positive who agree that TARC training is superior to other forms of training provided by BRAC.

2.2.1.2 Total capacity within the TARCs in 1991 is reported to be 112,413 participant days, while actual achievement was 120,523 in 1991[5], or 107% of capacity. Pressure on the TARCs was probably higher since the capacity, compared to facilities, appears to have been overestimated to begin with. Total accommodation within the TARCs was actually 399 in December 1991, which translates into 94,802 participant days. Achievement in 1991 is thus

[4] See Annex 2.3 for existing and planned TARC capacity.

[5] TARC Annual Report 1991, p.23.

127 percent of designed capacity. This additional strain on the trainers, and on the physical facilities, has begun to tell on the quality of training and maintenance of facilities.

2.2.2 TARC Viability In 1991, the TARC system yielded a net operating profit of Tk 43.3 million. Except for TARC training at the Management Training Centre (MTC) in Rajendrapur, all the TARCs are making a profit(see Annex 2.4). More attention to maintenance is financially feasible and advisable.

2.2.3 Trainer Load With the exception of NFPE training, all TARC and field based training is conducted individually for the full length of the course. A regular course is either 6 days or 13 days. BRAC feels that the ideal schedule for a trainer is 18 days of independent training, 3 days of report writing, 4 days of meetings and follow up visit, and 4 days of travel. Even this load assumes that trainers will work on weekends. When BRAC calculates training capacity, it budgets 21 days of training per month. In practice, most of the trainers interviewed reported 24-26 days of training per month in the past three months, a load which is only possible at the expense of other responsibilities.

2.2.3.1 Follow up has suffered the most. In theory, trainers are supposed to follow up on 20% of the courses. In practice, they are unable to follow up even 5%. Once the trainees leave the training hall, the trainers have little feedback on training effectiveness, and utilization of knowledge acquired.

2.2.3.2 Morale is high among trainers but trainer fatigue is inevitable. The pressure to meet training targets has also resulted in fresh trainers being assigned independent training courses within four weeks of having been selected as trainers, although all trainers are supposed to go through a learning period of three months before conducting training for group members, and six months before doing staff training. The designed strategy should be adhered to if training quality is to be maintained.

2.2.3.3 Morale among newly recruited trainers was higher since selection as a trainer was considered a privilege, and a recognition of their merit. Perhaps the fact that life at the TARCs is considered to be much easier than that in the field may have had a bearing on staff morale. Those who had been trainers for more than a year, however, pointed out that they were working 12-14 hours a day, 28-30 days a month.

2.2.3.4 The ideal training load, described by the trainers, was 18-19 days of full-time training per month, and one follow-up visit to the field every month. This translates into one 13-day course plus a 6-day course, or three 6-day courses. The monthly schedule would probably look like:

*	Training load	18-19 days
*	Follow-up	3-4 days
*	Report writing & design of course/training materials	2 days
*	Participation in monthly	
*	TARC and RDP meetings	2 days
	Total	28 days

This does not include travel time if training has to be conducted in the field. Clearly, any increase in training load can only be done at the expense of other vital functions which affect training quality.

2.2.3.5 Besides reducing the number of training days, two additional possibilities were explored to relieve the burden on trainers. The first was to specialize trainers in some courses. This was resisted by all the trainers who said that rotation of training assignments provides some relief. The second was to have a co-trainer in the training courses, as NFPE does in the teachers' training course. This was welcomed by the trainers who agreed that it was not easy to conduct 9-5 training sessions single-handedly, day after day. Most training courses are attended by at least one PO from the field. Co-opting the PO as a co-trainer would provide relief to the trainer, as well as improve the quality of the training by integrating practical field experiences into the training process.

2.2.4 TARC facilities Although the TARCs have an overhead projector, a TV and a VCP, they do not have facilities to produce training or extension materials, and even lack a photocopier to make copies of the materials they use or generate. The Materials Production Unit has been centralized in the Head Office. Considering that fact that the entire process of curriculum development is decentralized, with individual trainers throughout the TARC system being designated as Course Coordinators for individual courses, one would expect them to be provided with the means to produce training materials as well.

2.2.4.1 Each TARC houses over 120 people, including staff and trainees. The TARCs lacked basic medical equipment to cope with emergencies, and had no means of transport to rush patients to a hospital. It is strongly recommended that an emergency medical kit be maintained, and someone trained in its use, at each TARC. It is also recommended that a vehicle capable of providing logistic support for operation of the TARCs, and of ferrying sick patients to the nearest hospital be based at each TARC. The ideal vehicle for this is a low-cost Suzuki van, or a pickup truck, which is far less expensive than a four-wheel drive vehicle needed for fieldwork.

2.2.5 Relinking RDP to the TARCs The TARCs were originally designed to conduct training courses, as well as to act as resource bases for the VOs. It was envisaged that the TARC would become a venue for seminars and workshops with field staff and villagers, and would also house the technical staff who would enrich the quality of training at the TARCs, and be available for consultation by villagers. With the expansion of RDP, the TARCs have been reduced to specialized training centres. The interaction between the fieldwork and training activities has suffered. One reason given for this is that RDP grew more rapidly than the TARCS, so RDP staff had to move out of the TARCs. With the construction of more TARCs, under RDP III, this reason will no longer be valid. It is strongly recommended that the Regional Office of RDP be housed in the TARC and that, as at Rangpur, proper accommodation be provided in the TARCs for the Regional Manager, and his staff. The implication will be to keep the number of Regional Offices limited to the number of TARCs, a goal which is easily do-able in the next phase.

2.3 Skill Training

2.3.1 Field based training A small number of skill training courses are conducted in the TARCs. The bulk has, however, shifted since 1990 to the Area Offices. Two reasons are cited for this shift: Firstly, the load of Human Development Training has increased dramatically from 1,840 trainees (8,875 participant days{p/d}) in 1981, to (5,500 trainees) 41,044 p/d in 1986, to 27,917 trainees (1,88,388 p/d) in 1991 (see Annex 2.5); the number of trainees receiving skill training at the TARCs started from 332 in 1981, peaked at 5,284 in 1986, and is down to a low of 641 in 1991[6]. Secondly, field based training, conducted in the Area Offices, is more accessible for villagers.

2.3.1.1 Field based training has the advantage that people who cannot leave their homes for 6 days can participate in training courses and return home every night. The disadvantage is that training quality suffers since participants are not always punctual, and are distracted by domestic responsibilities during the period of training. The trainer is also at a disadvantage at field based training, since the trainer lacks the opportunity to review the day's training with other trainers, and is on his or her own for the duration of the course.

2.3.1.2 Most of the field based training is sectoral, which is imparted largely by sectoral POs. The curriculum and course material is prepared by the Sectoral Specialists within RDP, at the Head Office. Sectoral POs are familiar with the technical content of their sectors but are not always skilled as trainers. Unlike NFPE, and TARC-based training, the sectoral skill training provided by RDP seems to overlook the need for appropriate training methodologies and techniques of communication. The sectoral training sessions witnessed in the field were conducted in rooms devoid of any props or supportive equipment. Nor were any flipcharts or training materials in sight. Such materials are prepared by the Materials Production Unit, on the request of the Sectoral Specialists but do not appear to be used extensively.

2.3.1.3 Sectoral POs work directly under the Regional Manager, and are based largely at the Regional Offices. A few are posted at Area Offices which are distant from the Regional Offices. The monthly work plan of sectoral POs is prepared by assembling the requirements of the Area Managers within each region, at the monthly regional planning meeting. Training quality is supposed to be supervised by the Sectoral Specialists who are based at the Head Office and are unable to monitor training quality in any realistic way.

2.3.1.4 The separation of sectoral trainers from the TARCs has led to a loss in training quality. The trainers no longer have the opportunity to interact with and learn from the Human Development trainers. The technical side of sectoral training is supervised by the Sectoral Specialists at Head Office. The training schedule is administered by the Regional Managers. But no one at Head Office appears to be responsible for the coordination of all the sectoral training. This lack of clear responsibility may have contributed to the 71% achievement rate in 1991, which is in contrast to the 91% achievement rate of Human Development Training, and the 107% achievement rate of the TARCs. The past record of RDP suggests that the target of skill training is unachievable without major shortcuts which will, inevitably, affect the quality of training.

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[6] TARC Annual Report 1991.

2.3.2 Skill training load in RDP III The total volume of skill training conducted in 1991 was 58,941 p/d (71% of the target). The target has been raised to 403,330 p/d in 1993, 448,991 p/d in 1994, and 507,525. This astronomical increase comes from a 5-fold increase in poultry and livestock training which accounts for 70% of the skill training in RDP III, a 25-fold increase in sericulture training, and a 10-fold increase in fisheries training.

2.3.2.1 Even with this growth in the number of POs[7], the poultry and livestock sectors the annual training targets in participants days cannot be achieved if the training is to be conducted by the RDP POs alone, even if they were to be training full time. An explanation of how BRAC proposes to meet these targets is lacking, although there seems to be the assumption that, in the IGVGD areas, IGVGD POs will provide poultry training.

NUMBER OF SECTORAL POS WITHIN RDP

Sector	1991	1993	1994	1995
Poultry & Livestock	21	35	43	51
Sericulture	20	50	75	100
Fisheries	10	15	18	21

2.3.2.2 The RDP III proposal does not provide any lead time to train new sectoral POs, and to develop them as trainers. At the very least, RDP has to allow a lag of six months from the time of recruitment to the time that new POs can be considered useful trainers. The sectoral POs are not full time trainers. Technical follow-up is even more important in their case. Unlike TARC trainers, who are full-time trainers, the training load of sectoral trainers cannot be calculated at 21 days.

2.3.2.3 The possibility of re-linking the Regional Office, and sectoral trainers to the TARCs, offers a possible way out. If Regional Offices are located within TARC premises in RDP III, and if sectoral trainers participate along with TARC trainers in the review sessions every evening, the quality of training is likely to improve. The experiences of TARC training ought to rub off on the sectoral trainers.

2.3.3 Space Availability for Training A second limitation is the availability of space. The Area Offices provide part of their space to TARC trainers for Human Development Training. An estimated 30-40% of their capacity will be required for the consolidation activities proposed for institutional development of the VOs. The upper ceiling of space availability for skill training at the Area Offices will fall to 6 months per year (the TARCs plan 11 months per year).

[7] see Annex 2.6 for RDP III projections of sectoral staff.

SKILL TRAINING LOAD VS. CAPACITY OF AREA OFFICES
(in Participant Days)

	1993	1994	1995
Proposed Training Load	403,330	448,991	507,525
Capacity of RDP AOs	272,160	324,000	375,840
Variance	131,170	124,991	131,685

2.3.3.1 The calculations are based on the assumption that the number of Area Offices (AOs) stated in the RDP III proposal will, in fact, be initiated. If the expansion to new areas is slowed down, that will further reduce capacity of AOs. Additional space will be available in the RCP Branch Offices. The advantage of field-based training lies in the proximity of the training site to the villages where participants are drawn from. This will be lost if the training is conducted at more distant RCP Branches. It is not realistic to assume that RCP Branches will be able to meet the entire shortfall in skill training. It would not be advisable to plan more than 20% of the skill training at RCP Branches, which still leaves RDP III with a substantial shortfall.

2.4 Training for Development Management

2.4.1 Introduction Management Development Programme (MDP) is a misnomer for BRAC's management training programme since, as pointed out by senior management, what BRAC offers is development management, not management per se. The programme should rightfully be renamed as the Development Management Programme (DMP).

2.4.1.1 The Management Training Campus (MTC) at Rajendrapur is a major investment made with the long-term objective of establishing a regional Institute of Rural Management. This vision is certainly a laudable one. However, considering BRAC's ambitious plans for expansion in RDP III, internal management needs are a higher priority.

2.4.1.2 MTC currently has 2 full time trainers, and has been relying on TARC trainers, or other resource persons to deliver training. In 1991, 55.5% of the training done at MTC was for BRAC, mainly TARC courses conducted at MTC. The only course designed by MTC was the Management Development course for Area Managers. A course on Branch Office Operation is currently under consideration.

2.4.1.3 The existence of elaborate physical facilities puts pressure on MDP staff to keep the campus running, in order to recover costs. The danger is that the faculty will be too busy administering the campus to do the basic preparatory work needed to develop a viable MTC.

The RDP III proposal has budgeted a relatively large amount for overheads and service staff, simply to keep the campus operational. Most of these overheads are avoided at the TARCs, since they operate at a different level, with the trainers and participants contributing physically toward its upkeep. This tradition, being fully in consonance with the spirit of rural development, should be maintained at MTC. The notion of an elite campus where the rules of business are different from the rest of BRAC, does not seem appropriate.

2.4.2 Priorities for MTC In the next phase, MTC has to give priority to building up its own staff capacity, and on development of curriculum and course materials for development management. Unlike other programmes at BRAC, MTC has still not justified its existence in terms of its outputs, and has still not firmed up its clientele. The notion of becoming self-financing needs to be postponed until the basic products are ready to be marketed. MTC has to start by responding to identified needs.

2.4.2.1 The management needs already identified for BRAC are:

* branch office operation, including financial and administrative management for AMs/Branch Managers;
* communication and analytical skills for AMs;
* facilitation skills for senior POs, institutional development;
* process documentation, for Monitoring Department.

Even this incomplete list suggests that MTC is likely to use up most of its capacity on training of BRAC staff. Training of BRAC staff will always result in a loss, since BRAC cannot be charged the high rate levied from outsiders. Development management training is such a high priority for BRAC that RDP III will have to accept the burden of subsidizing MTC. Yet, as MTC's major client, RDP can suggest that MTC trim its overheads until such time as it grows into a major regional centre for rural development.

2.5 Non-Formal Primary Education

2.5.1 Implications of an Expanded NFPE The RDP III proposal states that NFPE is likely to expand considerably concurrently with RDP III. The proposal has accounted for an additional 2,500 schools in 1993, 3,000 in 1994, and 3,500 in 1995. This will give a total of 15,183 schools in operation by 1995. These schools may be accompanied by another 35,000 NFPE schools in 1995, funded by other donors. The implications of this expansion on BRAC's entire training capacity need to be examined.

2.5.1.1 Factoring in the additional input in training of NFPE trainers, each NFPE teacher requires a minimum of 15 participant days. The participant load of additional NFPE schools included within the RDP III proposal come to:

2.5.1.2 Opening another 35,000 schools will mean an additional participant load of 525,500 during the life of RDP III. This is more than the entire Human Development Training currently envisaged.

NFPE PARTICIPANT LOAD IN RDP III

Year	NFPE Increase	Participant Days
1993	2,500	37,500
1994	3,000	45,000
1995	3,500	52,500
	Total	135,000 p/d

2.5.1.3 NFPE staff insist that expansion of NFPE schools beyond the RDP III proposal will not place any burden on RDP since the additional training is being budgeted separately, and will be conducted by full-time NFPE trainers. Previous training experience belies this claim.

2.5.1.4 All the trainers interviewed emphatically state that they would rather not specialize as trainers in any one field. Rotating the courses they teach provides relief from trainer fatigue. Furthermore,NFPE training tends to be concentrated from September through March. Full-time trainers will need alternative work at other times of the year.

2.5.1.5 Currently, NFPE training is reputed to be one of the most successful modules offered by TARC. Participants feel that the residential experience at a TARC contributes significantly to its success. Removing NFPE training away from the TARC will result in a partial loss of training quality. NFPE training may also become more insulated, and less responsive to participant needs, as has happened with the sectoral skill training programme. BRAC itself is aware of the advantages of linking NFPE training to the TARCs. It is therefore more likely that a major expansion of NFPE will place considerable stress on TARC training capacity. NFPE expansion should be tempered by the realistic development of NFPE's own training capacity which is likely to take some time to develop.

2.6 Common Strands

2.6.1 Monitoring Throughout BRAC's programmes, training achievements are monitored primarily in quantitative terms. The monitoring department and RED have initiated a discussion to develop indicators to assess training quality and to conduct studies to determine effectiveness of training courses. Considering the scale of training activities, it is surprising this was not done sooner. All the three units involved in training -- TARCs, Sectoral trainers, and MDP -- need to work closely with the Monitoring Department, and with RED to design and implement evaluation studies to monitor training impact. Evaluation studies are not a one-shot deal. They have to be integrated within the regular monitoring system and the results have to be fed back to those responsible for training design and delivery.

2.6.2 Training Fees Extensive discussions were held in the field on the introduction of training fees. With two exceptions, all training expenses are currently met by BRAC. Even when the TARC system claims to be running a viable operation, what they mean is that the

TARCs are charging other BRAC programmes for the training they offer them. Those programmes are not generating enough revenue from the target population to meet training costs. In the short run, it may not even be realistic to expect them to do so.

2.6.2.1 Field staff (POs and GS) were aware that BRAC expects to charge fees for training in the future. They were also unanimous in saying that it would be unrealistic to start charging training fees suddenly under RCP. They felt that VO members would be more inclined to pay fees for training which provides them with income-generating skills but that the fees should be introduced gradually over a period of several years. Some said that if the ultimate intention was to charge fees from the villagers, a small fee should have been levied from the beginning so that the barrier of paying fees for training would have been overcome while enthusiasm for BRAC inputs was still high. There is wisdom in this suggestion, and BRAC may want to consider introducing training fees gradually but quickly. It is expected that human development training will need continued subsidy for some time but that occupational skill training may move toward self-sufficiency relatively sooner.

3.0 MANAGEMENT ISSUES

3.1 Implications of Growth

3.1.1 BRAC staff strength has jumped from 1313 in 1989 to 4991 in 1991. Project staff constitute 46% of total staff strength in 1991 (see Annex 3.1). Although the number of female staff has grown considerably (Annex 3.2), there appears to be an unexplained drop from the 1990 level, mainly in the Child Survival Programme but also in RDP.

3.1.2 The GS, who constitute the bulk of project staff, are unclear of the distinction between regular staff and project staff. The suggestion that, after the acquisition of RDP Area Offices by RCP, their salaries would be dependent on their respective Branch Office making a profit, was not very appealing to them and resulted in an animated discussion about sustainability of RCP branches.

3.1.3 The consensus was that, once RCP takes over a branch, its primary focus would be on credit operations and, to a lesser extent, on enterprise development. Institutional development would have to take a back seat unless institution building was subsidized by RDP. The strength of BRAC's development initiative lies in its creation of a sustainable institutional base for long term development. There appeared to be consensus that, even in VOs which had been in existence for four years, the desired level of institutional maturity had not been reached and that further support was necessary.

3.1.4 One of the consequences of rapid growth has been the rapid promotion of field staff which, in some cases, has resulted in a relaxation of criteria designed by BRAC itself. An analysis of staff by grade would suggest that BRAC is well positioned for expansion since there is a bulge in Grade 6, the level where potential Area Managers are recruited from. In fact, the bulge is misleading and has been created by the fact that, until mid-1991, BRAC was recruiting POs fresh out of university (with a Master's degree) in Grade 6 directly. Currently 55% of Grade 6 and Grade 7 POs have less than 3 years experience with BRAC, and 30% of those incharge of Area Offices have been at BRAC less than 3 years. Fresh graduates, while young, better educated, and enthusiastic, lack the depth necessary for creative institution building. BRAC has already revised its strategy of recruitment and now hires those with a Master's degree at Grade 5. BRAC ought to be careful about promoting staff too rapidly. Rapid promotion leads to rising expectations subsequently as well.

3.2 Management Recommendations

Based on the discussions in the field, and the strategy outlined earlier in Section 1.3, the following practical steps are recommended:

a. The minimum residency requirement of POs, after the initial 3-6 month training period, is supposed to be 3 years: 1 in institution building, 1 in sectoral programmes, and 1 in credit, in that order. This design is strongly endorsed and should be the absolute mimimum before moving POs upward.

b. BRAC's position that POs are appointed as Area Managers after 5 years of experience is endorsed, provided 5 years experience is treated as a necessary but not sufficient condition for promotion to AMs;

c. Careful screening of POs is necessary to separate POs with potential as "creative builders" of organisation from those who will be "line implementors": the selection process should be designed to pick out those who have a well-rounded experience and who have the ability to encourage and channelize local initiatives, rather than those who prefer to implement blueprint development packages, in addition to being well versed with BRAC's development activities; the selection process of trainers, involving senior staff from other BRAC divisions, offers a good model for RDP.

d. The practice of appointing POs in level 6 as PO Incharge of Area Offices is not supported. Rapid promotion without understanding of concepts of sustainability leads to the application of formula solutions. For consistency, BRAC may want to reconsider the policy of having RM Incharge before they qualify as full RMs.

e. Responsibility to establish new Area Offices should always be given to seasoned AMs rather than to newly appointed AMs.

f. After selection for appointment as AMs, the selectees should be put through a formal 6 month training period at MDP, with alternate training sessions, and internship periods in Area Offices, to learn all dimensions of administrative and financial management, improve their communication and writing skills, and skills for decentralised planning and implementation, as well re-orientation training in all the current sectoral and support programmes, BEFORE BEING ASSIGNED AS AREA MANAGERS.

3.3. Training Implications

The strategy proposed in this appraisal report has implications for training as well:

a. All Senior POs for institutional development (2 per Regional Office), and the RMs will need facilitation skills (10-13 days);

b. All AMs need additional training in financial and administrative management (13 days);

c. All AMs need advanced training in Communication and Analytical Skills (10 days), to act as resource persons for their POs and GS;

d. All skill POs who have not already received it, will need TOT training (6 days);

The last of these can be assigned to the TARCs but the first three could be assigned to the Management Training Centre.

3.4 Overlap with other NGOs

3.4.1 There is considerable evidence of overlap with other NGOs in the field. BRAC's efforts to collaborate with NGOs has yielded mixed results. BRAC has offered training and even technical support to some of the smaller NGOs who have been working in the areas where BRAC is now expanding. BRAC also conducts training courses on request by larger NGOs such as OXFAM and CARITAS. There are definite signs of competition with Grameen Bank, although the fault does not lie solely with BRAC. Apprehensions have also been expressed about BRAC's expansion to areas where other middle and large NGOs have been present for many years. Some of these NGOs have been organising villagers into VO-like structures.

3.4.2 BRAC's official policy, not always adhered to in the field, is to stay away from villages where other NGOs are operating. In practice, when BRAC VOs co-exist with local organisations formed by other NGOs, BRAC staff try to ensure that membership does not overlap, to avoid credit duplication. This poses a practical dilemma. Membership in a previous organisation sponsored by another NGO disqualifies villagers from enrollment in a BRAC VO (and vice versa), even if the BRAC VO offers new avenues for development. Villagers who had responded to overtures from other NGOs, usually the more active ones, pay the price by being deprived of the right to new inputs from other NGOs. On the other hand, encouraging villagers to shift over from one form of organisation to another leads to competition and conflict. **None of the local organisations (not even the VOs) have graduated to a level where they can be autonomous of the sponsoring NGOs**, and shop around for inputs from all available NGO, private-sector, or government sources. If one were to draw an analogy between banks and their clients, and NGOs and their local group members, **one would expect that at least the larger, more mature NGOs would begin to determine ways of cooperation similar to that between commercial banks, where they allow multiple membership, and share information about group members to control fungibility.**

3.5 Closing Note

It would be unfair to end this report without some space devoted to the villagers who are the *raison de etre* for BRAC. At a village meeting, where villagers were singing praise of BRAC's interventions, I asked the group why they still needed BRAC. The instant response from an articulate middle-aged woman was that BRAC would be needed for a long time because what they value most of all from BRAC is *budhi poramosho* (advice) which makes all this development possible. Consultants like us would do well to listen to those who know better, and to recognise that BRAC's intangible contribution is as great as the tangible ones.

LIST OF SOCIAL ISSUES

1. Social History of the Sub-continent.
2. Sub-continental Philosophy and Religion.
3. Social-Transformation.
4. Dialectical - Materialism.
5. Land Tenure and Land Act.
6. Inequality, Poverty and Pauperization.
7. Government, Government Services and Government Employee.
8. Election, Vote and Electoral.
9. Trait of National Character.
10. National Planning: Priority and Allocation.
11. Natural Calamities.
12. Taxation and National Budget.
13. Wage.
14. Income and Employment Generation.
15. Consumption and standard of living.
16. Trade.
17. Human Resource Development.
18. Population problem.
19. Environment.
20. Production and Distribution.
21. Urbanization.
22. Development.
23. Politics, Political party and Different Ideologies.
24. Savings and Investment.
25. Rural Finance.
26. Women right and Status.
27. Constitutional Law and Fundamental Right.
28. Ethics, Morality and Social Values.
29. Upazila Parishad.
30. Corruption at Different Levels of Society.
31. Touts and Rural Power Structure.
32. Foreign Aid in Bangladesh.
33. Energy Crisis.
34. Solid Village Institution.

Annex 2.1.a

TRAINING ACHIEVEMENTS JANUARY-DECEMBER 1991
(Summary)

		Cumulative Dec 90	Target Jan-Dec 1991	Achievements Jan-Dec 91 Number	Achievements Jan-Dec 91 Percent	Cumulative Dec 91
HUMAN DEVELOPMENT TRAINING Sub-total:	RDP	173443	133930	125148	93%	298591
	RCP	78107	49837	41457	83%	119564
	All	251550	183767	166605	91%	418155
SKILL TRAINING Sub-total:	RDP	68128	61172	46003	75%	114131
	RCP	70145	22381	12938	58%	83083
	All	138273	83553	58941	71%	197214
GRAND TOTAL TRAINING:	RDP	241571	195102	171151	88%	412722
	RCP	148252	72218	54395	75%	202647
	All	389823	267320	225546	84%	615369

TRAINING ACHIEVEMENTS JANUARY-DECEMBER 1991

		Cumulative Dec 90	Target Jan-Dec 1991	Achievements Jan-Dec 91 Number	Achievements Jan-Dec 91 Percent	Cumulative Dec 91
A. HUMAN DEVELOPMENT TRAINING						
1. Functional Education (FE)	RDP	1395	401	476	119%	1871
(teachers' training)	RCP	735	173	123	71%	858
	All	2130	574	599	104%	2729
2. FE Awareness	RDP	138339	110885	102904	93%	241243
(No. of Graduates)	RCP	59910	40838	31904	78%	91814
	All	198249	151723	134808	89%	333057
3. Consciousness Raising (CR)	RDP	16802	4842	4000	83%	20802
(teachers' training)	RCP	8854	935	305	33%	9159
	All	25656	5777	4305	75%	29961
4. Legal Awareness	RDP	4749	8225	8617	105%	13366
	RCP	2539	5855	7571	129%	10110
	All	7288	14080	16188	115%	23476
5. Planning & Management (PM)	RDP	7889	4922	4811	98%	12700
(Module 1: leadership dev)	RCP	4504	1093	773	71%	5277
	All	12393	6015	5584	93%	17977
6. Planning & Management (PM)	RDP	4269	4655	4340	93%	8609
(Module 2)	RCP	1535	943	781	83%	2316
	All	5804	5598	5121	91%	10925
HUMAN DEVELOPMENT TRAINING TOTAL:	RDP	173443	133930	125149	93%	298591
	RCP	73107	49837	41457	83%	113564
	All	251550	183767	166605	91%	415155

TRAINING ACHIEVEMENTS JANUARY-DECEMBER 1991

		Cumulative Dec 90	Target Jan-Dec 1991	Achievements Jan-Dec 91 Number	Achievements Jan-Dec 91 Percent	Cumulative Dec 91
B. SKILL TRAINING						
1. Irrigation Scheme Mgmt Trg	RDP	1595	1771	1873	106%	3468
	RCP	2320	522	502	96%	2822
	All	3915	2293	2375	104%	6290
2. Sericulture Training (silkworm rearer)	RDP	970	1479	1242	84%	2212
	RCP	708	600	514	86%	1222
	All	1678	2079	1756	84%	3434
3. Sericulture Training (end spinner)	RDP	861	200	185	93%	1653
	RCP	525	0	4	[illegible]	528
	All	1391	200	189	95%	1552
4. Horticulture Nursery	RDP	383	58	30	52%	413
	RCP	225	42	41	98%	266
	All	608	100	71	71%	679
5. Vegetable Cultivation	RDP	3465	729	513	70%	3978
	RCP	5792	38	44	116%	5836
	All	9277	767	557	73%	9834
6. Paddy Cultivation & Seed Preservation Trg (group members)	RDF	2242	4924	3547	72%	5789
	RCP	9729	7964	1430	18%	11159
	All	11971	12888	4977	39%	16948
7. Paddy Cultivation & Seed Preservation Trg (non-group members)	RDF	4026	5603	4683	84%	8709
	RCP	4996	1257	1540	123%	6536
	All	9022	6860	6223	91%	15245
8. Fish Culture & Management	RDP	3328	2187	1622	74%	4950
	RCP	1476	291	223	77%	1699
	All	4804	2478	1845	74%	6649
9. Poultry Training (chick rearer)	RDP	568	577	453	79%	1021
	RCP	244	130	80	62%	324
	All	812	707	533	75%	1345
10. Poultry Worker Training	RDP	2411	1020	662	65%	3073
	RCF	1712	238	173	73%	1885
	All	4124	1258	835	66%	4959
11. Poultry Rearer Training	RDP	36206	33758	24263	72%	60469
	RCP	30321	5992	4716	79%	35037
	All	66527	39750	28979	73%	95506
12. Cow Rearer Training	RDP	11466	8597	6712	78%	18178
	RCP	11799	5238	3629	69%	15428
	All	23265	13835	10341	75%	33606
13. Paravet Training	RDP	580	269	218	81%	798
	RCP	297	69	42	61%	339
	All	877	338	260	77%	1137
SKILL TRAINING TOTAL:	RDP	68128	61172	46003	75%	114131
	RCP	70145	22381	12938	58%	83083
	All	138273	83553	58941	71%	197214

SUMMARY OF RDP III TRAINING LOAD

Budget Ref	Course Description	Participant Days 1993	Participant Days 1994	Participant Days 1995	RDP III Total	No. of Participants 1993	No. of Participants 1994	No. of Participants 1995	Total
A. HUMAN DEVELOPMENT TRAINING:									
I.	INSTITUTION BUILDING								
1.	Functional Education & Consciousness Raising								
1.1	Teacher's training	9,100	10,400	10,400	29,900	700	800	800	2,300
1.2	Refresher's course	2,100	2,400	2,400	6,900	700	800	800	2,300
2.	VO Management training	51,800	68,600	77,000	197,400	7,400	9,800	11,000	28,200
3.5	Paralegal Teachers trg	6,300	4,200	4,200	14,700	210	140	140	490
4.	Planning & Management trg	75,000	75,000	75,000	225,000	25,000	25,000	25,000	75,000
5.	Leadership training	39,000	45,000	54,000	138,000	7,800	9,000	10,800	27,600
	Total Inst. Bldg.	183,300	205,600	223,000	611,900	41,810	45,540	48,540	135,890
IV.	HEALTH & FAMILY PLANNING								
1.5	Health awareness training	17,000	17,000	17,000	51,000	4,250	4,250	4,250	12,750
X.	NON FORMAL PRIMARY EDUCAT								
1.1	Teachers training (basic)	32,500	39,000	45,500	117,000	2,500	3,000	3,500	9,000
1.2	Teachers refresher course	17,065	20,645	20,705	58,415	3,413	4,129	4,141	11,683
	Refresher course (1 day/m	95,513	128,513	167,013	391,039	8,683	11,683	15,183	35,549
	NFPE sub-total	145,078	188,158	233,218	566,454	14,596	18,812	22,824	56,232
	Sub-Total HUMAN DEVELOPMENT TRAINING	345,378	410,758	473,218	1,229,354	60,656	68,602	75,614	204,872
B. INCOME AND EMPLOYMENT GENERATION									
1.	Poultry and Livestock	265,000	329,400	375,400	969,800	76,835	100,040	114,690	291,565
2.	Irrigation	13,500	5,750	8,350	27,600	2,200	650	800	3,650
3.	Fisheries	25,680	22,680	22,850	71,210	11,080	10,080	10,100	31,260
4.	Horticulture	39,600	28,500	33,150	101,250	11,600	8,500	10,150	30,250
5.	Other skills(unspecified)								
6.	Sericulture and Silk Dev	59,190	62,301	67,400	188,891	4,105	4,367	4,900	13,372
7.	Rural Enterprise Project	360	360	375	1,095	60	90	90	240
	Sub-Total	403,330	448,991	507,525	1,359,846	105,880	123,727	140,730	370,337
	TOTAL	748,708	859,749	980,743	2,589,200	166,536	192,329	216,344	575,209

Annex 2.3

EXISTING AND PLANNED TARC CAPACITY
(Accomodation, and Participant Days)

	TARC	Mar 92	Jan 93 (Accomodation)	Jan 94	Jan 95
1.	Savar	100	100	100	100
2.	Rangpur	100	100	100	100
3.	Jessore	100	100	100	100
4.	Faridpur*	25	100	100	100
5.	Pabna	54	100	100	100
6.	Modhupur	58	58	58	58
7.	Comilla*	25	100	100	100
8.	Mymensingh	0	0	50	50
9.	Bogra	0	0	50	50
10.	Rajshahi/Kushtia	0	0	50	50
11.	Site to be selected	0	0	0	50
12.	Site to be selected	0	0	0	50
13.	Site to be selected	0	0	0	50
	Total accomodation	462	658	808	958
	Participant Days	109771	156341	191981	227621

* Using rented space in 1992

ADDITIONAL CAPACITY USED BY TARC SYSTEM IN 1992

	TARC	Space	Location
1.	Savar	25	Ayesha Abid Foundation, Manikganj
		25	Chittagong Aarong
		25	Hobiganj RM office
		25	Markuli, Sulla
2.	Rangpur	25	Rangpur RM office
3.	Jessore	25	Ayesha Abid Foundation
		25	Ayesha Abid Foundation
4.	Faridpur*	25	Rajbari RM office
5.	Pabna	25	Natore RM office
6.	Modhupur	25	Jamalpur RM office
		25	Jamalpur Ayesha Abid Foundation
	Additional Accomodation	275	
	In-house 1992	462	
	TOTAL CAPACITY	737	

VIABILITY REPORT
P-VIII Training and Resource Centre (TARC)
Income and Expenditure Statement
From January '91 to to December '91

INCOME	TARC SAVAR	TARC MODHUPUR	TARC PABNA	TARC JESSORE	TARC RANGPUR	TARC RAJENDRAPUR	TARC H.O.	TARC FARIDPUR	TOTAL
Training fees	17,70,405	9,44,930	8,16,390	11,56,117	11,73,964	1,98,406	3,27,573	3,92,482	66,90,857
Accommodation charge	17,92,295	8,57,245	7,17,363	9,35,846	11,39,410	5,97,088	-	2,92,285	62,31,532
Food Charge	12,89,596	6,28,958	5,34,309	6,36,215	8,58,944	3,23,686	-	1,96,154	44,57,953
Training material charge	3,39,591	1,97,845	1,35,111	1,78,360	2,41,810	61,900	48,592	57,235	12,58,744
Agriculture and Horticulture	36,828	986	13,122	3,944	18,427	180	-	-	73,487
Dairy	-	-	-	-	-	-	-	-	-
Fisheries	78,303	-	-	20,762	3,276	-	-	-	1,02,941
Medical Programme	4,446	-	3,976	-	-	-	-	-	7,522
Hatchery Complex	-	-	-	-	-	6,58,386	-	-	6,68,386
	52,13,964	26,29,264	22,19,952	29,11,244	34,35,831	17,49,746	3,76,165	9,38,156	1,94,91,422

EXPENDITURE	TARC SAVAR	TARC MODHUPUR	TARC PABNA	TARC JESSORE	TARC RANGPUR	TARC RAJENDRAPUR	TARC H.O.	TARC FARIDPUR	TOTAL
Salaries & benefits	13,95,839	6,56,636	6,19,733	7,99,362	7,56,772	1,47,669	2,47,006	3,31,135	49,54,758
Transportation	1,25,481	57,456	62,968	79,958	67,563	15,813	30,893	43,548	4,92,780
Maintenance	1,56,289	43,090	79,074	1,14,258	40,707	49,165	-	12,955	4,86,538
General Expenses	20,242	29,718	38,336	37,775	29,826	24,214	-	31,244	2,11,355
Utilities	2,07,705	63,986	62,589	79,344	79,115	85,368	1,526	30,013	6,93,646
Postage & Stationery	4,024	4,535	16,938	6,243	9,524	2,844	66,600	3,325	1,13,133
Training Materials	1,26,243	60,842	49,910	66,332	97,386	27,807	16,247	13,927	4,58,694
Fooding Expenses	12,37,179	5,30,235	5,02,512	6,11,959	7,32,496	3,07,071	-	1,90,428	41,71,879
Accommodation Exp.	62,245	27,343	10,640	8,517	1,25,750	6,192	-	1,57,271	3,97,968
Agriculture and Horticulture	18,382	795	16,950	2,295	9,705	315	-	-	47,582
Fisheries	35,715	-	-	15,517	2,178	-	-	-	53,410
Dairy	-	-	-	-	-	-	-	-	-
Medical Programme	6,068	45	3,811	-	-	392	-	-	19,396
Depreciation	4,21,278	1,90,152	1,94,819	2,92,387	2,28,699	1,84,063	-	31,089	14,42,968
Library book	9,098	5,947	19,181	6,024	11,906	1,529	-	-	62,685
H.O Logistic Exp.	2,40,000	1,20,000	1,20,000	1,20,000	1,20,000	60,000	-	-	7,80,000
Expenses for Hatchery Complex	-	-	-	-	-	9,01,709	-	-	9,01,709
	40,65,786	17,59,880	17,66,658	22,40,971	23,10,717	18,14,131	3,56,272	8,50,936	1,53,65,351
Excess of Income over Expenses	11,47,278	8,69,384	4,53,294	6,70,273	11,25,114	(65,385)	19,893	87,220	41,26,071
	52,13,064	26,29,264	22,19,952	29,11,244	34,35,831	17,49,746	3,76,165	9,38,156	1,94,91,422

Source: TARC Annual Report 1991

NUMBER OF TRAINEES RECEIVED HUMAN DEVELOPMENT AND MANAGEMENT TRAINING (1981 TO 1991)

Year	No. of Trainees			No. of participant days	Rate of Annual Increase	
	Male	Female	Total		No. of Trainees	No. of part cipant days
1981	1,551	289	1,840	8,875	-	-
1982	2,618	1,027	3,645	15,059	98%	70%
1983	2,639	2,014	4,653	18,699	28%	24%
1984	3,310	2,177	5,487	29,324	18%	57%
1985	3,450	2,458	5,908	43,147	8%	47%
1986	2,676	2,824	5,500	41,044	-7%	-5%
1987	3,440	2,526	5,966	42,149	8.5%	27%
1988	4,756	5,357	10,113	65,213	69.5%	54.7%
1989	6,625	6,598	13,224	92,133	30.7%	41.3'
1990	7,997	12,155	20,152	1,46,571	52.4%	59.1%
1991	8,314	19,603	27,917	1,88,388	38.5%	28.5%

Source: TARC Annual Report 1991

Projections of Sectoral Staff in RDP III

	As of Dec.1991		1993		1994		1995	
Sector	PO	CS	PO	CS	PO	CS	PO	CS
Paralegal	12		30		40		50	
Poultry & Livestock	21	127	35	175	43	215	51	255
Irrigation*	138	155	92	250	94	275	108	300
Fisheries	13	103	15	100	18	120	21	145
Social, Forestry & Horticulture			12	120	14	140	16	160
Sericulture	26	81	50	170	75	250	100	300

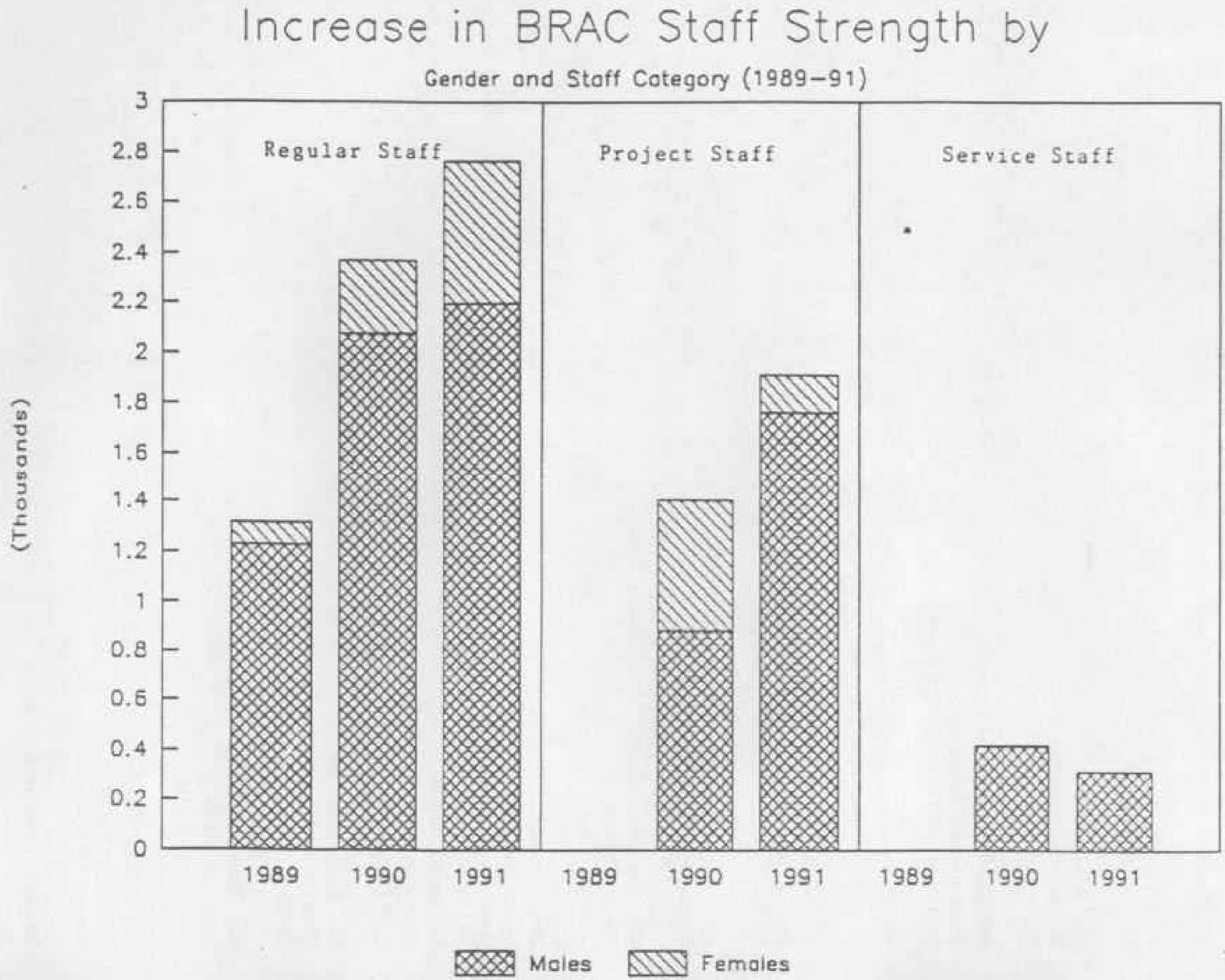
* Irrigation POs in 1991 include POs and technical staff; in 1993-95 include technical staff only.
Each sector also includes 1 sector specialist not shown in this table.
Source: RDP III Budget Data.

BRAC STAFF STRENGTH BY STAFF CATEGORY (1989-91)

Programmes	Regular Staff			Project Staff			Service Staff		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
HEAD OFFICE	213	274	331	0	0	0	0	0	0
RDP	603	798	846	0	880	1167	0	108	70
IGVGD	156	196	213	0	0	3	0	46	36
HDP	20	25	15	0	36	36	0	9	4
REP	2	7	13	0	0	0	0	0	0
NFPE	96	291	382	0	0	0	0	0	7
RCP	0	74	208	0	0	503	0	8	31
CSP(PHC)	114	475	439	0	396	21	0	209	70
RESEARCH	10	28	57	0	21	0	0	8	0
TARC&MDP	36	50	67	0	3	0	0	29	37
FHTC	0	2	19	0	0	0	0	0	3
AAF	0	13	14	0	0	0	0	0	0
AARONG	63	96	122	0	0	111	0	0	51
BRAC PRINTERS	0	41	40	0	70	71	0	4	4
Totals	1313	2370	2766	0	1406	1912	0	421	313

BRAC STAFF STRENGTH BY GENDER (1989-91)

Programmes	1989			1990			1991		
	M	F	T	M	F	T	M	F	T
HEAD OFFICE	185	28	213	229	45	274	270	61	331
RDP	593	10	603	1540	246	1786	1899	184	2083
IGVGD	139	17	156	212	30	242	225	27	252
HDP	20	0	20	70	0	70	55	0	55
REP	2	0	2	7	0	7	13	0	13
NFPE	88	8	96	255	36	291	331	58	389
RCP	0	0	0	82	0	82	729	13	742
CSP(PHC)	106	8	114	686	394	1080	354	176	530
RESEARCH	10	0	10	26	31	57	23	34	57
TARC&MDP	33	3	36	78	4	82	96	8	104
FHTC	0	0	0	2	0	2	21	1	22
AAF	0	0	0	4	9	13	6	8	14
AARONG	53	10	63	71	25	96	136	148	284
BRAC PRINTERS	0	0	0	113	2	115	113	2	115
Totals	1229	84	1313	3375	822	4197	4271	720	4991


Increase in BRAC Staff Strength by
Gender and Staff Category (1989-91)
(Thousands)
3
2.8
2.6
2.4
2.2
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
Regular Staff
Project Staff
Service Staff
1989
1990
1991
1989
1990
1991
1989
1990
1991
Males
Females

Annex 3.2

LIST OF PERSONS INTERVIEWED

BRAC Staff

Mr. F.H. Abed
Executive Director

Mr. Aminul Alam
Programme Director
Rural Development

Mr. M. Golam Samdani Fakir
Programme Coordinator
Management Development Programme

Mr. Shabbir Ahmed Chowdhury
Programme Manager Training

Mr. Mushtaque R. Chowdhury
Senior Research Demographer and Head
Research and Evaluation Division

Mr. Safiqul Islam
Manager, Monitoring Department

Mr. Rob Choudhry
General Manager
Ayesha Abed Foundation

Mr. Gunendu K. Roy
Senior Regional Manager
Rural Development

Mr. Fazlul Haque
Regional Manager
RDP Rangpur

Ms. Kaneez Fatima
Programme Coordinator
NFPE

Mr. Shahidul Hasan
Regional Manager
NFPE, Head Office

Mr. Pranesh Banik
Trainer Incharge
Rangpur TARC

Mr. Mohd. Abdur Rahman
Trainer
Rangpur TARC

LIST OF PERSONS INTERVIEWED

BRAC Staff

Mr. F.H. Abed
Executive Director

Mr. Aminul Alam
Programme Director
Rural Development

Mr. M. Golam Samdani Fakir
Programme Coordinator
Management Development Programme

Mr. Shabbir Ahmed Chowdhury
Programme Manager Training

Mr. Mushtaque R. Chowdhury
Senior Research Demographer and Head
Research and Evaluation Division

Mr. Safiqul Islam
Manager, Monitoring Department

Mr. Rob Choudhry
General Manager
Ayesha Abed Foundation

Mr. Gunendu K. Roy
Senior Regional Manager
Rural Development

Mr. Fazlul Haque
Regional Manager
RDP Rangpur

Ms. Kaneez Fatima
Programme Coordinator
NFPE

Mr. Shahidul Hasan
Regional Manager
NFPE, Head Office

Mr. Pranesh Banik
Trainer Incharge
Rangpur TARC

Mr. Mohd. Abdur Rahman
Trainer
Rangpur TARC

Mr. Bazlur Rahman
Trainer
Rangpur TARC

Mr. Ramindranath Chakravorty
Trainer
Rangpur TARC

Mr Shafiq Hasan Syed
Trainer
Rangpur TARC

Mr Habibur Rahman
Trainer Incharge
Pabna TARC

Mr. Abdul Mateen
Area Office Nilphamary

Mr. Tariq Morshed
Area Manager
RDP Natore

Others

Mr. Martin Mueller
Head, GTZ

Mr. Richard J.V. Holloway
Director, PRIP Programme
Representative (PACT) Bangladesh

Mr. Mohammad Mortuza
Deputy General Manager
Grameen Bank

Mr. Badiur Rehman
Commissioner, Dhaka
formerly Executive Director
Palli Karma Sahayak Foundation

Mr. Andy Batkin
Head of Research, Evaluation and Documentation
Rangpur, Dinajpur Rural Service (RDRS)

Mr. Abdul Malik
Programme Coordinator
RDRS Rangpur

Dr. Zafrullah Choudhry
Director
Gonoshastriya Kendra

ANNEX 5

GENDER AND MISCELLANEOUS ISSUES

BRAC DONOR CONSORTIUM RDP III
APPRAISAL

A REPORT ON GENDER ISSUES

ARUNA RAO

April 1992

I. GENDER ISSUES: AN OVERVIEW

A. Membership and Resource Distribution

In terms of membership and resource distribution, BRAC has a gender imbalance in favor of women. As of December 1991, out of a total of 7689 RDP Village Organizations (VOs) and 3687 RCP VOs, 66 per cent were female. Out a total membership of 598,123, 68 per cent were women. Moreover, about 68 per cent of BRAC's credit is directed to women. The main sectors in which women are involved through BRAC credit are rural trading activities such as vegetable trading and rice husking, poultry and livestock, and the purchase of deep tube wells through VO collectives.

RDP III not only envisions a significant expansion in income generating activities over RDP II, but also plans an increased involvement of women. Even with a scaled down target of 95 new RDP area offices in RDP III and a concomitant reduction in number of additional persons targeted for involvement in income generating activities, the target for poultry and livestock activities still comes to about 163,548 and 27,662 persons respectively. The majority of these will be women. Similarly in expanded social forestry and horticulture activities, 90 per cent of the VO members to be trained will be women. In fisheries, the number drops to 60 per cent and in irrigation to 56 per cent. Finally, in sericulture RDP III proposes a massive expansion to involve 41,800 persons, mostly women by 1995 and 247,000 by the year 2000. While these targets are expected to be revised based on the proposed appraisal of BRAC's sericulture program later this year, the fact that BRAC will involve a large number of women in a vertically integrated higher economic order of enterprise will remain unchanged.

B. Personnel Policy and Staff Development

In terms of staffing, BRAC has a gender imbalance in favor 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, females accounted for 1.6 per cent of regular staff in RDP. That rose to 15 per cent in 1990, and to 19 per cent in 1991. During the same time period, the per cent of female staff in the regular category in BRAC as a whole rose from 4.7 per cent to 24 per cent. In contrast, total female project staff (GSs) in RDP fell drastically from 14 per cent in 1990 to 1.7 per cent 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 upazilla; and (ii) BRAC now requires a minimum educational level among GSs and has regularized them as BRAC project staff with a monthly salary. Over RDP III, the numbers of women in this category are expected to remain low although efforts will be made to recruit more female GSs. While, for RDP Phase III, BRAC's policy is to hire 75% females across the board for all positions, this target will be impossible to reach in the short run with respect to many of the technical specialist positions in such areas as fisheries and irrigation, because the available pool of qualified female candidates in these areas is small.

Over the three year period since 1989 when BRAC began recruiting mostly women, the dropout rate among female staff has been declining. In 1989, in RDP it was about 50% per cent. In 1990, 40 per cent of new PO recruits were women. Of that number (130), 43 per cent dropped out (male dropout rate for RDP was 33 per cent). In the same year, BRAC as a whole hired 30 per cent women with an overall dropout rate for women of 36.7 per cent compared to an overall male dropout rate of 30 per cent. In 1991, 38.5 per cent of new recruits were women. Of that number (154), 17 per cent dropped out (male dropout rate for RDP was 11 per cent). In that year, BRAC as a whole hired 49 per cent women and witnessed a dropout rate of 12 per cent for females and 11 per cent for males.

BRAC also actively moves bright female candidates quickly up the system. Currently, it has one female in charge of an RDP area office. She was promoted to this position within a period of two years. While we support the active efforts to promote women to managerial positions within the system, in general, we would caution BRAC on promoting staff to managerial positions ahead of the absolute minimum of three years of on the job experience as a PO.

II. WOMEN'S ADVISORY COMMITTEE

BRAC's Women's Advisory Committee (WAC) was appointed by the Executive Director in January 1991. It has 15 members, both headquarters and field staff and meets once a month in Dhaka. Its mandate is to focus on two major questions (i) How programs can better understand and improve the lives of rural women and informing Program Heads of shortfalls in 'gender performance'; and (ii) In what ways can working conditions of BRAC female employees be further improved so that they have an equal scope for development as their male counterparts.

In its first year, WAC has concentrated on the second question. 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 the area office, have been brought to the notice of senior management and appropriate action has been taken. 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.

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. Its workshops draw upon a sample of 20-30 per cent of female staff, all of whom are nominated by their area managers. We recommend that in two of the remaining four planned workshops, WAC members seek out a large per cent of the sample of female staff and conduct one-on-one interviews with them. The information generated through this process can be used as a check on the workshop data.

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WAC is now interested in understanding more about and getting involved in gender training for BRAC staff. We suggest that for the proposed gender training exercise in RDP III, WAC be involved particularly in providing inputs and insights to the development of training exercises and modules dealing with gender relations and gender issues related to the BRAC's organizational culture and workplace.

III. TRAINING

A. Curriculum Development

The institutional development efforts recommended by the Appraisal Team will require additional training inputs to build staff capacities to facilitate this process and VO member progress toward self-reliance. In developing new, more appropriate training modules in this area, we recommend that BRAC draw upon its rich experience from the former Outreach Program areas particularly Sulla and Manikganj. This rich source of learning can usefully inform training inputs on group facilitation, group dynamics, conflict resolution, participatory planning, and organizational development.

B. Training Effectiveness and Utilization

In general, the evaluation of training draws on very limited experience. But the call for evaluation has three facets. First, a systematic assessment of past training experiences and its effects on participants, institutions, and development can aid in improving training effectiveness. Such learning can help in targeting training to specific audiences, match types of training to different levels/kinds of participants, and improve materials and methods. Secondly, it can help make the case regarding what training is worth doing. Third, asking about how training worked also provides reinforcement of the training and an opportunity to learn about the other institutional factors which help or hinder good practice.

1. Current Monitoring Procedures and Mechanisms

BRAC has established an useful system to evaluate training given to VO members. Course trainers based at the TARCs are supposed to conduct course evaluations in the field through participant observation, and active problem solving. Two to three months after a course is held for VOs, trainers interview each VO trainee, attend group meetings, and observe income generating activities in order to determine the extent to which the information and skills imparted through the course are used. On the third day in the area, the trainer organizes a workshop to deal with problems cited by VO members and which he/she has observed related to implementing the information and skills imparted through the course. For example, related to the course of leadership, problems may include: irregular attendance of VO members, irregular savings, non-recitation of the 17 promises, disobeying the rules, using the loans for other than stated purposes; and not disseminating learning to other members. In the workshop, they discuss the causes of the problems including which of these relate to the training and consequently how the course should be changed, how to overcome the problems, and preparation of an action plan to do so.

However, due to the workload of TARC trainers (averaging 24 training days per month), this kind of course evaluation is rarely done. While this kind of course follow-up is supposed to be done on a 20% sample of courses, it is actually done on about a 5% of the courses. Moreover, the system is not applied to course given to staff, although more informal monitoring processes are sometimes used.

When trainers do a field-based follow-up of a course they write up a report outlining changes they feel are needed in course content. A copy of the trainer's report is sent to the Head of Training at headquarters as well as to the designated course coordinator. In the TARC monthly meetings with the POs and the AMs and In Charges, changes in course content are discussed. Various TARCs send comments on specific courses to the respective course coordinator. Finally, at the quarterly conference of trainers held at HQ, changes in course content are also discussed. If at this conference the trainers agree that a module/s should be revised, then they do so. The revised module has to be approved by the Head of Training in consultation with the Program Directors before it can be implemented. Module Review Meetings are held at headquarters for this purpose as frequently as required. In 1991, 5 such meetings were held.

POs and AMs	Project-level gender-wise data analysis, and attitudinal and organizational culture related issues
VO members	Analysis of gender roles/ responsibilities as a cultural construct, gender discrimination, and empowerment

In the revised RDP III budget, BRAC has allocated approximately 2.5 per cent of cumulative staff salaries spread over 1993-1995 for gender training. This amounts to Tk 3.3 million over three years. TARC-based gender training lasting for 4 days for each Senior Manager (20), RM (20), AM (200), and PO (1000) -- a total of 1240 persons will cost Tk 1.24 million. Additional costs will include training of trainers, curriculum development, costs of external and local consultants, and costs of training of VO members.

IV. RESEARCH AND EVALUATION

RED has 28 researchers, the majority of whom are economists, and numerous field investigators. In determining its research priorities RED consults the Executive Director, the various program directors, and regional managers. These are considered along with its own research interests and those of outside organizations seeking to collaborate on particular issues. Once a study has been approved, a research proposal is drawn up and sent for comments to the relevant program division and to RED staff for comments. Research findings are presented to the research division, program people and field people. If relevant program division wants the findings disseminated to the field, then the report is sent out. RED now has compiled a list of outside researchers who can comment on research findings. In addition, from 1992 onwards, RED plans to send out research proposals on topics in which it does not have expertise for comments to outside experts.

While RED staff feel confident of their utility to BRAC's programming in the area of health, in general, they feel a need to strengthen links to programs. While 64% of the studies completed by RED in 1991 were directly related to BRAC's programs, their quality was highly uneven thereby opening to question their usefulness to program personnel. RED staff also feel a need to upgrade their skills with respect to specific methodological approaches such as Rapid Rural Appraisal and operations research.

The Appraisal Team supports both the development of a sharper focus within RED on BRAC's program issues and upgrading staff skills. Specific proposals for the former would include collaboration with the Training Division of evaluation of training, process documentation of BRAC's renewed institutional development efforts in RDP III, and providing curriculum development inputs through investigations of BRAC's institutional development experiences in Sulla and Manikganj. To do this RED needs to strengthen existing staff capacity. It also needs add to its staff two senior social scientists interested in and with experience of institutional development/organizational behavior issues, training issues, and policy analysis.

2. Strategy to Strengthen Evaluation of Training

Mechanisms for evaluating training content, effectiveness and utilization are currently in place, but they are infrequently used. Moreover, there is insufficient clarity regarding appropriate methodologies and indicators. However, there is a great deal of interest within BRAC to pursue this issue and search for appropriate methodologies and indicators. Following discussions with the Training Division and RED we recommend the following process to strengthen BRAC's capacity to evaluate training:

i) The Training Division and RED should jointly organize a methodologies workshop to examine ways in which different organizations propose to and/or have used to measure training effectiveness.

ii) The two divisions should jointly appoint a team of about 5 RED staff plus 5 trainers to adapt the methodologies discussed to BRAC's training courses and field test the adapted methodology in teams of 2 (1 RED staff member + 1 trainer). This would also provide trainers with a much needed change in work and slow-down trainer burnout.

iii) In this way, BRAC should gradually build a system of monitoring and evaluating training effectiveness at various participant levels and institutionalize this function within RED.

Finally, we recommend upgrading staff strength in the Training Division at headquarters with the addition of two senior persons -- one for monitoring and evaluation of training, and another for curriculum development.

B. Gender Training

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. The Executive Director is particularly interested in developing BRAC's capacity to conduct gender training both for its staff and VO members. We support this proposition.

Different types of gender training stress different elements -- gender analysis and efficiency, equity, and gender subordination. The relative weight given to these elements will differ according to the needs of the training audiences. For BRAC, the content elements would vary by audience in the following manner:

Audience	Content
RMs and Senior Managers	Project level gender analysis, long-term programmatic and policy issues (e.g. strategic & practical gender needs), attitudinal and organizational culture related issues

V. INSTITUTIONAL DEVELOPMENT

A. Issue Meetings

Issue-based meetings are held once a month. BRAC has a list of 34 issues which are meant to be discussed. They include such topics as social history of the sub-continent, social transformation, dialectical materialism, women's rights and status, wages, and rural power structure. However, particularly in young VOs (i.e. less than 5 years), the discussion revolves around credit, savings, attendance, insurance cards, and IGVGD wheat rationing.

The meeting I attended was at Nekirhat village and was conducted by Afia Zaman. Afia is a female PO recruited into BRAC 6 months ago and based at Ekarchali, RDP Area Office, Rangpur region. She likes riding a motorcycle and feels secure with the living arrangements at the AO. She wants to become an Area Manager. The training she has undergone includes: TOT in Social Issues (13 days), Approach to Rural Development (13 days), and Functional Education (13 days).

The PO sat on a chair at the head of the group; group members sat on the ground in rows. The meeting was held in the courtyard of one of the villagers. Nekirhat Women's VO has 50 members; 46 attended this meeting. The meeting began with a recitation of the 17 promises led by one of the small group leaders. The PO asked what was discussed at the last meeting. At first, no one could remember. The PO reminded them that it was about the insurance card. The issue to be discussed this time was savings. The mode of interaction was a lecture mode with repetition by the VO members of answers given by the PO to her own questions. Then, the NFPE PO took over the meeting and began discussing the merits of sending children to school.

B. Collective Activities

BRAC VO members engage in collective activities financed by BRAC loans such as joint leasing of a pond and the raising of fish, and the purchase and maintenance of deep tube wells. The extent to which VO members engage in spontaneous collective activities outside of BRAC is one indication of VO maturity. While to some extent this is more common among older VOs, no such linear progression holds true for all VOs. This complicates the task of institution building on the part of BRAC and requires a mature and sophisticated analysis of when to encourage such kinds of actions and how on the part of BRAC's frontline workers.

Examples of collective activities include (i) one female member was given a gift of Tk 150 by her fellow VO members to buy medicines for her sick brother-in-law; (ii) one male VO members sought the help of his fellow VO members in raising money to pay for the feast at his daughters wedding -- essentially they gave him a gift of Tk 750. (iii) during last year's flood, the union chairman refused to give BRAC group members any relief (wheat, money to rebuild houses etc.) saying that they should get that from BRAC. So the women VO members "gheraoed" the union chairman (Sept '91) to demand relief. They told him that they voted for him in the last election. He maintained his stand and they had to return home empty handed. They told him they would not vote for him in the next election; (iv) one male VO member contested the union council election held on January 22, 1992. He lost by a margin of 75 votes. He got all the votes of his fellow VO members and was helped in his campaign by all the DTW VOs, both male and female. He said that prior to his joining BRAC, he would not have considered such an action but the group members gave him the confidence to go ahead. He said that he would stand for election again.

C. Monitoring Institutional Building

The objectives of developing indicators on institution building are: (i) to assist branch staff in thinking about and making greater efforts toward institution building; and (ii) use the information to sensitize VO members. Efforts to monitor institution building (i.e. indicators for measuring the performance of VOs) began with the expansion of RDP and introduction of RCP. In 1989, the Monitoring Unit developed 25 institution building indicators. In 1990, it tested the indicators in 3 field areas. The Monitoring Unit felt that the indicators had to be appropriate and convey clear messages, and that the quality of the data had to be ensured.

In late 1990, a meeting was held at BRAC headquarters to review the findings. The participants in this meeting included RMs, HQ staff and RED staff. As a result of these deliberations, the indicators were expanded to 30 and a manual was prepared for branch staff on how to collect the necessary data. In 1991, the data was collected by POs in 14 branches covering 876 VOs. The Monitoring Unit analyzed the data and held another meeting. The major conclusions of this meeting were that the number of indicators was too high and that some of the indicators were not giving clear information. In 1992, the Monitoring Unit plans to collect base-line data on 1 year old VOs in Year 4-7 branches (70 in all which comes to 20% of the sample), and from 1993 onwards, to collect progress data on a sample basis to assess the indicators.

The Monitoring Unit is not fully satisfied with the indicators because they measure progress against arbitrary targets set by BRAC rather that the VO members. The targets might be more appropriate and realistic if they were set by the VOs. The Unit will experiment with 5 to 10 VOs to develop their own set of indicators of maturity.

The quality of data collected needs to be improved. Managers as yet do not see the utility of the data generated perhaps because institutional development, other than for credit delivery and repayment, is not a priority issue. There are no incentives for staff to pay attention to the monitoring of institution building. Said the other way around, there are no disincentives to not doing so. Therefore, monitoring of institution development takes a back seat to other (primarily credit-related) issues. Information tends to be collected in a routine manner, the quality of that information is not good, and baseline information on each VO member (to be collected through the Membership Application Form) is often incomplete.

VI. ANNEX A: LIST OF PERSONS INTERVIEWED

I. BRAC STAFF

1. F.H. Abed, Executive Director
2. Aminul Alam, Director, RDP
3. A.M.R. Chowdhury, Program Head, Research and Evaluation
4. Safiqul Islam, Coordinator, Monitoring Department
5. Shabbir Ahmed Chowdhury, Program Manager, Training and Resource Center
6. Kaniz Fatema, Program Coordinator, Education
7. Shamshad Khan, Senior Personnel Director
8. Gunendu K. Roy, Senior Regional Manager
9. Fazlul Huq, Senior Area Manager/Acting Regional Manager, Rangpur
10. Pranesh Bonik, Trainer In-Charge, Rangpur TARC
11. Syed Joglul Islam, Trainer In-Charge, Savar TARC
12. Bhabotosh Chowdhury, Center Manager, Ayesha Abed Foundation
13. Abid Hossain, PO In-Charge, Taragonj RDP Area Office
14. Area Manager, Ekarchali RDP Area Office
15. Area Manager, RCP AO, Rangpur
16. Female POs, Rangpur, Ekarchali, Taragonj
17. Gram Sheboks, Taragonj

II. OTHERS

1. VO members in the Rangpur, Taragonj, Ekarchali and Manikganj areas
2. Mr. Malek, Program Coordinator, RDRS, Rangpur

ANNEX 6

FINANCIAL ANALYSES

ANNEX 6

FINANCIAL ANALYSES

BRAC

RDP III APPRAISAL

ANNEX: FINANCIAL ANALYSIS

Prepared For:

BRAC Donor Consortium

Prepared By:

Janney Bretz Carpenter
Shorebank Advisory Services
Chicago, Illinois USA

April 1992

ANNEX: FINANCIAL ANALYSIS

RDP III Appraisal Mission

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I. INTRODUCTION

In accordance with the Terms of Reference prepared by the BRAC Donor Consortium, and as revised in subsequent discussions with the donors, the Appraisal Team assessed BRAC's RDP III Proposal dated February, 1992. The Team[1] visited Bangladesh and BRAC from March 3 through April 2nd, 1992. The Appraisal Mission's conclusions and recommendations on RDP III are summarized in the Summary Report prepared by the Team Leader. This annex describes the findings, conclusions, and recommendations on specific financial issues raised by RDP III and those facing BRAC as it prepares for this continuing expansion.

BRAC is widely recognized as an innovative and effective NGO that has simultaneously achieved tremendous scale within Bangladesh. Two of its unique strengths are:

(i) BRAC is an entrepreneurial, "learning organization" that redefines, adjusts, and redesigns its programs based on lessons learned from its own experience;

(ii) It has a professional, disciplined, and proud organizational culture in which management and staff seek solutions and new ideas on how to better meet their high internal standards for efficacy and efficiency.

As long as BRAC maintains excellence in those two internal standards, it will most likely be able to continue its growth and innovation. These observations and recommendations are meant to provide constructive criticism and feedback to BRAC to help strengthen and build its capacity to maintain those standards.

RDP III represents another major expansion of BRAC's empowerment and poverty alleviation strategy. In the original proposal, BRAC requested US$ 64.2 million for the three year period of 1993 through 1995, a 290% increase over the US$ 22 million approved for the Rural Development Program under RDP II (the US$ 49 million, three year budget for RDP II budget included US$ 18.5 for RDP and US$ 30.5MM to prefund the Rural Credit Program; donors approved subsequent increases in the RDP budget to US$ 22MM).

The budget increase over RDP II stems from both the expansion of RDP's continuing programs and the addition of new activities under the RDP umbrella. Rather than project funding for a single, clearly-differentiated project, RDP III represents core operating funds for several programs. This reflects the complex interdependence among BRAC's development activities and the increasing difficulty in identifying independently derived benefits. In addition to operations, RDP III presents management challenges for BRAC. RDP III growth must be coordinated with concurrent expansions in NFPE, IGVGD, and Health that are funded outside of RDP III. BRAC must continue to develop a mid-level tier of managers to manage the increasing complexity of BRAC operations and meet the challenges posed by expansion.

[1]The Appraisal Team includes the following members and areas of expertise: Mr. Colin Relf (team leader); Mr. Anis A. Dani (management and training); Ms. Aruna Rao (gender issues); Ms. Jennefer Sebstadt (microenterprise); Mr. Sunimal Fernando (institution building), and Ms. Janney Bretz Carpenter (financial analysis/banking).

II. Summary Recommendations

The primary aim of these recommendations is to encourage BRAC to continue developing the internal monitoring and control systems that ensure sound and professional management of a growing and complex organization. In RDP III, BRAC will grow and become a more complex operation. This increases the need for strong internal management information systems to ensure that BRAC remains a sustainable and effective development institution. The planned expansion of both credit-related activities and NFPE, for example, will strain BRAC's training resources, staffing, and management capacity. Management should have reliable feedback and information about the health of the organization to guide its decision-making.

The analysis of the RDP III Proposed Budget (Part III of this report) reviews each summary line item in the RDP III Proposed Budget, as revised in discussions between BRAC and the Appraisal Team. Each is discussed in relation to current spending levels and planned RDP III activities, with recommendations for potential adjustments where appropriate.
Parts IV and V of this report focus on RDP and RCP, the challenges of managing the transition into a self-sustaining financial institution, and credit and loan portfolio management. Part VI addresses financial management issues for BRAC as a whole, as well as in RDP and RCP.

Although the largest single component of the RDP III Proposed Budget, the Non-Formal Primary Education (NFPE) program is not covered in detail in this report. An outside consultant reviewed the program thoroughly in 1991 with a complete report to the donors, and the MidTerm Evaluation of February, 1991, also reviewed the program. No information found by the Appraisal questioned or challenged the conclusions of those earlier reviews.

The recommendations from each part of this report are summarized below for the convenience of the reader. The later sections of this report discuss these recommendations and provide supporting data in greater detail.

Recommendations:

A. RDP III Proposal and Budget Analysis

- After discussions between BRAC and the Appraisal Mission team, BRAC has revised its RDP III budget proposal from US$ 64.2 million to US$ 50.3 million, plus an additional amount for sericulture up to the requested US$ 6.3 million.[2]

- BRAC has agreed to moderate its rate of growth in the number of new RDP area offices opened in 1993, 1994, and 1995 to 25, 30, and 40 respectively, down from 35, 40, and 40 (the current rate of growth has been 20 per year).

- Management should prepare a business plan for the sericulture program to clearly articulate the objectives, market demand, and risk factors for BRAC's proposed US$ 6 million investment in sericulture. That business plan should then be appraised by

[2] US$ 2.8 million of the US$ 7.8 million reduction is due to a change in the assumption on exchange rates from Tk 40 to Tk 42 per US$ 1.

someone with specific marketing and financial expertise in sericulture, with recommendations made to the Donor Consortium.

- The budget line item for "additional skills support" for Year 4 RDP branches and Year 5 and 6 RCP branches should be revised to reflect the specific types of support needed.

B. The RDP/RCP Transition and Self-Sufficiency

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

- 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.

- 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 about how to best use its resources.

- 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).

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

- Each sectoral program 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.

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

- 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.

C. Managing A Financial Institution

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

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

- Ratio Analysis and Trend Reporting to alert management of changes in loan quality, management quality, and earnings quality.

D. **Balancing A Dual Strategy**

- The increased emphasis on institution building reinforces the importance of RCP's continued evolution into a separate banking institution, even if it remains under the NGO umbrella.

- Senior Management should be sensitive to the need for continuing dialogue between the "development-oriented" and "self-sufficiency" oriented parts of BRAC to ensure parallel objectives and continued collaboration.

- A clear separation between general, or credit, POs and those POs responsible for institution building should be maintained at the Branch level to avoid compromising the soundness of either credit-related or institution building-related decisions.

- Experienced and mature branch managers are needed to manage the balance between institution building and credit activities to ensure that the more tangible aspects of credit delivery don't overshadow the less measurable aspects of institution building. Managers should be able to clearly articulate BRAC's long-term goals and to facilitate open dialogue and healthy debate that accompanies a dual strategy.

E. **Credit Activities and Loan Portfolio Management**

- 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 is 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.

- 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.

- 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.

- 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.

- 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.

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

- 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 (see Part VI for detailed recommendations.

F. **Financial Management**

- 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.

- 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.

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

- 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.

- 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 their attention on cash management through a variety of steps (see Part VI).

- 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 politically and economically.

III. RDP III Proposal and Budget Analysis

In the Draft RDP III Proposal dated February 1992, BRAC requested total financing of US$ 64.2 million, a nearly three-fold increase over the $22 million budget in the RDP II funding cycle.[3] Based on recommendations from and discussions with the Appraisal Mission team, this request has been revised to US$ 50.3 million plus an additional amount for sericulture up to the requested US$ 6.3 million.[4] The Appraisal Team has recommended that BRAC slow its rate of expansion in new offices branches and in the sectoral programs for income generating activity until internal monitoring and self-assessment mechanisms are in place to provide management with feedback on the health of the organization. The planned expansion of both credit-related activities and NFPE, for example, will strain BRAC's training resources, staffing, and management capacity. In addition, BRAC must improve its knowledge of its loan portfolio and be able to detect changes in repayment rates as early as possible.

Another significant area of investment is the sericulture program, representing about 10% of the total RDP III budget. The Appraisal Team has recommended that BRAC summarize its strategy, the market, and the costs and benefits to this investment in a business plan. This business plan should then be appraised by someone with sericulture, financial, and marketing expertise to make a well-informed recommendation to the Donors. For purposes of analysis, this Financial Analysis Annex includes the full $6.3 million budgeted for sericulture (although the final amount may be less) for a total budget of US$ 56.6 million for the three years from 1993 to 1995.

A. Overview

In RDP III, BRAC plans to continue the steady growth in Area Offices within the Rural Development Program, to increase investment in sericulture and other Employment and Income Generating Activities, and to expand the non-credit related services within RDP (including Non Formal Primary Education and Health). The number of new offices opened per year would increase to 25, 30, and 40 in 1995, up from 20 per year during RDP II. Non Formal Primary Education (NFPE) would increase significantly, representing 37% of the total RDP III budget compared to 19% in RDP II. In addition, BRAC will continue its capital investment in additional and expanded Training and Resource Centers and its investment in human resources through the new Management Development Program (an expansion of the Development of Rural Managers program in RDP II).

BRAC's goals in RDP III mirror its long term organizational goals: the alleviation of poverty, empowerment, and sustainability. The specific objectives are summarized below in Table 1:

[3] Although the original RDP II Project Document included $18.5 million for RDP, the amount was subsequently increased to US$ 22 million.

[4] US$ 2.8 million of the US$ 7.8 million reduction is due to the change in exchange rates from Tk 40 to Tk 42 per US$ 1.

TABLE 1: SUMMARY OF RDP III EXPANSION

Measure	Actual 1991		RDP II Target 1992	RDP III 1993	1994	1995	Total
No. of Branches							
Beg RDP (Area Offices)	90		90	90	105	125	
New RDP Offices Opened	20		20	35	40	40	115
Less: New RCP Branches	−20		−20	−20	−20	−20	60
RDP Office (at end of year)	90		90	105	125	145	
RCP Branches (from Jan 1st)	30		50	70	90	110	
Total Branches	120		140	175	215	255	
No. of Villages	5,198						
RDP	3,516	68%					
RCP	1,682	32%					
No. of VOs	11,376						
RDP	7,689	68%					
RCP	3,687	32%					
No. of Members	598,000						
RDP	397,005	66%					
RCP	201,118	34%					
Individual Savings (Tk million)	205						
RDP	108	53%					
RCP	96	47%					
No. of Borrowers	553,359						
RDP	335,497	61%					
RCP	217,892	39%					
Disbursements (Tk million)	1,438						
RDP	724	50%					
RCP	713	50%					
Loans Outstanding (Tk million)*	590						
RDP	305	52%					
RCP	284	48%					

* Gross loans outstanding less NYT outstandings.

Source of 1991 Data: December 31, 1991 Statistical Reports #1 (Institution Building) and #2 (Credit)

To meet those objectives, BRAC has proposed the budget summarized in Table 2 on the following page. As shown, the most significant elements of that budget are:

NFPE	37%
Income & Emp. Generation:	
Sericulture	10%
Non-sericulture	6%
Total	16%
Branch Operating Cost	15%
Loan Fund Requirement	14%
Capital Investment (inc. TARCs)	10%
Other	8%
Total	100%

As shown in Table 3 on the following page, 45% of the RDP III Budget will be invested in core programs; 42% in sectoral programs;[5] 9.6% in capital investment (including branches, regional offices, head office, and training facilities); and 2.6% in support services (monitoring and evaluation, management training).

Head office overhead is budgeted as 10% of each budget summary line item, a figure that reflects historical overhead rates of 9.7%.

B. BRAC's Budget Methodology

BRAC's budgeting process focuses on determining the total funds required from donors, net of sources of internally generated income. Interest income and service charges are shown as reductions in the total funding requirement in the relevant summary budget line item.

Staff costs include salary, 35% of salary for travel and transportation (except for GSes, who travel by bicycle), and 7.5% of salary for inservice training (continuing education). These are budgeted by program, and are therefore included in the summary line items for sericulture, poultry and livestock, NFPE, or, in the case of general or credit staff, in branch operating expense. An additional 2.5% of staff salary expense is budgeted for new gender training for staff over the three year period (Tk 3.2 million).

[5] In BRAC's internal financial reporting, "sectoral programs" refers to IGVGD (Income Generating Activities for Vulnerable Group Development) which targets the poorest 10% of the rural population and to NFPE (Non-Formal Primary Education) which establishes 30-student schools in rural villages. In this report and in most of BRAC, "sectoral programs" refers to the sector-focused income generating activities pursued under core programs.

TABLE 2
RDP III REVISED BUDGET SUMMARY
(in millions of Taka)

	BUDGET ITEM	1991 Actual	%	1992 Budget	%	RDP III 1993	RDP III 1994	RDP III 1995	Total 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	33.16	10.3%	35.35	12.0%	91.14	136.99	145.85	373.98	14.8%
	Rural Enterprise Program	5.65	1.7%	5.09	1.7%	5.59	5.10	5.07	15.76	0.6%
	Total Income & Empl. Generation	38.81	12.0%	40.44	13.8%	96.73	142.09	150.92	389.74	15.4%
III	IGVGD	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 & 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	0.00	0.0%	0.00		7.32	9.51	9.40	26.23	1.0%
	Devel. of Rural Managers*	21.40	6.6%	6.96	2.4%					
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 to reflect 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 to Tk 42 per US $, down from Tk 40, reducing the Net Requirement by US$ 2.83 million.

TABLE 3: BUDGET ANALYSIS

	1991 Actual		RDP III Total	%	Compound GR 1991–1995
CORE PROGRAMS:					
Institution Building	19.46		106.11		25%
Income & Empl Generation (incl. REP)	38.81		389.74		49%
Health & Family Planning	0.00		34.32		50%
Branch Operating Expense	62.10		361.04		27%
Regional Office Expense	3.81		27.47		35%
Staff Training & Development	3.18		21.91		78%
Loan Fund Requirement	30.93		152.42		79%
Total	158.29	49.0%	1093.01	46.6%	
CAPITAL INVESTMENT:					
Branch, Regional, & Head Offices	25.03		152.42		64%
Training and Resource Centers	21.37		67.35		42%
Expansion of Existing TARCs			5.60		
Total	46.40	14.4%	225.37	9.6%	
SUPPORT SERVICES					
Research, Monitoring, & Evaluation	4.04		33.96		75%
Devel. of Rural Managers	21.40				
Management Development Program	0.00		26.23		67%
Total	25.44	7.9%	60.19	2.6%	
SECTORAL PROGRAMS:					
IGVGD	16.64		80.03		29%
NFPE	76.15		885.36		84%
Total	92.79	28.7%	965.39	41.2%	
TOTAL EXPENSE	322.92		2343.96	100%	

Sources: 1991 Actual RDP Quarterly Financial Report and 1992 RDP Budget Quarterly Financial Report (revised to reflect lower than expected purchase of 125 Deep Tube Wells)

The budget is built on specific cost assumptions for each program and the number of area offices in which it will be implemented. Not all income generating activities are forecast for all branches and the level activity varies with the maturity of the branch. For example, 50 poultry workers may be trained in a branch's first year and 100 in its second year. Each budget line item reflects the cumulative activity in all year 1, year 2, year 3, and year 4 branches.

Inflation
BRAC assumes a 10% inflation rate each year and uses the inflation adjusted cost to determine the amount of donor funds needed in that year. The official inflation rate in Bangladesh has ranged from 9% to 11% over the last few years. In the summary budget, the subtotal for each category is adjusted by 10% per year for inflation to determine the total funding requirement. This approach is in part driven by the donor need for annual funding requirements rather than a total investment figure quoted in today's dollars (a standard method to measure such investments discounts future cash flows back to the present net of the interest earnings gained during the period).

Contingency Planning
BRAC builds a contingency cushion into its budget through both the inflation assumption and individual cost assumptions, rather than a separate line item for unexpected expenses. For example, the 7.5% staff training expense is not entirely allocated to specific training (at Tk 20 million, it represents less than 1% of the total budget. The 35% travel and transportation assumption is similarly conservative, as actual expense was closer to 32%. Some margin is prudent, however, given this number's sensitivity to fuel prices.

BRAC has not projected any wage increases for staff during RDP III other than the 10% inflation per year.

The largest contingency cushion in the RDP III Budget is in the exchange rate assumption. BRAC is confident that the Taka will devalue before the end of 1992 to near the Tk 45 to US$ 1 level. The budget conservatively assumes a Tk 42 exchange rate. Should the Taka fall to the 45 level, BRAC would gain an additional Tk 170 million, or US$ 3.7 million.

C. Line-By-Line Budget Analysis

This section analyzes the RDP III Budget by summary line item. The reader should refer to Table 2 (the Summary RDP III Budget) and to Appendix C (a copy of the detailed budget).

1. Institution Building

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
Institution Building	19.46	17.26	28.70	34.38	43.03	106.11	4.2%

* The total budget before the adjustment for inflation is Tk 86.8 million.

Institution Building includes the costs of providing training to VO members in functional education and consciousness raising, VO management, paralegal, planning and management, and leadership training. Each is budgeted for a certain number of members per VO for all new area offices. Institution Building costs include teachers training, staff costs (see definition above), and cost per participant day for the training.

Thirty-two percent of the institution building budget is committed to continuing institutional support of VOs in year 4 RDP branches and year 5 and 6 branches that have transferred to RCP. BRAC has budgeted Tk 9.24 million per year, or Tk 154,000 per branch, for these branches in RDP III. This is a significant increase from the RDP II levels of Tk 25,000 per branch because actual expense in 1990 and 1991 was much higher than planned.

Through experience, BRAC has learned that the process of developing independent Village Organizations takes longer than the three or four years originally forecasted. To reemphasize that parallel goal of empowerment at the Village Organization level, BRAC has redesigned its institutional support to VOs. In recognition of the tendency among field staff to underemphasize the fuzzier tasks and performance measures of institution building in favor of the more concrete tasks and performance measures of credit, BRAC is planning the following changes:

- Adding two senior staff in six Regional Offices to be responsible for institution building activities within each region;
- Separating responsibilities among POs at the Branch level into two credit POs and one or two institution building POs (all reporting to the Branch Manager);
- Conducting quarterly VO managers conferences and monthly small group leader meetings (the leaders of the groups of 5 or 6 borrowers within each VO) to foster interaction with local government officials and other VOs (see the Management and Training Annex for a more detailed discussion).

2. Income and Employment Generation

(Taka millions)	1991 Actual	1992 Est.	1993	1994	1995	RDP III Total*	% of RDP III
Income & Empl. Generation	38.81	40.44	96.73	142.0	150.9	389.74	15.4%

* The total before the adjustment for inflation is Tk 319 million.

Income and employment generation activities promote and support member participation in higher-order economic activities to provide more profitable alternatives to rural trading and rural transport, the most common local activities. The economic sectors targeted by BRAC include:

Sector	Amount (TK millions)	% of Budget
Poultry & Livestock	40.53	12.7
Irrigation	.28	0.1
Fisheries	14.43	4.5
Social Forestry/Hort.	18.26	5.7
Sericulture	215.97	67.8
Other Skills Training	13.53	4.2
Rural Enterp. Project	15.76	4.9
Total (pre-inflation adj.)	318.76	100.0
Total (inflation adj.)	389.73	

Each of these sectoral programs and their related service charge strategy is discussed in greater detail in the microenterprise/sectoral programs Annex. A brief synopsis of the key budget assumptions follows:

Poultry & Livestock: This program is fully implemented and is active at every RDP and RCP branch. The numbers of VO members trained as paravets (providing care for livestock), cow rearers, goat rearers, and poultry workers, chick rearers, and key rearers increase from a branch's first year through third year. BRAC projects earning Tk 12.2 million is service charges from the sale of chicks (a one taka markup per chick), medicine, and feed to offset the total expenditures of Tk 52.7 million. This assumption is reasonable because the service charges are already in place and members are paying them. The net funding requirement is Tk 40.5 million.

Irrigation: The irrigation sector activities are comprised almost entirely of deep tube wells

("DTWs"),[6] plus a small number of treadle pumps that require minimal capital investment - about Tk 500 - by members). Costs include staff costs (salary, travel and transportation, and training for 17 field teams of 4 staff each: 1 agronomist; 1 engineer; 2 mechanics), training for VO members to become DTW drivers, mechanics, and linesmen, and Gram Sabok salaries and training. BRAC revised its estimate of DTWs from 350 down to a maximum of 125 after discussions with donors in March. The addition of 125 will bring the total number of DTWs operated by BRAC members to 767.

Total expenditures are projected to be Tk 28.48 million, however, BRAC projects recovering nearly 100% of that cost through service charges to the VOs operating the DTWs. This assumption is optimistic, as the service charges have just been implemented this year and VOs have not yet demonstrated either their intent or ability to repay. The realization of this fee income will depend on BRAC's ability to help VOs manage the DTWs profitably, an assumption that has been called into question based on poor loan repayment rates on DTW loans in the credit portfolio. BRAC anticipates charging Tk 100 per year per decimal of land in the command area in the first year of DTW operation, Tk 125 in the second year, and Tk 150 in the third year.

Fisheries: The total expenditures in the fisheries program are projected to be Tk 20.43 million less Tk 6 million in service charge fee income, resulting in a net funding requirement of Tk 14.43 million. Costs include staff costs and VO member training for pond fisheries (the Oxbow Lakes program is a joint project with the Bangladesh government and, although managed by BRAC, is funded by the other partners). As service charges, BRAC plans to charge members Tk 100 per decimal of body of water for the advice and regular visits of a fisheries GS and PO. The income assumption is slightly optimistic as these fees are just being implemented and member willingness to pay them on an annual basis remains unproven.

Social Forestry and Horticulture: A recent introduction to RDP, this program trains VO members to raise fruit and timber trees in a small nursery to then sell locally and to raise vegetables in small plots around their homes for sale in the local market. BRAC hopes to expand it rapidly among existing RDP and RCP branches. Total expenditures are budgeted to be Tk 18.9 million, less service charge income of Tk 600,000. This fee income assumption seems realistic; this program is expanding to more branches in 1992 and will earn service charges through both a markup on the seedlings sold to the members running the nurseries and through fees for subsequent visits from POs and GSes.

Sericulture: The sericulture program is projected to expand dramatically from the beginning of 1993 to the end of 1995. The net funding requirement of Tk 216 million assumes receipt of Tk 12 million in service charges, an assumption that is difficult to assess without a more clearly expressed business plan from BRAC. Because of the scale of this investment (over Tk 44 million of which, or 20%, is for fixed assets/equipment) and the specialized knowledge required to evaluate it, the Appraisal Team has recommended that BRAC prepare a business plan to clearly articulate its plan, the risks, and the market potential of a highly decentralized sericulture industry in Bangladesh. The donors have agreed to hire someone with sericulture, marketing, and finance expertise to appraise this portion of RDP III. Sericulture is discussed in greater detail in the Microenterprise/Sectoral Programs Annex.

[6] See Part V, Portfolio Profile, and Appendix C for more information on deep tube wells.

Other Skills Support: Totalling Tk 13.5 million, this line item includes the cost of crafts training and production centers (where members embroider items for the Ayesha Abed Foundation) and the cost of Skills Training Support for year 4 RDP branches and year 5 and 6 RCP branches. The original RDP/RCP model described in the 1989 Project Document for the BRAC Bank (later renamed RCP) projected technical support for sectoral programs to be 100% financed by member fees by year 4, when a branch transferred to RCP. Due to the slower than anticipated introduction of service charges, BRAC has budgeted an additional Tk 50,000 per branch for 60 branches per year (20 each of year 4, 5, and 6 branches) to cover the cost of technical support to members. This figure is a rough estimate based on 1991 actual experience and does not have a high degree of certainty.

Rural Enterprise Project (REP): A previously separate line item in the summary budget, REP has been combined with the other Income and Employment Generating activities. REP is the "R&D department" for new ideas that may evolve into new sectoral programs for RDP (e.g. fisheries and horticulture both were tested in REP before being implemented on a larger scale). Pilot activities currently include women-owned roadside restaurants (in Jessore, for example) and machine repair shops. The REP budget continues its current trend of gradual decline in RDP III, as BRAC focuses on the expansion of existing sectoral programs. Total expenditures are budgeted at Tk 15.76 million, with annual expenditures declining from Tk 5.6 million to Tk 5.1 million.

Overhead and Marketing: Each sectoral program budget includes a 10% charge for Head Office logistics and management support (overhead). In addition, BRAC has integrated a new marketing role into each sectoral program. Rather than creating a separate marketing unit, each sector will add a marketing officer to be responsible for developing new ways to connect producers and products with urban markets where higher prices can be realized and local market saturation can be avoided. Although there is no immediate danger of oversupply in poultry or other products reducing prices, BRAC anticipates the need to develop access to Dhaka markets.

3. <u>IGVGD</u>

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
IGVGD	16.64	15.42	28.48	23.15	28.36	80.03	3.2%

* Inflation adjusted total; unadjusted for inflation, the total RDP III budget is Tk 66.36 million.

Income Generation for Vulnerable Group Development targets the poorest 10% of the Bangladesh population. It is a two year program available to women who have qualified for food-for-work eligibility with the government, and is coordinated by BRAC, the Bangladesh government, and the World Food Program. BRAC provides the training, technical support services (for poultry-related economic activities), and management; the government provides the loan fund to finance the women participants in the program (the interest on the loan fund covers the salary cost of GS and PO staff); the WFP provides the wheat that is distributed to participants. About 70% of IGVGD participants go on to become VO members in regions where RDP and IGVGD overlap.

In contrast to several other segments of RDP III, IGVGD's budget will not expand. The program will continue to operate in 36 Upazillas (18 will be phased out and replaced by new areas during the three year period). Unadjusted for inflation, the BRAC budget for the IGVGD program will be Tk 25.89 million in 1993, Tk 19.13 million in 1994, and Tk 21.33 million in 1995.

4. Health and Family Planning

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
Health & Family Planning	0	0	8.39	10.31	13.26	31.96	1.3%

* Inflation adjusted total; unadjusted for inflation, the total RDP III budget is Tk 26.11 million.

In recognition of the need for increased family planning and hygiene, BRAC is adding this element to RDP's mobilizing and development activities. H & FP will be implemented as an ongoing activity in every branch (one GS per branch and ten branches per PO). It is separate from BRAC's Women's Health and Development Program.

5. Branch Operating Expense

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
Branch Op. Expense	62.10	59.40	94.55	115.3	151.2	361.04	14.3%

* Inflation adjusted total; unadjusted for inflation, the total RDP III expenditure is projected to be Tk 294.84 million.

Branch operating costs reflect the costs of providing credit and include the unit cost per branch multiplied by the number of branches operating during the year. Rent expense in incurred for the first two years of a branch until an office is constructed (see Capital Investment below).

Branch Operating Costs	Per Month	Per Year
1 Manager	7,500	90.000
3 Program Organisers	5,000	180,000
1 Accountant	4,500	54,000
12 GS	2,000	288,000
1 Service Staff	1,500	18,000
Travel & Transportation:		
35% of salary of Manager and POs	4,375	94,500
5% of salary of Accountant	225	5,400*
Other Costs	6,000	72,000
Sub-Total		801,900
H.O. Logistics & Mgmt Support (10%)		80,190
Total		882,090

* This number should be Tk 2,700 for 1 accountant, and would reduce the annual unit cost by Tk 2,970.

BRAC is reducing the number of accountants per branch from two to one, a change that has occurred in about 50% of the branches to date. No travel and transportation expense is budgeted for GS staff because they travel by bicycle rather than motorcycle. Other Costs reflects historical expense for maintenance, meals, and supplies. BRAC assumes that new area offices are open from the beginning of the year and therefore incur a full year's operating expense in year one. This assumption is consistent with BRAC's expectation for 1992, but should be reviewed for accuracy in later years as the number of new offices increases.

6. Regional Office Operating Cost

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
Regional Office Op. Expense	3.81	3.87	7.38	8.76	11.33	27.47	1.1%

* Inflation adjusted budget figure; unadjusted for inflation, the total RDP III expenditure is projected to be Tk 22.27 million.

Annual operating expense per Regional Office is budgeted at Tk 673,200 (see Revised RDP III Budget for detailed breakdown). The number of ROs are projected to be 9,10, and 12 in 1993, 1994, and 1995, respectively, a projection consistent with the growth in Area Offices. ROs rent office space because they will move to new regions as RDP branches transfer into permanent RCP branches that are served by a permanent RCP Regional Office. Rent expense decreases from 1993 to 1995, however, to reflect the consolidation of Regional Offices into the expanded TARC facilities (three will move into TARCs in 1994 and another three in 1995).

7. Staff Training & Development

(Taka millions)	1991A	1992	1993	1994	1995	RDP III Total*	% of RDP III
Staff Training & Development	3.18	2.09	6.57	6.72	8.62	21.91	0.7%

* Inflation adjusted budget figure; unadjusted for inflation, the total RDP III expenditure is projected to be Tk 14.88 million.

BRAC budgets annual "inservice training" expense as a percentage of salaries: 7.5% for Managers and POs, 5% for GSes. The 7.5% is not completely allocated to specific training courses and therefore provides some contingency cushion for future training needs. The extent of those future needs is difficult to determine (as it will range from credit management for branch managers and POs to reporting and information collection for accountants and monitors). The degree of cushion appears conservative, although the amount appropriate is difficult to assess.

After discussions with the Appraisal Team, BRAC is budgeting an additional Tk 3.13 million for one-time training on gender issues for all general (or credit) staff.

8. Loan Fund Requirement

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total	% of RDP III
Loan Fund Req.	30.93	39.67	93.73	98.74	145.3	337.80	13.4%

The loan fund requirement projection is built on three major assumptions: (1) the projected increase in outstandings during the year for all Year 1, 2, 3, and 4 branches (as forecast in the RCP Revised Budget, November, 1991); (2) the projected cash proceeds each year from the sale of 20 Year 4 branches to RCP; and (3) the projected increase in outstandings for housing loans to members and BRAC staff. The first two assumptions are discussed in Part III under RDP/RCP Transition and in Part VI under Forecasting and Budgeting.

In RDP III, BRAC proposes to expand housing loans as a segment of the RDP and RCP portfolios. The current housing loan portfolio (Tk ___ million) has been funded by UNICEF. Although reported separately, housing loans have been managed by RDP and the monitoring department as if in the RDP portfolio. BRAC plans to introduce them in Year 2, Year 3, and Year 4 RDP branches and in all RCP branches. Loan outstandings are projected to increase from Tk 30 million in the beginning of 1993 to Tk 150 million by the end of 1995, resulting in a net financing requirement of Tk 120 million. This growth assumption is based on the strong interest BRAC has received in housing loans. Loans have a two and a half year maturity and range in size from Tk 2500 to Tk 6,000. The average loan size is between Tk 4500 and Tk 5,000.[7]

Loan Fund Requirement (Taka Millions)	1993	1994	1995
Individual and Collective Loans (RDP): Projected Year-End Outstandings (adj. for inflation) Expected Beg. of Year Outstandings Funding Requirement	 326.15 193.96 132.19	 376.14 165.40 210.74	 467.18 199.31 267.87
Less: Proceeds from Sale of Branches to RCP*	146.14	160.75	176.83
Net Requirement	(13.95)	50.00	91.04
Plus: Housing Loans To Members (in both RDP and RCP branches): Projected Year-End Outstandings (adj. for inflation) Expected Beg. of Year Outstandings Funding Requirement	 105.00 30.00 75.00	 128.75 105.00 23.75	 157.50 128.75 28.75
Plus: Housing Loans for Staff	32.68	27.50	30.54
Total RDP Loan Requirement:	93.73	98.74	145.33

* From sale of 20 Year 4 branches from RDP to RCP

9. Capital Investment

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total	% of RDP III
Capital Investment	25.03	19.19	40.15	42.59	69.68	152.42	6.0 %

Capital investments include the building of new branch offices, motorcycles for credit/general and sectoral POs, and furniture and fixtures and vehicles for regional offices and head office. Land, construction, and furnishings expense per branch is Tk 1.37 million, a 14% increase over the Tk 1.2 million cost as of the end of 1991. This unit cost is multiplied by the number of new branches opened each year, effectively front-loading these costs (Rental expense for new branches is budgeted for two years, suggesting that two years are needed to build a new branch). The total cost of new branches is netted against the proceeds from the sale of branch fixed assets to RCP (20 branches per year at Tk 1.28 million per branch).

[7] The RDP III Proposal mentions both figures as the average loan size and does not give an estimate of current outstandings.

The projected proceeds from the sale of branches to RCP seems optimistic. RCP buys the loan assets and fixed assets of Year 4 branches from RDP for a projected Tk 7.3 million per branch in 1993. These Year 4 branches will have depreciated many of their assets; motorcycles for four of their expected five year life, for example. Furniture and fixtures are depreciated over 10 years, an assumption that may be optimistic. The total (non-inflation adjusted) cost for branches is Tk 156.15 million less Tk 76.8 million in sale proceeds, giving a net requirement of Tk 79.35 million.

The Tk 14.9 million for Regional Office capital investment is primarily budgeted for vehicles. At a cost of Tk 1.2 million apiece, BRAC plans to purchase 7 vehicles in 1993 and an additional 5 over 1994 and 1995. The purchase of 22 vehicles in total are budgeted in RDP III to replace aging vehicles and to expand the fleet to meet BRAC's needs. Twelve of the twenty-two are budgeted for the Regional Offices. The Appraisal Team has recommended that these vehicles be based at the Training and Resource Centers (TARCs), which need a way to transport both people and supplies. The gradual merger of the Regional Offices with the TARCs will result in more efficient use of those vehicles. Head Office capital investment totals Tk 29.8 million (unadjusted for inflation), comprising Tk 4.8 million for 4 vehicles and Tk 25 million for furniture, fixtures, and equipment.

10. Non Formal Primary Education

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total*	% of RDP III
NFPE	76.15	75.02	198.35	279.31	407.7	885.36	35.1 %

* The total expenditures unadjusted for inflation are Tk 717.46 million.

The costs of NFPE include teacher costs (salaries and training), student costs (supplies and books), management and supervision costs (PO salary and other staff costs), and regional and HO management and support costs. As shown in Section X. of the RDP III Budget, BRAC projects operating 8,683 schools (including years 1, 2, and 3) in 1993, 11,994 in 1994, and 15,183 in 1995.

Although BRAC also plans to significantly expand the NFPE program outside of RDP, there are strong reasons to keep NFPE as a component of RDP. The provision of local, small-scale schools complements RDP development efforts, and are highly valued by RDP and RCP members. They are supervised by sectoral POs based in either regional offices or branches. NFPE was reviewed thoroughly by both the Mid-Term Evaluation in February, 1992, and a separate review in 1991. Based on those reviews and informal discussions, the Appraisal has no reason to question the cost assumptions in the NFPE budget. NFPE was carefully reviewed, however, for its demands on BRAC training capacity and management time.

11. Management Development Program

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total*	% of RDP III
MDP	—	—	7.32	9.51	9.40	26.23	1.0 %

* Unadjusted for inflation, total expenditures are projected to be Tk 20.3 million.

A new program that has evolved from the Development of Rural Managers program, MDP includes two facilities for continuing education and training for BRAC managers. The Rural Campus was built in 1991 and the Dhaka site will be constructed in 1992 (both were funded by the currency gained by BRAC from the devaluation of the Taka during RDP II). The recurring costs of MDP for RDP III include institutional development (faculty, curriculum development, staffing, 4 computers, and 4 vehicles) and operating expenses. Institutional development costs total Tk 24.78 million (pre-inflation adjustment); operating expenses are projected to be met in full (with a profit) by user fees from both internal and external participants.

The budget for 1993 may be optimistic for two reasons. First, as of March, 1992, MDP had hired only 2 of the 8 planned faculty members and no courses have been designed in full. Reaching full scale operations in 8 months for the beginning of 1993 may be difficult. Second, although user fees may cover 100% of operating expense in the future, that assumption is unrealistic for the first year of operation. The Appraisal Team has recommended that BRAC focus the MDP program on training for internal managers first, and then gradually broaden to seminars for outsiders and government officials. This will allow BRAC to bring its own staff further along in credit management and other skills as well as allow MDP to develop the quality of programs that will be in demand by outside participants and contribute to BRAC's reputation as an organization. BRAC management, however, believes that the full expenses and revenues budgeted for 1993 will be achieved.

12. Training and Resource Centers

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total*	% of RDP III
TARCs	21.37	10.98	31.35	37.87	3.73	72.95	2.9 %

* Unadjusted for inflation, total expenditures are projected to be Tk 62.6 million.

As discussed in the Management and Training Annex, BRAC plans to build six new, smaller TARCS for a total of Tk 57.0 million. In addition, the eight existing TARCs will be expanded to accommodate the regional offices that will be sharing TARC space. Budgeted at Tk 700,000 each, the total cost of expanding the existing TARCs will be Tk 5.6 million.

13. Loan Fund Interest Income

(Taka millions)	1991 Actual	1992 Budget	1993	1994	1995	RDP III Total	% of RDP III Budget
Loan Fund Interest Income	31.85	50.22	43.73	45.43	56.74	145.91	5.8 %

Loan fund interest income is net of the annual provision to the loan loss reserve (equal to 2% of total disbursements of loans for that year). Interest earnings are calculated based on a 20% per annum interest rate on average outstandings (see Loan Fund Requirement above).

As a percentage of total expenditures, loan interest income decreases from 9.86% in 1991 to 6.75%, 5.55%, and 5.37% in '93, '94, and '95, respectively. This decrease reflects the expansion of non-lending programs within RDP III, and would be even sharper if BRAC had not increased its interest rate from 16% to 20% in January, 1992.

III. THE RDP/RCP TRANSITION

RCP was created to be a self-sustaining credit institution that would remain as a continuing resource for VOs, allowing RDP to focus its mobilization efforts on new villages through its combined institution building and enterprise development activities. As part of RDP III, BRAC should begin to more clearly define the successive levels of self-sufficiency that RCP will achieve on its way to complete self-sufficiency as a financial institution. The road to self-sufficiency will take many turns and should be better plotted, with benchmarks for cost allocation, revenue recognition, and performance measures to guide the way. This next level of detail is needed both for BRAC and the Donors to assess and refine the timetable and steps in RCP's progress.

As noted earlier, one of BRAC's great strengths is its ability to assess and adapt, refining its programs with practical experience until it finds the approach that works. As a "learning organization," BRAC should again assess the model for the transition of RDP branches into RCP for two main reasons: First, to monitor whether the transition to RCP is achieving BRAC's objectives and goals in both credit delivery and in the fostering of continued VO development; second, whether the projected full cost recovery of sectoral technical support for income generating activities will be achievable and along what time horizon.

A. Defining Self-Sufficiency: Cost Allocation and Revenue Recognition

As discussed in both the November, 1991 Review of Savings and Credit Activities and the February 1992 Mid-Term Evaluation, RCP is covering the operating costs of delivering credit. In 1991, RCP reported a profit of Tk 17.9 million, compared to a loss of Tk 5.1 million in 1990.

According to the financial model and the 1991 Income Statement, RCP's revenues are loan interest income and investment income. In addition to these, RCP also earns a net interest margin on member savings deposits (equal to the difference between the interest rate earned on investments and the rate paid depositors.

RCP's expenses are solely those related to the provision of credit at the Branch, Regional Office, and Head Office levels. According to the 1989 Project Documents for RDP II and BRAC Bank Project (later renamed the Rural Credit Project), RCP will not bear the cost of Institution Building or Skill Support training for its VO members. Although a branch was initially expected to transfer to RCP at the end of year 4 with no additional support, RDP II budgeted additional resources for both types of training for the two year period following transfer to RCP. This two year extension of RDP subsidy has given the model its "4+2" moniker.

According to the Revised RCP Budget adopted in November, 1991, RCP is forecast to earn an increasing level of profits up through 1994. The cost of purchasing RDP branches begins to outweigh the interest income earned on investments and Net Operating Profit is forecast to decline until RCP has purchased the planned 300 branches from RDP (in the year 2001). Net Operating Profit then steadily rises as loan volumes and interest income increase. With an interest rate of 20%, however, RCP's Operating Profit is projected to steadily increase from this point onward. The higher interest earnings and subsequent investment earnings are greater than the annual cost of purchasing RDP branches.

In summary, RCP's true costs fall into three categories:

(1) Those related to credit delivery and to be paid by interest income earned on loans (including staff costs, branch expense, cost of capital);

(2) Those related to the delivery of sector technical support for members' income generating activities and to be paid by fees (service charges) paid directly by VO members (including the cost of skills support);

(3) Those related to the ongoing delivery of institution building support to VOs (an expense that BRAC believes will become unnecessary once branches are able to complete a full four year cycle in the revised RDP (those opened in 1989 or later).

Table 4: Costs To Be Considered When Measuring Full Costs

TYPE OF COST	LINE ITEM
Credit Delivery	**Branch Office Expense:** - Staff salaries, travel & transportation, in-service training, and benefits) - Operating costs **Regional Office Expense:** - Staff salaries, travel and transportation, training for Regional Manager, accountants, monitors, etc. - Operating costs **Institution Building For New VO Members:** - Formation of new VOs (including Functional Education, Paralegal, and Leadership Training) **Interest on the BRAC Loan:** - RCP's cost of funds from BRAC **Head Office Operating Expense:** - RCP management and support staff in HO - Overhead (office space, utilities, senior management time, etc.)
Sector Technical Support	**Skills Training/Sectoral POs** - Staff salaries, travel & transportation, training **Branch Expense:** - Salaries and training cost for GSs - Branch operating costs **Regional Office Overhead:** - Rent, utilities, etc. **VO Member Training Given By Non-Sectoral POs** **Unexpected Losses** - Loss of chicks or trees to disease, flood, etc. **Introduction of New Programs or Components** - Research and Development costs - Start up costs **Head Office Overhead**
Continuing Institution Building	**Institution Building For VOs** - Sustained intervention to nurture independent Village Organizations

In practice and in the RCP Budget model, RCP does not bear all the costs for credit delivery, bears no allocated costs for sectoral/ technical support services, nor bears any costs for continued institution building of VOs. Each of these is discussed below.

Credit Delivery Costs

As discussed above, BRAC is covering all of these costs except interest on the BRAC Loan and institution building training for new VO members. Beginning perhaps as soon as 1992, BRAC will begin charging RCP interest on the BRAC Loan to reflect RCP's cost for using those funds (the interest rate will be similar to that the Bangladesh Bank charges to other Banks, or between 2% and 6%.

These additional costs may be phased in easily during RDP III to reflect the full costs of credit delivery without significant risk to RCP's strong financial condition.

Skills Support/Technical Support Costs

The RCP Budget model also assumes no cost for skills support and training for VO members. The cost of these services is projected to be recovered through service charges (fees) that fully cover the costs of support provided through RDP. In practice, the RDP sectoral programs would charge all RDP and RCP branches for services rendered; RCP would then be responsible for collecting the fees from its own VO members.

Based on experience with service charges to date, however, full cost recovery through service charges to members seems unlikely for the following reasons:

(a) BRAC management believes that existing RCP members are not yet adequately prepared to bear the full costs of technical support services (in terms of income levels, primarily);

(b) The price that members are willing to pay for the perceived value of these services will vary with the type of service and may not equal the full cost to RDP of providing them;

(c) Sectoral support costs are not fully allocated to RCP, as RDP staff advise RCP in many ways and the costs of such support is neither clearly tracked nor easily determined.

In the RDP III Proposal, BRAC has budgeted Tk 50,000 per branch per year for additional skill support training during the first two years in RCP. After Year 6, these costs should be paid in full by VO members. As no branches have completed the entire six year cycle created in 1989, it is difficult to opine on whether VO members will be able and willing to pay full fees by branch year 7. Based on a review of service charges, the resources of VO members, and the costs of providing these services, however, full cost recovery seems unlikely. The full costs of these programs should eventually be allocated to RCP to reflect both those recoverable through fee income and those not. (Service charges are also discussed in the microenterprise/sectoral programs Annex.)
RCP must be careful to not push branches to become self-sufficient by cutting out supports for VO members. The training and follow-up that members receive in fisheries, cow rearing, or sericulture mitigate RCP's lending risk and help prepare the borrower for greater success in the future. It may be in RCP's best interest to subsidize a portion of sectoral program costs to improve the probability of repayment and boost loan volumes.

Institution Building Costs

The costs of institution building for VOs and their members were included in neither the original nor the revised RCP Budget. According to the four year model, Village Organizations would be mature by the time of their transition to RCP and not require additional support from BRAC. Furthermore, RCP branches were expected to have few new members and to therefore require minimal institution building for new members. This expense was assumed to be easily could be covered by RCP's surplus interest income beginning in Branch Year 7.

The above assumptions need to be reviewed because:

(a) Continued institution building training and expense will exceed the Tk 50,000 per branch originally proposed for RDP III to Tk 150,000 per branch due to the addition of senior staff at the Regional Offices and the renewed focus on Institution building at Year 4,5 and 6 branches.

(b) RCP branches are continuing to grow the number of VOs (from an average of 120 to 140) and to replace those that disband or dissolve. This should be included as a cost of providing credit.

The costs of both institution building training for new VO members and the cost of continuing institution building for VOs are recurring costs rather than temporary.

Recommendations:

1. **BRAC should measure all costs and revenues when assessing the long term financial sustainability of RCP.**

   BRAC is investing donor funds in RCP branches through activities housed in both RDP and RCP. Those investments cannot be evaluated for their effectiveness unless they have been accurately allocated (through cost accounting) to RCP and RDP. Although BRAC is not a profit maximizing institution, it cannot measure the cost-effectiveness of the non-financial benefits of its work unless it knows all of the inputs. If BRAC knows its real costs and its real revenues, it can then make informed decisions about how to best use its resources.

2. **These cost categories should be monitored closely and allocated precisely to assess RCP's progress toward complete self-sufficiency and inform management decisions at the end of RDP III.**

   BRAC should strive for complete self-sufficiency and apply rigorous internal standards for RCP. Surveys of international microcredit programs suggest that those lending programs that aim for self-sufficiency are those that come closest to achieving it.[8]

3. **BRAC should design a more thorough system for monitoring and tracking costs and revenues for RCP and RDP.**

   A comprehensive system would enable BRAC to track sectoral program revenues and costs as well as institution building costs for RCP branches. In addition, it should be designed in coordination with the cost recovery system that is being planned by RDP for fee income from VO members to cover 100% of the sectoral support costs.

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[8] James Boomgard. US AID Stocktaking Report on Microenterprise. June, 1988, Microenterprise Conference in Washington, D.C.

Specific recommendations are:

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

- Each sectoral program 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.

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

4. **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 financial model that allocates the following costs to RCP as if it were a separate and independent institution:

- Interest on the BRAC Loan: Although BRAC currently charges no interest, there is a line item for this amount in the financial model and income statement. BRAC plans to charge interest on the BRAC Loan (the amount prefunded by Donors to BRAC for the purpose of capitalizing RCP), beginning in 1992 or 1993. This cost of capital would most likely match the current rate charged by Bangladesh Bank to other banks (3-6% per annum).

- Technical and Skills Support For VO Members: Although RCP members are projected to pay fees equal to the fully-loaded costs of these services, the actual transition to 100% cost recovery may be unrealistic. The price of the fees will have to be determined by both the cost of the inputs and the amount that VO members are willing to pay for a particular service or support activity.

- Institution Building: Institution building has 2 components:

  a. Institution building for new VO members
  b. Continued institution building for VOs

  Functional education, leadership training, and credit training are all part of the "basic training" for VO members. These costs are a necessary prerequisite to lending. The costs of continued institution building activities should also be covered by loan interest income over time, however, they may need to be phased in after several years.

5. **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).

Sectoral skills/technical support costs should flow through RCP's income statement, reflecting the costs charged by RDP and the service charges paid by members. This "market discipline" helps ensure that RCP provides quality services to its members. BRAC should provide clear guidelines to staff on how to balance self-sufficiency with the need to serve all members, not just those that can pay for services.

These expenses could be charged to RCP gradually to reflect the uncertainty of cost full recovery, the need for a gradual transition to members paying full fees, and the high probability of new sectoral activities requiring continuing technical support from RDP. For example, RCP should bear the full direct costs of sectoral support from RDP (staff costs). The costs of overhead, training expense, and new program development costs should remain subsidized by RDP. The percentage of subsidy should decrease, however, as RCP loan volume increases and certain costs can be covered.

6. **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.**

BRAC must increase the sophistication of its modeling techniques to better assess, allocate, and project costs and forecast revenues for both RCP and RDP. This is necessary to better prepare RCP for financial sustainability and preserve the strengths of both institution building and credit-based approaches within BRAC.

A spreadsheet worksheet that feeds directly into line items on the RDP Budget and the RCP model might be most effective, as it would permit sensitivity analyses for differing degrees of cost recovery among types of services and between RCP and RDP branches.

7. **The budget line item for "additional skills support" for Year 4 RDP branches and Year 5 and 6 RCP branches should be refined to identify the specific types of support.**

Although some continued flexibility is needed, these will remain "soft" numbers until a more detailed plan is articulated of what services will be needed/ provided and how they will be structured. Some portion of this amount may be used to complete the backlog of training from 1991 and 1992.

B. Managing a Financial Institution

As a development organization trying to create a sound financial institution as part of its multi-pronged development strategy, BRAC must make further progress in managing RCP as a financial institution distinct from the development-driven activities of RDP. Although the portfolio management and financial management functions of the two lending operations can overlap, there must be a clear distinction in the rigorousness of the performance measures applied to each. To move toward its goal of self-sufficient provision of credit, RCP management must begin to actively use the tools common to the banking industry to measure and monitor RCP's performance. Without more sensitive instruments to detect changes and variations in credit quality or financial performance, RCP will be less likely to reach that goal.

Ratio Analysis and Trend Reporting

The most important tools in managing financial institutions are ratio analysis and trend reporting. Ratios compare the relative magnitude of certain variables and reflect the relationship between certain numbers. The ratio changes if the relationship changes, not if the two change while maintaining their relative magnitude. Managing a bank requires balancing and maintaining certain relationships between variables. Ratios also allow management to make relative comparisons between time periods, between branches, or between institutions. Those comparisons are best made through trend reporting, in which certain key ratios and variables are compared to past performance, other branches, or other institutions to spot gradual changes in these relationships.

Some key management ratios are described below.

Table 5: Suggested Ratios For Performance Measures

RATIO	PURPOSE
Branch Profitability	Branch profit measures the relationship between revenues and expenses. Although Finance prepares a summary of all branches performance relative to the model branch year-wise, BRAC does not track individual branch performance relative to the model.
Investments To Deposits	Measures the degree to which depositor funds (i.e. savings) are being used to finance loans. This is a significant ratio for BRAC, as it does not have a bank charter nor a clear legal right to lend savings out as loans rather than maintain a fiduciary responsibility only. If the ratio exceeds 1:1, then savings are 100% conservatively invested in low-risk, highly liquid investments; if less than 1:1, then that portion of savings are invested in higher risk, less liquid loans.
Return on Assets	The most common measure of bank profitability, this ratio reflects the return earned on a bank's investment in assets. A low ROA suggests poor loan quality and earnings quality (e.g. the bank s keeping poorly performing or poorly priced assets on its balance sheet). A high ROA suggests that a bank has invested its resources wisely and has both high loan quality and high earnings quality.
Salaries and Benefits To Total Assets	The highest expense in most lending institutions is staff salaries and benefits. Most banks track this ratio to detect gradual increases in operating costs and to be certain that asset size and employees maintain a given relationship. A typical ratio among US commercial banks is 1.5%; South Shore Bank's is higher (2.0%) in part due to its development lending focus.

Because they measure relationships between variables, ratios are not meaningful unless they are evaluated relative to something else, whether to another branch or to the previous month or quarter. Trend reporting focuses management attention to key ratios and highlights changes that occur over time. In most large institutions, changes in credit quality, increases in costs, and other trends tend to occur gradually and are often detected too late to take corrective action.

Improving the sensitivity of its "measuring tools" will grow increasingly critical as BRAC balances the business discipline needed to manage its burgeoning loan portfolio with the long term goals of poverty alleviation and institution building. RCP will continue to face this challenge.

Branch Profitability
A report comparing actual branch performance with the revised RCP model for the 12 months of 1991 (see Appendix A) suggests that branches become profitable during or after branch year 4. As a group, the 20 Year 4 branches were profitable before the allocation of the loan loss reserve. Net of the loan loss provision, the 20 Year 5 branches produced a surplus of Tk 3.5 million. While this report provides valuable feedback for BRAC's future forecasting of disbursements, average outstandings, and expenses, it could be even more valuable if it tracked performance by individual branch for comparisons among branches and between time periods.

Recommendations:

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

   Whether a separate banking institution or part of BRAC, RCP should be increasingly be measured by banking performance standards and measures. According to the Revised Budget, RCP appears to have sufficient profit to absorb some of the costs of sectoral skills support and institution building. The revised Base Case for 1992 includes the assumption of 20% interest rate; in this scenario, interest income grows more rapidly and RCP can support the full costs of lending. The Base Case should be revised further to become a useful tool for management planning.

2. **Whether a separate banking institution or part of BRAC, RCP (and to some extent, RDP) should be increasingly be measured by banking performance standards and measures.**

   The performance ratios described above would begin to increase management and staff awareness of those measures and provide tools that may prove to be valuable for future management decisions.

3. **The use of frequent and systematic Ratio Analysis and Trend Reporting might alert management to changes in loan quality, management quality, and earnings quality that merit management attention.**

C. Balancing A Dual Strategy

Through experience, BRAC has learned that the process of developing independent Village Organizations takes longer than the three or four years originally forecasted. To reemphasize that parallel goal of empowerment at the Village Organization level, BRAC has redesigned its institutional support to VOs. In recognition of the tendency among field staff to underemphasize the fuzzier tasks and performance measures of institution building in favor of the more concrete tasks and performance measures of credit, BRAC is planning the following changes:

- Adding two senior staff in six Regional Offices to be responsible for institution building activities within each region;

- Separating responsibilities among POs at the Branch level into two credit POs and one or two institution building POs (all reporting to the Branch Manager);

- Conducting quarterly VO managers conferences and monthly small group leader meetings (the leaders of the groups of 5 or 6 borrowers within each VO) to foster interaction with local government officials and other VOs (see the Management and Training Annex for a more detailed discussion).

It is human nature to identify most with the work you are most closely involved in, whether it be self-sufficient lending in RCP or the mobilization of VO members in a new Area Office. Institutions that pursue dual, carefully balanced objectives, must provide clear leadership for all levels of staff on how the two potentially conflicting goals are intertwined. That leadership must be a constant theme, rather than addressed once, to:

- Maintain coordination and communication among senior and mid-level staff in all parts of the organization and minimize friction about the allocation of resources and talent;

- Provide a clear vision to all staff, down to the lowest level of responsibility, of how RCP will evolve and "fit" with RDP and the sectoral programs to maintain open communication, planning, and smooth transitions between RDP and RCP.

Recommendations:

1. **The increased emphasis on institution building reinforces the importance of RCP's continued evolution into a separate banking institution, even if it remains under the NGO umbrella.**

   RCP needs to develop its independent, credit-oriented decision making to preserve its role in sustained provision of credit resources. Management's professional skills must be further developed and honed to manage the increasingly delicate balance as RCP expands and evolves from RDP.

   If BRAC chooses to not seek a bank charter at this time, it should manage RCP as a separate financial institution within BRAC. If the portfolio management and monitoring of RCP is to remain meshed with that of RDP, both must continue to push for better management information systems. This internal separation is critical to develop and preserve the objectivity of RCP's economic decision-making, and limit the danger of credit judgment being refracted through the lens of political empowerment objectives. With this separation must come frequent and open communication between RCP and RDP staff. RCP's supporting role for all BRAC/RDP operations must be clearly communicated to permit no uncertainty about the importance of achieving both economic and political objectives rather than one without the other.

2. **Senior Management should be sensitive to the need for continuing dialogue between the "development-oriented" and "self-sufficiency" oriented parts of BRAC to ensure parallel objectives and continued collaboration.**

See discussion above.

3. **A clear separation between general, or credit, POs and those POs responsible for institution building should be maintained at the Branch level to avoid compromising the soundness of either credit-related or institution building-related decisions.**

The experiences of other NGO programs have been that the combination of credit and institution building responsibilities in one staff person generally undermines the quality of institution building. In general, conflicts between the economic and political/social activities are most likely to occur when repayment becomes a problem. The credit PO must be able to shift from advocate to policeman to ensure that credit soundness is maintained. This is a strong rationale for instilling credit discipline upfront to ensure sound credit analysis and strong borrower repayment patterns, and then facilitating group action and institution development on a sustained basis.

Although clearly separated at the PO level, the two programs should converge at the Branch Manager level to ensure open discussion and prevent division or dissent along reporting lines.

4. **Experienced and mature branch managers are needed to manage the balance between institution building and credit activities to ensure that the more tangible aspects of credit delivery don't overshadow the fuzzier, less concrete outputs of institution building.**

BRAC must select its Branch Managers carefully to assure adequate experience as well as technical knowledge. Managers should be able to clearly articulate BRAC's long-term goals and to facilitate open dialogue and healthy debate that accompanies a dual strategy.

V. Credit and Loan Portfolio Management

This section is organized to address the following topics:

A. Portfolio Profile
B. Collective Loans
C. Housing Loans
D. Credit Policies
E. Defining and Measuring Loan Quality
F. Loan Loss Reserve Management
G. Devolving Portfolio Management Responsibility

A. Portfolio Profile

The RDP and RCP loan portfolios are managed in parallel ways, with field responsibility at RDP Regional Offices and RCP Regional Offices and Head Office responsibility directly to the heads of RDP and RCP, respectively. Both are monitored and effectively managed by the Monitoring Department in Head Office, along with the IGVGD portfolio and the UNICEF-funded housing portfolio.

The loan portfolio is classified along the following parameters:

- *By loan category* - General, or individual, loans, Collective loans, and Housing loans;

- *By term mix* - The percentage of disbursements and outstandings that are Short (52 week loans), Medium (up to 175 weeks), and Long (up to 5 years); and

- *By amount* - From Tk 1,000 to a maximum of Tk 7,000;

As shown below in Table 6 on the following page, the majority of BRAC's loan volume is in short term, general loans. Outstandings reflect a higher proportion of long (five year) term loans since they remain outstanding for long period. This is masked, however, by the rapid growth in short-term loans disbursed.

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Table 6: Portfolio Profile as of December 31, 1991

Category	% of Disbursmts 1991	Amount O/S 12/31/91	%	1995E % of O/S
General - Sectoral - Non-Sectoral				
Collective				
Housing (to Members)				
Total				

The types of loans are discussed in detail below:

General Loans
Loans made to individuals for individually managed income generating activities. These activities are either

- Non-sectoral, requiring no formal training or technical support from BRAC (such as paddy husking, rural transport, and rural trading); or

- Sectoral, requiring participation in BRAC training and ongoing technical support from a Sectoral Gram Shebok and Program Organiser (discussed in the previous section).

Almost all of these loans are for one year, with principal and interest payments due each week at the member's VO meeting.

Collective Loans
Loans made to individuals as part of a collectively managed enterprise. Although BRAC has shifted away from collective loans based on poor repayment experience and now uses this structure for large asset loans that require an entire VO or multiple VOs. Projects requiring fewer members in collective management have included certain fisheries, Power Tillers, and others. Because they tend to finance large assets, many are long and medium term loans. Collective loans represented less than 10% of outstandings as of 12/31/91.

BRAC has had mixed repayment success with collectively managed loans. Collective management dulls the entrepreneurial incentive of individuals and often leads to poor or mismanagement by those least capable. BRAC's collective loan portfolio as of December, 1991, totalled about Tk 150 million. Ninety-seven percent is related to deep tube wells and 3% to collective fisheries projects.

Although exact figures have been unavailable from the current portfolio management system, slow repayment problems have been uncovered by several consultant reports and by spot checks of branch and area office monthly collection sheets. Based on collection figures as of September, 1991, the following repayment rates were achieved:

Capital Lns (5 yrs) 72% of installments due since January had been paid

Operating Lns (1 yr) 80 % of installments due since loan disbursement had been paid[9]

BRAC will begin monitoring collective loans separately and prepare loan aging reports to better track repayment trends in this segment of the portfolio. In response to Donor concerns, however,

[9] Operating loans are disbursed between November and March (depending on the region and the crop) for a crop cycle that ends with harvest in June through August. Repayment data through June indicated a repayment rate of less than 50% on capital loans, reflecting the need for harvest revenues to generate returns to the member-owners to enable them to make loan repayments.

BRAC has agreed to take a provision to the Loan Loss Reserve to reflect the lower loan quality of DTW capital loans, in particular. BRAC will maintain an allocated portion of the loan loss reserve equal to 40% of outstandings in DTW capital loans (see Appendix C). Operating loans appear to have repayment rates closer to those for general loans and a provision against them is not recommended at this time.

BRAC will purchase an additional 125 DTWs in 1992 based on its belief in both the economic and empowerment benefits such projects bring to VO members. BRAC will thus operate a total of 767 DTWs beginning with the 1992-93 crop year. (See Appendix C for a more detailed description about the DTW portfolio and recommendations).

Housing Loans:
The RDP III Proposal includes two requests for capital to make housing loans: Tk 391 million will be lent to members; Tk 90 million to staff. The net funding requirement needed to finance higher outstandings is Tk 210.7 million

Housing Loans for Members: The Housing Loan Portfolio has about 7,200 loans outstanding with average size of Tk 4000-5000). Projected outstandings at the beginning of 1993 are Tk 30 MM and are expected to grow to Tk 391 million by the end of 1995. The housing loan portfolio was funded outside of the RDP II Donor Consortium. It is monitored by the Monitoring Department in conjunction with the rest of the loan portfolio. In RDP III, BRAC has requested funding to finance an expansion of the housing loan activity for a total of Tk 210 million. Housing loans range from Tk 2,500 to Tk 6,000 and have a fixed maturity of 2.5 years.

At present, housing loans to members are not projected to transfer to RCP ownership at the end of Branch Year 4. The original RCP/BRAC Bank did not foresee, and therefore did not raise funding for, the purchase of such loans. In addition, housing loans carry a 10% interest rate (compared to 20% on the rest of the portfolio) and are not deemed as valuable an asset to RCP.

Housing Loans For Staff: As a benefit available to employees with more than 10 years of service, BRAC will provide access to housing loans for amounts of up to Tk [300,000] with a 15 year term. These loans are really a part of the staff benefits package and are administered separately by the Personnel Department. Payments are deducted from paychecks and therefore repayment rates are very high.

Recommendations:

1. **Subject to a review of performance data, housing loans to members should be added to the scope of RDP activities.**

   Demand for loans is high, and would be borrowers must demonstrate their commitment and ability to pay by saving on a weekly basis the taka amount that would be equivalent in installments. Should housing loans prove to be a solid addition to the RDP portfolio, then in 1994, BRAC should consider requesting the Donors to approve RCP's purchase of these loans at minimal cost (effectively transferring subsidy from RDP to RCP, but with good reason. Housing loans are more of a continuing RCP financial product than a development-oriented RDP financial product, and continued separation of the portfolio from RCP would become awkward.

2. **Housing loans to staff are a reasonable form of additional compensation and are a secure investment for BRAC.**

   With 15 year maturities, staff housing loans are more of a benefit package than a loan asset for a lending institution. These should be recorded along with other benefits at the BRAC level and recorded and managed as an advance against future benefits.

B. Credit Policies

BRAC's credit policies are described thoroughly in the Mid Term Evaluation's Financial Analysis Annex. Many changes were adopted in July of 1991 which affected the term mix and average size of loans halfway through the year, skewing the annual figures. The most significant of these policies included:

- The imposition of a Tk 7,000 ceiling on loans;
- No more than two members from any household can be borrowers;
- The group tax (4%) is doubled for medium term loans, a deterrent to keep as many as possible on a one year payment cycle;
- A shift from set loan amounts available for different purposes to the amount gradually increases as the borrower demonstrates his/her ability to repay through successive borrowings.

In sum, the above policies all have sound rationales. The "stepping loan" concept of gradual increases in loan size eligibility is sound and protects BRAC from unproven borrowers who must learn credit discipline. Similarly, the Tk 7,000 ceiling and household limit seem appropriate.

Recommendation:

Although no adjustments may be needed at this time, the Appraisal Team recommends that BRAC consider the following points when they review these policies later in 1992:

1. The ceiling on loan amounts and the deterrent to take out medium term loans limit the availability of asset loans (for cow rearing, for example) which require larger amounts and now have higher weekly installments due to the shortening of term to 52 weeks.

2. In at least two instances, the Team met borrowers who received a "Tk

10,000" for their activities, and amount that was quickly restated by BRAC staff as a "Tk 7,000 loan plus a Tk 3,000 advance." The advance happened to have the same terms as the loan (20% interest and a 1 year maturity). BRAC must be careful to not encourage staff to make exceptions to the rules by making the rules unrealistic or unfair to the borrowers. These instances also reflect the need for BRAC to invest the time in educating POs and Managers fully about credit management and the importance of accurate information and reporting.

3. Although the doubled group tax on medium term loans resulted in a sudden drop in medium term loan disbursements in the second half of 1991 (down to 3% of total disbursements), the proportion of medium term loans will increase as the average size of loans increase with successive loans. The policy of deterring medium term loans will need to be revisited at some later point, perhaps as late early as the end of 1992.

C. Defining and Measuring Loan Quality

As with financial performance, the most effective tools for measuring the quality of the loan portfolio are ratio analysis and trend reporting. Ratios, reported frequently and relative to prior periods, other branches or regions, or other institutions, detect changes that occur over time and act as an early warning system to alert management of a potential problem that warrants investigation. BRAC's monitoring department has agreed to begin tracking the following loan quality measures during 1992 on an experimental basis (with the intent of adopting them formally if they prove to be appropriate and informative):

Table 7: Suggested Portfolio Management Ratios

	RATIO	PURPOSE
1.	Loan Loss Reserve Total principal outstanding (incl. LLR)	Measures loan quality, the conservatism of management, and tracks changes in the relationship between the reserve and outstandings
2.	Amount Past Due more than 30 days Total Principle Outstanding (inc. LLR)	A quick measure of the percentage of the loan portfolio which is more than thirty days past due (moderately delinquent)
3.	Principal Past Due more than 90 days Total Principle Outstanding (inc. LLR)	A quick measure of the percentage of the loan portfolio which is more than ninety days past due (seriously delinquent)
4.	Amount Realised (installments) Amount Due (installments)	Measures the degree of credit discipline, or the percentage of payments made when due; ratio allows trends or increases to be noticesd and acted upon
5.	Loan Aging Report	BRAC will prepare a monthly aging report tracking delinquent principal for both its Current Loans and its Late loans. The categories will be 1-5 weeks past due, 6-10 weeks, 11-15 weeks, 16-26 weeks, and quarterly thereafter. Each category will report 2 ratios (as recommended in the Mid-Term Evaluation): (1) the amount of principal at risk and (2) the amount of principal and interest (installments) realised as a percentage of the amount due in that period.

Measures 1, 2, and 3 will be prepared quarterly. Measures 4 and 5 will be prepared monthly. Number 4 will be also be prepared by branch. The Monitoring Department will track these measures in 1992 and refine and review them during the Monitoring Review Team scheduled to visit in November of 1992.

BRAC's Monitoring Department is taking the lead in collecting, organizing, and interpreting information on the loan portfolio. All data will be on a computerized system beginning January 1, 1992, and will be able to generate much better information than they have been able to previously. The format of data collection and recordkeeping now permits BRAC to track individual loans instead of "schemes" (bundles of loans made at the same time). In response partly to its own information needs and partly to the November, 1991 Review and the Mid-Term Evaluation, BRAC has focused on improving the quality of its portfolio information and its ability to manipulate that information into useful formats.

BRAC faces two immediate and urgent challenges: The first is to distill the volume of data into meaningful tools for analysis that can inform management decisions and provide an early warning system for deterioration or changes in the quality of the loan portfolio. The second challenge is to inspire and cultivate portfolio management responsibility at the Regional Manager and, most importantly, the Area Office/Branch Manager levels. These concerns are of utmost urgency given BRAC's immense loan volume, its rapid growth, and the need to detect any weakening in credit discipline quickly to avert its rapid spread.

Recommendations:

1. **Implement the five loan quality measures described above to detect loan quality deterioration and delinquency at its earliest phase so the underlying cause can be identified and addressed.**

   These measures must be followed over time to detect gradual trends and for fixed periods of time rather than a cumulative figure, as a large cumulative ratio is less sensitive to changes in the numerator.

   In the Bangladesh context, a larger proportion of loans may fall into the 1-5 weeks past due category and perhaps the 6-10 weeks category due to environmental or seasonal unemployment factors. BRAC must, however, have a measuring tool of sufficient sensitivity to detect changes in repayment patterns to alert management who can then use their judgement about whether such a pattern is in line with expectations or out of the norm. Managing delinquency in this context is a more difficult balancing act, but of vital importance to the health and soundness of a lending institution.

2. **Improve the sensitivity of the Current and Late loan quality classifications to become more meaningful in assessing loan quality and the adequacy of the loan loss reserve.**

   BRAC classifies loans in the portfolio in four ways:

   Current: Loans within their original term or maturity date, regardless of instalments being up to date (theoretically, someone taking a 52 week loan could not pay for 51 weeks and still be classified as "Current");

   Late: Loans that have passed their maturity date and whose outstanding amount is being collected in weekly instalments until the full amount is repaid (the balance is re-amortized over however many weeks are needed).

   Over Due: Loans on which the borrower has not paid the re-amortized amount;

   N.Y.T.: Not Yet Transferred: A one-time classification made in 1989 when borrowers refused to re-affirm their obligation when BRAC tightened its credit policies. (These loans are receiving some payments from other group members, but are generally recognized as uncollectible.)

These loan classifications are unwieldy and imprecise, with little relevance to the condition of the portfolio. Although BRAC has developed internal reporting measures that are more informative, those measures also need to be strengthened. (For example, the monthly statistical report gives the principal and interest not collected as a percentage of the total amount due; this number was around 15% as of December, 1991.) Similarly, in internal reporting, "overdue" refers to past due installments rather than entire loans.

A summary reporting format would be useful to internal managers and informative for Donors and other qualified outsiders. We recommend a summary report showing a quarterly breakdown of delinquency, including those loans more than 30 days past due (or 5 weeks), more than 90 days past due (or 13 weeks), and more than 180 days past due (or 26 weeks). This should include the ratios discussed above of principle at risk and credit discipline.

3. **Use Ratio Analysis and Trend Reporting to alert management of changes in loan quality, management quality, and earnings quality.**

The Monitoring Department needs to distill the flood of detail down to key figures and, most importantly, ratios that describe relationships between two figures. Trend Reports can then track these key ratios on a consistent basis and alert management of fluctuations that bear investigation.

Monitoring should design a Summary Report format that highlights key ratios and trends, provides timely data for each month, and can be disseminated down to the Branch Manager level to encourage greater attention to and understanding of credit management and loan quality. Such a summary could then be produced by region to permit comparisons and measures for improvement.

4. **Measure loan quality relative to outstandings rather than disbursements and encourage staff to internalize that distinction.**

The loan loss reserve mechanism of taking 2% of disbursements has lead to an overemphasis on past due instalments and late loans as a percentage of Disbursements rather than a percentage of outstandings. When disbursements are growing quickly, this results in the (1) the lowest possible ratio, (2) the least sensitive measure, and (3) an erroneous conclusion because the growth in disbursements masks the fluctuations in the loan quality being measured.

For example, in the third quarter of 1991, the sum of the OverDue and NYT as a percentage of cumulative disbursements increased from 1.3% to 1.6%, a 23% increase. The same numerator taken over total outstandings, a smaller denominator, would be more sensitive to changes in that numerator.

Ideally, BRAC should eliminate all ratios on summary reports that compare delinquent amounts in the portfolio to disbursements. The only department for which that measure is relevant is Finance, which needs to manage cash flow in and out. The ratios are faulty and dangerous tools for the credit managers and lenders.

5. **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.**

BRAC should evaluate both the adequacy of the loan loss reserve and the appropriateness of the current method of taking increases (provisions) or decreases (write-offs) to the loan loss reserve. BRAC will be better informed about the adequacy of the current loan loss reserve after it has completed the Loan Aging Report for both Current and Late Loan portfolios.

BRAC should create a Portfolio Review Committee including the head of RDP, the head of RCP, Monitoring, and perhaps the Executive Director (at a minimum). This committee would meet quarterly to assess the quality of the loan portfolio (using the summary reports, key ratios, and trends), the level of risk that ought to be reflected in the Loan Loss Reserve, and take action to adjust the reserve up or down. This Committee would review problem assets or sectors, review a consolidated "Watch List" compiled from the Regional Managers, and be responsible for adjusting the loan loss reserve to conservatively reflect the risk in the RDP and RCP portfolios.

A common approach among banks is to maintain two parts of the LLR:

(a) An unallocated portion that reflects the general uncertainty and unpredictability of problems arising. Banks often maintain an unallocated reserve of about 2% of outstandings (a level adjusted periodically by looking back to actual experience relative to reserves).

(b) An allocated portion that reflects the identified risk of poorly performing loans in the portfolio. This allocation is increased through taking provisions to the LLR (which shows as an expense on the Income Statement, even though there is no exchange or transfer of cash). The allocated portion is decreased by taking Charge-Offs or Write-Offs, in which the lender recognizes that any amounts received on the loan will be very fortuitous or received a long way in the future.

In BRAC, the 2% loan loss reserve functions very similar to the unallocated portion of a LLR. BRAC has build up a higher cushion by basing the percentage on disbursements, but there is no way to tell how much of that reserve is already needed by the current NYT, OverDue, and Late segments of the portfolio.

The Loan Loss Provision allocated to the deep tube well exposure is the first step in active portfolio management. BRAC should review the entire portfolio consistently to identify other areas of less than satisfactory loan quality.

6. **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.**

Specific reporting requirements and responsibilities to help facilitate that process, and improve portfolio management, might include:

Regional Managers could:

- Be directly responsible for the portfolio (disbursements and collections) in his Region.
- Submit a Portfolio Profile each month with summary statistics on general, collective, and housing loans;
- Report monthly on-time realization rates (instalments collected as a percent of instalments due), aging of past due instalments, and prospects for collection for general, collective, and housing loans; (the computerization of Regional Offices would be a big step in shifting responsibility further down the ladder and should be implemented as soon as possible (realistically 1994-5);
- Actively play role of troubleshooter for Area Managers and POs to spot potential problems, address existing ones, and encourage open discussion of "challenging" situations.

Branch and Area Managers could:

- Assess weekly on-time realization rates for POs and track trends for Branch;
- Prepare monthly cash budgets and loan portfolio (loans outstanding) and balance sheets to increase sensitivity to asset management and sources of revenue and expense and begin transition to thinking as a profit center;
- Revise the monthly cash budgets (required by RCP and adopted by RDP) to provide greater detail on sources of cash income:
    - Current interest income that is paid as due (matches accrual accounting)
    - Past due interest that was realised this month (accrued last month)
    - Current principal realised
    - Past due principal realised

  Already identifies cash funding needs for the month (this report would also provide detailed information to the Finance Department).

The Monitoring Department could:

- Clearly define internal and external reporting measures for installment and loan recovery rates. Develop standardized internal format and agree on what should be provided to Donors;

- Separate the monitoring and reporting (both externally an internally) of general (individual), collective, and housing loans;

- Begin trend reporting to highlight changes over time, both month to month and from year to year; for example,

    - On-time realization rates by month
    - Past due installments as a percentage of outstandings by month or quarter;

    - Increase focus of HO reports on past due installments and loans as a percentage of outstandings rather than disbursements:

    - The growth rate in disbursements can mask the significance of changes in the portfolio;
    - past due amounts are more relevant to outstandings because those loans are potentially at risk.

VI. Financial Management

The Appraisal strongly endorses the recommendations described in the Financial Analysis Annex of the February, 1992 Mid Term Evaluation. The most significant of those recommendations, with additional comments, are noted below.

A. Financial Budgeting and Reporting:

Recommendations:

1. Prepare RDP on the same model as RCP to provide a comprehensive view and track changes over time

   - Balance Sheet
   - Income Statement
   - Cash Flow Statement

2. Adopt a Budget/Forecast(Revised Budget)/Actual reporting format to track changes and improve forecasting ability from year to year;

   - Record Variance from Forecast to Actual as percentage, determine why variances exist, and increase budgeting accuracy.

3. Coordinate the financial reports and budgets of RDP and RCP to improve usefulness by the uninformed reader and to make direct comparisons more meaningful:

   - The formats for Financial Reports and Budgets for RDP should tie together so an outsider can compare numbers directly.

   - The Finance Department should maintain a Forecast (or "working model") of RCP and RDP in which actual results are input for each year. The assumptions for the following two or three years are changed based on actual experience. At present, the budget is static: it is not revised based on the prior year's actual results. There is no way to immediately assess the impact of a change in 1991 on the forecast for 1992, for example.

4. 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.

B. Cash Management:

Recommendations:

BRAC's cash concentration policy requires branches to keep no more than Tk 50,000 at their local bank account and no more than Tk 10,000 as cash on hand. Branches can request funds from head office twice a month, in the first and third weeks. A new agreement with several large banks has given an estimated 60% of the branches/area offices access to overdraft lines for up to Tk 400,000 for as long as one month.

1. 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 their attention on cash management through a variety of steps (see Part VI).

   BRAC can focus the attention of Managers on the importance of cash management by taking some of the following steps:

   - Add a line item to the monthly cash budget citing interest gained or lost by being over or under the cash budget;

   - Assign a cost to keeping too much cash locally by charging branch for the amount of interest foregone by not sending to HO (this interest rate might be 6% to match RCP's cost of funds from BRAC);

   - Make Regional Managers responsible for Branch performance.

2. 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 politically and economically.

Appendix A

Comparison of Actual and Budget Branch Performance

APPENDIX A

Comparison of Actual Branch Performance With Original a
For 12 months 1991

	Orig. ('89) Model	Revised Model	Actual (Average)	Variance (Act. to Rvsd.)	Variance %
YR 1 BRANCH					
# Borrowers	600	700	550	(150)	−0.27
Disbursements (MM Taka)		1.12	1.15	0.03	0.03
Beg. Outstandings (MM Tk)		0.00	0.00	0.00	
End. Outstandings (MM Tk)		0.68	0.88	0.20	0.23
Avg. Outstandings (MM Tk)		0.34	0.44	0.10	0.23
YR 2 BRANCH					
# Borrowers	1,400	1,800	2,100	300	0.14
Disbursements (MM Taka)		3.30	4.16	0.86	0.21
Beg. Outstandings (MM Tk)		0.68	0.61	−0.07	−0.11
End. Outstandings (MM Tk)		2.19	2.66	0.47	0.18
Avg. Outstandings (MM Tk)		1.44	1.63	0.19	0.12
Avg. Loan Size (end of Yr)					
YR 3 BRANCH					
# Borrowers	2,400	3,000	2,700	(300)	−0.11
Disbursements (MM Taka)		6.30	5.67	−0.63	−0.11
Beg. Outstandings (MM Tk)		2.19	2.86	0.67	0.23
End. Outstandings (MM Tk)		4.48	4.99	0.51	0.10
Avg. Outstandings (MM Tk)		3.33	3.92	0.59	0.15
YR 4 BRANCH					
# Borrowers	3,400	4,000	3,100	(900)	−0.29
Disbursements (MM Taka)		9.77	7.29	−2.48	−0.34
Beg. Outstandings (MM Tk)		4.48	4.51	0.03	0.01
End. Outstandings (MM Tk)		7.31	7.18	−0.13	−0.02
Avg. Outstandings (MM Tk)		5.89	5.85	−0.04	−0.01
YR 5 BRANCH					
# Borrowers	4,000	5,000	2,800	(2,200)	−0.79
Disbursements (MM Taka)		13.46	8.60	−4.86	−0.57
Beg. Outstandings (MM Tk)		7.31	5.55	−1.76	−0.32
End. Outstandings (MM Tk)		10.46	8.48	−1.98	−0.23
Avg. Outstandings (MM Tk)		8.88	7.02	−1.86	−0.26
YR 6 BRANCH					
# Borrowers	4,000	5,500	2,600	(2,900)	−1.12
Disbursements (MM Taka)		13.75	7.59	−6.16	−0.81
Beg. Outstandings (MM Tk)		10.46	7.54	−2.92	−0.39
End. Outstandings (MM Tk)		11.67	10.90	−0.77	−0.07
Avg. Outstandings (MM Tk)		11.06	9.22	−1.84	−0.20
SUMMARY					
RCP Total Disbursements		406.70	247.87	−158.83	−0.64
RCP Avg. Outstandings (Y5 + Y6= 30 Branches)		288.08	232.59	−55.49	−0.24
RDP Total Disbursements		401.96	357.41	−44.55	−0.12
RDP Avg. Outstandings (Y1+Y2+Y3+Y4=73 branches)		217.65	233.80	16.15	0.07
Term Mix (Short/Med/Long)	60/37/3	70/20/10	85/5/10		

1991	
Average Loan Size for 1991	
RDP	2,000
RCP	2,800
Total	2,300

Appendix B
Measuring Delinquency and Managing the Loan Loss Reserve

irrigated), successful marketing of water to local farmers, and careful management;

- Finally, the increasing number of shallow tube wells (STWs) in Bangladesh present a competitive threat to DTWs.

Although STWs are appropriate only in certain areas of the country (those where water is less than 30 feet below the surface), they are much less expensive to own and operate and tend to run by private individuals. They represent a significant competitive threat to DTWs. THey have lower purchase and operating costs and tend to managed in a more entrepreneurial manner than the collectively managed DTWs. BRAC has said that it is purchasing DTWs only in areas where STWs are not in use, however, STWs may proliferate more rapidly if the Government decides to sponsor them as the principal means of irrigation.

In summary, DTW loans present the following risks to BRAC:

1. They are financed by 5 year capital loans and a annual operating loans, both of which present higher risk to the loan portfolio (about 13% of the portfolio is "at risk");

2. The higher delinquency and poor repayment rates on DTW loans might spread like a virus to the rest of the loan portfolio, undermining the firm foundations which BRAC has built over several years.

<u>Status of the Portfolio</u>

In response to donor concern, BRAC has scaled back its 1992 commitment to purchase additional DTWs from 350 to a maximum of 125. In addition, BRAC proposed a compromise means to insulate the credit operations of RDP and RCP from the higher credit risk of DTW loans by taking a provision to the loan loss reserve (LLR) to be allocated specifically to this exposure. The brunt of any credit losses would be softened by such an allocated reserve and protect the safety and soundness of RDP and RCP as financial intermediaries.

Based on recommendations from the Appraisal Team, the LLR would be equal to 40% of the total outstandings of capital loans for DTWs. BRAC would be responsible for the first 20% of losses on the portfolio (or for up to the first half of the reserve) and donor funds would absorb the next 20% of credit losses (up to the second half of the reserve. Any amounts above the 40% LLR would be absorbed directly by BRAC through provisions to the LLR. The creation of the allocated LLR is a non-cash accounting adjustment. BRAC takes a provision against income in both RDP and RCP; BRAC will "transfer" the necessary donor funds from the amounts prefunded to RCP in the last funding cycle. Donors would not be required to commit additional cash. The majority of donors agreed to these terms on a meeting held on March 18, 1992.

Appendix C
BRAC's Deep Tube Well Portfolio

The purpose of this Appendix is to inform both donors and future consultants with greater detail about BRAC's credit exposure to Deep Tube Wells, an economic activity with higher potential credit risk than the rest of the BRAC loan portfolio. DTWs have been a topic of discussion recently between Donors and BRAC because of donor concern over BRAC's intention to purchase additional DTWs from the government of Bangladesh, despite mounting evidence of poor repayment performance on DTW loans. This appendix summarizes information from several different sources (including David Wright's November 1991 review of DTWs, the February, 1992 report by technical consultants Macck MacDonald and various memorandums circulated among BRAC, consultants, and the donors.

Background

As of December 1991, BRAC had purchased and operated 642 deep tube wells from the Government of Bangladesh. A method of pumping water from depths of greater than 30 feet to irrigate crops, deep tube wells had been heralded as the solution to irrigation and water management problems in Bangladesh in the early and mid-1980s. The Government, and certain NGOs, bought hundreds of them, but few have been profitable. Most of the Government's DTWs, for example, have been out of commission due to technical or repair problems. The donors are also aware that other NGOs (notably Grameen) have been largely unsuccessful in adding DTWs to their credit activities.

Since 1990, BRAC has had the opportunity to purchase DTWs through the Government at a substantial discount. BRAC believes that DTWs are both a sound economic opportunity for VO members and a valuable tool to empower the landless poor at the village level. Most DTWs are owned by two VOs, with each member taking a loan for his or her share of the Tk 160,000 to Tk 180,000 purchase price. Each member is responsible for making weekly payments (averaging Tk 6 per week) on their individual loans, even though their income is tied to the crop cycle. Each DTW is managed by an Operating and Management Committee that represents the collective interests of the VO members. This collective management style can inhibit entrepreneurial and strong management, and reduce the cash flow back to members, thereby threatening their ability to repay their loans.

Additional features of DTWs include:

- Most DTWs require an annual operating loan, in addition to the capital loan, to finance operations until the customers (farmers) can earn cash from the sale of their crops;

- Operating loans average Tk 90,000 per well and require weekly payments of about Tk 22 by individual members;

- VO members earn cash income to from the DTW to repay these loans only if the DTW is profitable after expenses (including staff costs for a Manager, Driver, and two linesman to prepare and maintain the irrigation channels) and can pay dividends to its owners;

- The critical factors in DTW profitability seem to include the command area served (or acreage

Appendix C

BRAC's Deep Tube Well Portfolio and Loss Reserve

(2) Reserve Against Individual Loans: This system requires regular assessments of the repayment risk and an estimate of loss on individual loans. Due to the level of detail, it works best for smaller lending programs that can easily track individual loans. Some microenterprise lenders in the U.S. assigns a risk rating (Level I through Level IV) to individual loans, and ratings are reviewed at the end of each quarter. Risk ratings of Level I and Level II are acceptable levels of risk that require no allocation of reserves. Level III requires a provision to the allocated portion of the loan loss reserve. Level IV requires a partial or full charge-off. The amounts actually reserved or charged off are determined by borrower history, their cooperation with fund staff, and the value of any collateral securing the loan.

(3) Upfront Provisions On Loan Disbursements: For smaller lending operations that have plenty of lending capital, management can set an automatic provision upon disbursement of loans, thereby replenishing the reserve relative to the volume of new loans. This approach has several advantages: (1) a conservative reserve level is maintained with minimal management time; (2) it allows a new loan fund to build its loan loss reserve quickly in anticipation of the increased loan losses that will follow increased loan volumes. The reserve is only reduced by charge-offs and is increased when new loans are disbursed or if expected losses exceed the threshold percentage. The disadvantage of this approach, however, is that as the portfolio grows, management has less and less understanding about the repayment patterns within it. This risk becomes significant when the loan portfolio reaches a large magnitude.

The most important elements of loan loss reserve management, however, are to use a method consistently and to review it regularly for accuracy by comparing it to actual loss experience. The reserve ratio (loan loss reserve to total commitments) should be maintained at a relatively constant percentage unless the methodology changes.

delinquencies that are one day past due.

Credit-providing development organizations often believe that more conservative and transparent portfolio reporting will hurt their eligibility with donors in the short term. As donors become more sophisticated about credit and commit ever increasing amounts to BRAC, however, they will better understand these measures and the information to be gleaned from them. Over the long term, more conservative reporting will be more credible with both donors and other financial institutions.

3. Adjusting the Loan Loss Reserve for Loan Quality

The final step in portfolio risk management is adjusting the amount of the loan portfolio downward to reflect the most recently estimated value of the loans, net of anticipated losses. Portfolio information is more meaningful to both management and outsiders if the numbers reflect a realistic expectation of how many of those loans will be repaid. Although those estimated values are based on management's subjective judgments about the likelihood of repayment, those estimates should be conservative enough to be credible to outsiders, such as donors and consultants.

A brief overview of the accounting used by financial institutions will help clarify this discussion.

Loan Loss Reserve: The loan loss reserve is a balance sheet account that has been created to reduce the value of the loan portfolio by the amount of anticipated losses (rather than reporting loans at full value until actual losses are incurred). The loan loss reserve is reported on the balance sheet (under assets) as a contra-account, or subtraction, from shareholders equity. The reserve usually includes an "allocated" portion in which specific amounts are earmarked for losses on specific loans, and an "unallocated" portion, which is a cushion for unanticipated losses. For example, the ratio of the loan loss reserve to total loans outstanding is a common bank measurement used to assess loan quality (a low ratio implies higher quality loans) and conservative management (a reserve account that parallels or exceeds actual loss experience).

Provision for Loan Losses: The provision for loan losses is an income statement item that is expensed on a monthly or quarterly basis. The provision expense simultaneously reduces net income and increases the loan loss reserve on the balance sheet. Each period's provision adds amounts to the loan loss reserve sufficient to cover anticipated losses for which no reserves yet exist.

Loan Charge-Offs: When an actual loss is realized (or if collection is deemed doubtful), the amount is charged against the loan loss reserve (reducing the estimate for future losses). In addition, the value of the loan is eliminated in the loan asset account on the balance sheet. Recovered amounts that were previously charged off are considered a gain ("recoveries"). Charge-offs do not affect the income statement, since the provisions were taken in earlier periods.

In a given financial period, therefore, the loan loss reserve is increased by the amount of the provision for loan losses and reduced by any amount of loans charged off (net of any recoveries). In the banking industry, each institution makes subjective decisions about when to reserve against particular loans and how much to reserve as a percentage of current loans, to provide a cushion for unforeseeable losses (the sum of which is the loan loss reserve). Banking regulators look very closely at the adequacy of the loan loss reserve during their annual examinations. Reserves should be conservative and realistic, with provisions that neither inflate or understate reported net income.

Determining the Right Amounts

Although conventional banks make subjective judgments, the regulatory agencies enforce a minimum level of conservatism. Each U.S. commercial bank, for example, reports detailed performance information to the regulatory authorities (known as "call reports"). Each bank's portfolio is reviewed by bank examiners for compliance with certain standards of loan classifications, including those that require a minimum allocation of reserves or charge-off action.

According to the banking regulators, loans fall into 5 quality categories:

"Unclassified"	*No reason to question credit quality*
"Special Mention"	*Some concern over potential problems*
"Substandard"	*Definite potential repayment problems*
"Doubtful"	*Requires 50% of loan amount be reserved against*
"Loss"	*Requires full amount be charged off*

For unregulated, privately managed credit institutions, the responsibility for fairly representing loan values on the balance sheet rests on management's shoulders. Most sophisticated lending institutions use some combination of a general, unallocated reserve and specific amounts allocated to problem loans. There are three basic approaches to determining the right amount for the loan loss reserve. The fundamentals of each are described below.

(1) The Bank Method: Banks determine the allocated portion of the reserve based on estimated loss percentages on individual problem and Watch List loans. Among U.S. commercial banks, the loan loss reserve averages 1.25% of total loans outstanding. About one third of the reserve is unallocated, and two-thirds is allocated as a protection on anticipated losses on specific loans or groups of loans. In contrast, ACCION International's affiliate organizations maintain average reserves equal to about 3% of that "acceptable risk" portion of the loan portfolio.

Each month, bank management reviews the problem asset list to determine whether estimates for both possible and probable losses have changed. In addition, it reviews whether the bank's total exposure (amounts committed plus amounts already outstanding) has increased. If any of these three variables have increased, the bank takes an additional provision to the loan loss reserve.

TABLE B-3: Common Classifications of the Non-Current Portfolio

Loan Classification	*Banking Convention Definition*	*Loan Fund Definition*
Current	Loans on which interest and principal have been paid through the last payment date	Same
Past Due	Payments that are overdue for more than one payment period or more than 30 days; the loan on which the payments are due is called "non-current"	Usually shorter payment periods than 30 days; Many track past due payments 1-14, 14-30, 30-60, and 60-90 days to monitor delinquency patterns
Non-Performing	Loans on which payment(s) are more than 90 days past due	60 days is more realistic; default risk increases more quickly with smaller loans
Non-Accrual	At management's discretion, often 90 days; payments recognized only when received due to uncertainty of future payment.	Same
Watch List	Potential problem loans; monitored for deepening cash flow problems	Same
Rescheduled	Previously delinquent loans for which a new repayment schedule has been agreed upon and the loan resumes current status	Same

the "turnover" in the portfolio (e.g. the use of the same $500 for more than one loan per year). Furthermore, most programs give up on recovering interest on a delinquent loan, choosing to focus on recovering principal.

Delinquency is often less a reflection of the "credit-worthiness" of the borrowers than an indictment of a loan fund's credit methodology. Katherine Stearns has noted, "While many external factors influence the quality of a portfolio, the institution itself, through its philosophy, image, and methodology, plays the pivotal role in determining its own portfolio quality."[6]

Delinquency Aging Report

The Delinquency Aging Report lists the number of loans and the amount of principal outstanding by clearly defined categories of non-current payment. These categories must be sensitive enough to detect slight shifts in repayment patterns and flag potential repayment problems as early as possible so management can take quick action. In addition, the report shows two ratios for each category:

(1) The amount of principal outstanding for the loans in that category as a percentage of the total loans outstanding;

(2) The amount of interest and principal collected in the last period (usually monthly) as a percentage of the amount due in that period.

The first ratio tells the user how much of the portfolio is at risk; the second tells how serious the problem may be, or how many loans are receiving steady payments despite the delinquency. In other words, the first ratio answers the question "how important is the game." The second ratio answers the question "what's the score."

The aging schedule provides quantitative information that informs management's subjective decisions about the significance of trends or changes. Management can then classify the loan portfolio into relative degrees of loan quality, or the degree of confidence in being repaid in the future. The standard classifications used by U.S. commercial banks and their definitions are presented in Table B-3. The delinquency aging report also highlights weaknesses and strengths in program design. If delinquencies are high for one or two payment periods but subsequently drop, then perhaps repayment schedules should be lengthened or the amount of principal reduced. If the percentage of delinquent loans increases through successive periods, then earlier and more aggressive collection efforts are warranted.

Trend Reporting

Trend Reports are perhaps the most valuable tool to accurately measure delinquency, since they reflect the trend in delinquency ratios over time and either presage improvement or deterioration in the fund's management of delinquency. For example, the delinquency aging schedule of non-current loans can indicate how a loan fund needs to strengthen its collection efforts. If staff are undertaking prompt and convincing follow-up on missed payments, delinquencies that are more than 30 days past due should be significantly lower than

[6]Stearns, Katherine. The Hidden Beast: Delinquency in Microcredit Programs. ACCION International. 1991.

Banking convention classifies a loan as "past due" once a payment is 30 days overdue and as "seriously delinquent" after 90 days. Most microenterprise lenders report a loan as "past due" when a payment has been missed through a complete payment period, or when the second payment is missed (either 14 or 30 days). For example, payments are "past due" at ACCION if more than one consecutive payment is missed (usually 7 or 14 days).[4] Some of the most rigorous programs define a payment as past due if it remains outstanding one day or more after its due date.

Definitions of "past due" and "non-current" are particularly sensitive when borrowers have limited financial liquidity and may miss a payment in a bad week but resume regular payments thereafter. The pay cycle of BRAC members is also affected by seasonal variations and crop harvests. These borrowers have little cash on hand to "catch up" to the original amortization schedule and can remain a payment or two behind indefinitely, a situation that technically places the client in default of the terms of the loan. Some seasons may show a larger percentage of loans in the"slightly overdue" category, for example. By preparing a loan aging report and monitoring delinquency carefully, BRAC will be able to discern abnormal repayment patterns early on and nip the spread of any delinquency in the bud.

2. Managing Delinquency and Reporting Tools

Borrower delinquency and loan default risk are costs that pose the following threats to the soundness of a credit organization:

> First, the costs of delinquency are hidden, making it difficult for credit institutions to recognize them. Programs generally try to minimize their levels of delinquency because it is used to judge their effectiveness, but they do not understand to what extent their daily financial situation is being affected by arrears on their portfolios.
>
> Second, programs have a tendency to attribute delinquency disproportionately to external factors. Consequently, they do not confront and resolve the contributing factors within their control.
>
> Third, delinquency is contagious. It has a tendency to spread and worsen, leading to high levels of default unless it is aggressively controlled.[5]

The direct costs of lending include salary and other staff expense, the development and maintenance of information systems for monitoring, accounting, and the cost of the funds that are used to make loans. Borrower delinquency increases staff costs by requiring more frequent visits and closer monitoring. In addition, it incurs an opportunity cost because BRAC must finance those loans longer and cannot extend credit to new borrowers. For RCP, there will also be a financing cost from the higher interest expense incurred on the higher than projected average outstandings of the BRAC Loan. On the income side, delinquency postpones interest income (a loan fund's principal source of income) and reduces

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[4]Ibid.

[5]Stearns, Katherine. The Hidden Beast: Delinquency in Microenterprise Credit Programs, pg. 30, ACCION International. 1991.

Table B-1: Common Portfolio Delinquency Measures

Measure	*Bank Convention*	*Suggested For Loan Funds*
Delinquency Ratio	Loans More Than 30 Days Past Due / Gross Loans (incl. Loss Reserve)	Loans More Than 14 or 30 Days Past Due / Total Loans Outstanding
Non-Performing Loans Ratio**	Loans More than 90 Days Past Due / Gross Loans (incl. Loss Reserve)	Use above ratio
Default Rate	Net Charge-Offs / Average Loans Outstanding	Net Charge-Offs / Average Loans Outstanding
Reserve Ratio	Loan Loss Reserve / Total Loan Commitments*	Loan Loss Reserve / Total Loans Outstanding

* In addition to actual loans outstanding, banks may be committed to lend additional funds under an aggreement with the borrower. Loan funds generally do not have such commitments.

** As of December 31, 1991, the median non-performing loans (past due 90 days + non-accruals) as a percentage of gross loans were 1.61% for banks with asset sizes of $100 to $299 million.

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[4] Ibid.

[5] Stearns, Katherine. The Hidden Beast: Delinquency in Microenterprise Credit Programs, pg. 30, ACCION International. 1991.

might change if the calculation were done differently. Delinquency and default information should be more clearly defined if it is to be used for broader comparison and analysis. For example, the median 90-day delinquency rate among U.S. commercial banks of asset size between $100 and $299 million was .35% as of December 1991. Total non-performing loans as a percentage of gross loans (90 days past due plus non-accruals) was 1.61%.[1] for credit card loans, the loss rate ranges from 3 to 4%.

The common definitions of these ratios are defined and compared in Table B-1 on the following page.

In her ACCION International publication, The Hidden Beast: Delinquency in Microcredit Programs, Katherine Stearns observes that two definitions of delinquency are used by both U.S. and international microenterprise lenders.

Formula 1: $\dfrac{\text{Amount of interest and principal payments past due}}{\text{Total outstanding loans in portfolio}^{2}}$

This ratio reflects only the actual payment amounts that are past due rather than the entire outstanding loan amount at risk of default.

Formula 2: $\dfrac{\text{Outstanding balance of loans with payments past due}}{\text{Total outstanding loans in portfolio}^{3}}$

Formula 2 is a much more conservative and accurate reflection of portfolio quality. It represents the percentage - and the scale - of the portfolio at risk, rather than representing only the payments outstanding. Furthermore, this formula matches banking convention. The example in Table B-2 below, borrowed from Stearn's book, illustrates the vastly divergent results that are indicated by these two different calculations.

Table B-2
The Impact of Delinquency Ratio Definitions

	Year 1	Year 2
Portfolio:	$302,707	$422,862
Amount Past Due:	77,672	109,944
Balance of Loans with Payments Past Due:	263,355	131,087
% Delinquent Using Formula 1	26%	26%
% Delinquent Using Formula 2	87%	31%

[1]Alex Sheshunoff & Company: The Bank Report. As of December 31, 1991.

[2]Stearns, Katherine. The Hidden Beast: Delinquency in Microcredit Programs. ACCION International. 1991.

[3]Ibid.

Appendix B
Measuring Delinquency and Managing the Loan Loss Reserve

The purpose of this Appendix is to provide more detailed information about how other lenders measure and manage delinquency in the loan portfolio and about the basics of loan loss reserve management. It is intended to provide BRAC staff and interested donors with a better understanding of these fundamental credit management issues.

Delinquency refers to the measurement of those loans that are non-current, or past due, in meeting a principal or interest payment obligation. The ability to measure and evaluate delinquency is an increasingly urgent issue for BRAC as its portfolio grows in size and complexity and as donors seek a better understanding of the cost-effectiveness of their support. Delinquency measures are both a useful reporting benchmark by which to measure financial performance and a valuable management tool. BRAC can improve its credibility with funders, and its own knowledge base about its lending operations, by taking the following steps:

- adopt standard definitions of measurement that are consistent with banking practices;
- apply those measures consistently to report accurate and reliable data;
- analyze delinquency patterns to identify weaknesses in program design and to identify areas for improvement.

Defining delinquency is a sensitive issue among microenterprise lenders. Credit organizations are acutely aware of the scrutiny given such measures by funders and wish to report the best possible numbers. The limited financial resources of BRAC's target group can result in missed or late payments that are then fully or partially "caught-up" at a later payment date, a characteristic that muddies the clear measurement of delinquency.

The most common portfolio measures used by financial institutions are (1) the delinquency ratio showing loans with moderately late payments, (2) the default ratio showing loans with significantly late payments, and (3) the reserve ratio. In addition, financial institutions report an delinquency aging report that shows the aging of the non-current portion of the loan portfolio. Alternatively, many micro-credit lenders report a recovery rate that is a cumulative reflection of amounts collected as a percentage of amounts due. Most financial institutions do not use such a measure because the size of the cumulative figures mask smaller changes in repayment rates on the current portfolio.

1. Definitions of Ratios

Meaningful measures of delinquency and default rates are not widespread among microcredit lenders, as measures are usually developed to best fit the local context. In general, however, few microenterprisé programs calculate delinquency according to standardized ratios that would allow comparisons across NGOs or with other financial institutions. Both practitioners and donors have focused almost exclusively on the number itself rather than the formula by which such number is calculated and how that number

Table C-1

DTW Capital Loan Volume By Crop-Year
(in Taka Millions)

	1990-91	1991-92	1992-93	1993-94	1994-95
Loan Disbursement	45.36	54.59	16.88	0	0
Peak Outstandings (Disbursements. + Previous Yr-End O/S)	45.36	54.59 39.92 94.51	16.88 82.47 99.35	0 85.28 85.28	71.21
Principal Due During Yr	9.07	20.07	23.45	23.45	23.45
Amount Realized (60%)	5.44	12.04	14.07	14.07	14.07
Yr-End Outstandings	39.92	82.47	85.28	71.21	57.14
Projected Recovery Rate on Instalments Due	60%	60%	60%	60%	60%
No. of DTWs in Operation	305	642	767	767	767
No. Req. Both Capital and Operating Loans	305	501	626	626	626

As shown above, the peak exposure to DTW capital loans would be Tk 99.35 million at the beginning of the 1992-93 crop year. The required LLR would be 40% of that, or Tk 39.74 million. The reserve could drop steadily over time if the amount of credit exposure declines (e.g. capital loans are paid down). Of course, if the relative risk should increase and eventual repayment become more uncertain, BRAC might choose to make additional provisions and add to the Loan Loss Reserve.

Based on its own repayment experience, BRAC forecasts as 60% realisation rates on principal due in a given year. This estimate corresponds with our recommendation of a 40% loan loss reserve to insulate RDP and RCP from any serious deterioration in credit quality.

At this point in time, the allocated reserve is based solely on BRAC's exposure through capital loans, not operating loans. Total credit exposure would equal about Tk 150 million, if both operating loans and capital loans were reserved against. Operating loans generally have better repayment performance and are often paid off first, before the capital loan to preserve access to another loan in the subsequent year. Loan repayment data for irrigation loans made in January, 1991, reveals the following pattern:

Amount Paid	Realisation Rates	
	As of 6/30	As of 9/31
Capital Loan Instalments	47%	72%
Operating Loan Instalments	87%	80%

The realisation rates for Operating Loans are much higher that those for capital loans, and are close to the 85% monthly realisation for the individual loan portfolio. At this time, the Appraisal Team does not recommend taking a reserve against operating loans. However, both elements of the DTW loan portfolio should be monitored carefully (through aging reports and other measures) for any deterioration in loan quality or shifts in repayment patterns.

The LLR allocation for DTW loans should be a HO accounting adjustment. It shouldn't appear on portfolio reports nor affect the amounts recorded for individual loans at the regional or branch level. The current 2% LLR, for example, is an accounting allocation made by the Finance Department. The DTW LLR should be a collective reserve for the consolidated DTW portfolio and not affect management of individual loans. This is a necessary step toward the more sophisticated financial management that BRAC needs to institutionalize to meet its aspirations as an effective provider of credit, including the transition to the BRAC Bank.

Perhaps even more importantly, DTW loans illustrate why more sensitive tools are needed for portfolio management. BRAC needs detailed portfolio information and reporting systems to better assess the relative degrees of risk among other cars. BRAC will have to use the improved computer system and delinquency aging reports to monitor the portfolio closely to detect any changes in repayment discipline and to respond swiftly to stem any softening in repayment discipline.

Recommendations:

There is no question that BRAC must take active steps to manage the current DTW exposure. These steps fall into two categories, (a) portfolio management, and (b) project management.

First, the portfolio of DTW loans (both operating and capital loans) must be more carefully monitored to track repayment trends, spot problems early on, take management decision for remedial action, and assess the effectiveness of alternative loan structures or approaches. As noted in the attached Minutes of the 18 March meeting between BRAC and donors, BRAC agreed with these recommendations and plans to take the following steps:

(i) By July 1992, collective loans will be recorded and tracked in separate Collection Sheets, highlighting their repayment performance at the PO and Branch level. Programme Organisers, Area Managers, and Regional Managers will have direct information to act upon, rather than waiting for a consolidated report from HO.

(ii) By June, 1992, separate Delinquency Aging Reports will be produced for individual loans, collective loans, and housing loans to permit monitoring of overdue payments in each segment of the portfolio (the reports will then be produced on a regular monthly basis).

(iii) One staff member in the Monitoring Department will be assigned specific responsibility for the DTW loans in RCP and RDP to ensure adequate attention to this part of the loan portfolio.

Second, BRAC can strengthen its project management by requiring closer coordination between the credit

POs and the Irrigation POs in the field. Closer coordination should overcome the risk that too much emphasis on technical support could allow the loan management aspect of DTWs to fall between the Sectoral (Irrigation) POs and the Credit POs, with neither assuming full responsibility for an individual project's success.

The project management of DTWs in the field must be strengthened to develop innovative and sound solutions to the poor profitability and financial risk of DTWs. Project management includes technical support; training of Scheme Operating Committees, Managers, and BRAC staff; and experimentation and evaluation of alternative approaches (such as incentives). Each should be reviewed for its content, quality, relevance and effectiveness.

We recommend that BRAC consider the following steps in strengthening its project management:

(i) Review technical support needs, resources, and gaps: Drawing on the Mott MacDonald and other reports, BRAC must assess the appropriateness and effectiveness of its irrigation technical support and strengthen areas of weakness with outside consultants as direct service providers or as advisors to BRAC staff.

(ii) Assess the relevance and quality of training: Drawing on BRAC's own experience as well as the experience and advice of others, the training of DTW managers and Scheme Operating Committees should be reviewed for business management content (such as marketing to farmers, increasing command areas, and negotiating alternative forms of payment). What criteria should be considered in selecting a Manager?

(iii) Introduce project management alternatives: There should be a coordinated and methodical effort to experiment with new forms of project management and identify those best suited to particular environments. Examples of such experiments include:

   (a) Advance cash payment For the 1991-92 season, all 141 DTWs in the Jessore Region (and a few elsewhere, such as Narsingdi) have succeeded in getting farmers to pay in cash up front, eliminating the need for operating loans (and increasing profitability as interest expense is lower). Although a complete assessment will not be possible until the end of the crop season (June-July), the RM reported that few capital loan instalments have been late so far in the season from the concerned schemes. Although this approach may not be so easy in regions where the customary crop payment is less open to renegotiation, VOs might steadily increase the proportion of cash payment as they prove their reliability (including that of their DTWs) to farmers.

   (b) Incentives for DTW managers Mr. Mannan reported that BRAC will experiment with an incentive plan for DTW managers beginning in the 1992-93 crop season. The proposal is that managers would receive 75% of salary in regular payments with the final 25% contingent upon meeting targets. If performance is below target, the level of compensation will be determined by the Scheme Committee and a BRAC representative. If above target, the manager will receive a bonus based on the level of crop production exceeding target.[1]

Although steps in the right direction, these ideas appear to be recently hatched in response to Donor concern, rather than a firm process in which new project management ideas are discussed, coordinated, and evaluated. The Jessore strategy, for example, was unknown to the heads of RCP and Monitoring until very recently. The incentive pay idea wás unfamiliar to the Regional Managers in Jessore and Jamalpur. One of the most difficult parts of running a credit operation is to identify potential credit problems early on so thay can be anticipated and possibly solved before they become bigger problems or spread delinquency to other parts of the portfolio. DTWs provide a god test case for BRAC to develop the internal systems and culture to encourage staff to identify problems quickly and develop a systematic method of response to those problems.

Donor concern over the 1992 investment in additional deep tube wells has focused BRAC's attention on the challenge of managing such projects profitably. BRAC has a long history of rising to meet challenges. We are confident that BRAC will develop the internal capacity to both manage DTWs effectively and to surface and manage future potential credit portfolio problems in the future.

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[1] This approach remains a weaker cousin to direct incentives for managers (such as a share of the profits) to motivate their efforts. In the collective Oxbow Lakes fisheries project, for example, the group members have allocated profits in two ways: 60% is distributed monthly based on ownership interests; 40% is distributed at the end of each working day among those who contribute their labor and effort. An adaptation of this scheme might be more effective as a catalyst for entrepreneurial management of DTWs to increase command areas and market services to farmers.

ANNEX 7

DONOR LIAISON OFFICE
REVISED TERMS OF REFERENCE

DRAFT

BRAC-DONOR LIAISON OFFICE

TERMS OF REFERENCE

Proposed Revisions

Background

1. As agreed by the BRAC Donor Consortium (DC) in August 1989, NOVIB is responsible as lead agency for the coordination of DC support to BRAC. As part of its obligations to the DC, NOVIB has already established a Donor Liaison Office in Dhaka. Since 1989, however, BRAC has expanded considerably, drawing on donor support both within and outside the framework of the DC as well as from its own growing income from commercial activities. Through time, the liaison function has become both more important and more complex. Following a review of the DLO by the 1992 RDP-III Appraisal Mission, the terms of reference of the Office have been revised, as set out below.

Objectives

2. The objectives of the Donor Liaison Office are:

   i) provision of comprehensive coordination and liaison on all aspects of BRAC's operational development, ensuring (a) an integrated approach to programme design and development procedures (both by BRAC itself and by external sources of support to BRAC within or beyond the DC framework), and (b) a coordinated and properly focused approach to appraisal, evaluation and review mechanisms;

   ii) provision of an active communication channel (a) between BRAC and the DC, (b) among members of the DC, and (c) between the DC and other actual and possible sources of support to BRAC outside the framework of the DC;

   iii) promotion and facilitation of consensus among members of the DC and between the DC and BRAC on matters of policy, planning and programming both with respect to aid flows and in the development of BRAC operational activities;

   iv) dissemination of information on decisions taken by the DC and by BRAC on all matters of mutual concern, including follow-up monitoring of action taken with respect to such decisions;

   v) preservation of mutual accountability between BRAC and the DC;

vi) provision of administrative support for the DC and BRAC in connection with objectives (i) to (v) above and in the mobilisation of external advisory and specialist services on behalf of the DC and BRAC, as required.

Activities

3. The Donor Liaison Office is expected to undertake the following main activities:

i) Organisational Liaison - Promoting and assisting in the preparation of meetings of consortium representatives, between consortium representatives and BRAC (individually and collectively), and between representatives of the consortium and other external sources of financial and/or technical support to BRAC (including the preparation of draft agendas, and minutes for approval and finalisation). Informing BRAC and/or other DC representatives of any amendments to the mutual commitments, timetables and programmes agreed by BRAC and the DC. Holding regular meetings with the BRAC Executive Director and selected senior BRAC managers, and with DC representatives, to maintain familiarity with developments on both sides and to review continually information needs among DC members and on the part of BRAC.

ii) Financial Liaison and Accountability - Planning, coordinating and monitoring disbursements in accordance with (a) agreed arrangements between the DC and BRAC, and (b) donor aid plans, programmes and timetables. Recording and reporting on all changes in BRAC financial requirements and/or DC disbursement plans. Advising and assisting BRAC to maintain compliance with the financial reporting requirements of DC members. Reviewing, analysing and advising the DC on the results of external audits of BRAC, with particular reference to programmes and activities supported by the DC. Monitoring of the accountability of BRAC to the DC in utilising financial support in compliance with mutual agreements. Monitoring of the accountability of the DC, including its individual members, to BRAC in the context of the collective scale of DC commitments, hence the reliance on DC support in the medium term.

iii) Information Liaison - Creation, maintenance and up-dating of an information resource centre within the Donor Liaison Office. Material to be maintained and up-dated should include BRAC research and evaluation reports; monitoring reports; review, evaluation, appraisal and ad hoc specialist reports commissioned by the DC; selected research reports prepared by agencies other than BRAC (but relevant to BRAC programmes and activities); and a directory of BRAC staff (from Area/Branch Manager upwards) by name, job title, field of responsibility and location. In addition, this activity will include the preparation of syntheses, analyses and interpretative commentaries on all significant documentation emanating from BRAC and elsewhere within the information resource centre, and the dissemination of such accessible documentation among DC members.

iv) Field Monitoring - Undertaking periodic field visits to BRAC programmes and support services to assess progress in the implementation of arrangements agreed between BRAC and the DC, with particular focus on key issues related to agreed recommendations deriving from Review, Evaluation, Appraisal and specialist consultancy missions. Work programmes for field monitoring should reflect key issues previously identified. Reports to be submitted on the results of field trips should also analyse, based on dialogue with BRAC, the reasons for success or difficulties in achieving progress on key issues.

v) Mobilisation of Consultancy Services - Maintaining an annotated roster (reflecting DC and BRAC experience) of suitable (and potentially suitable) consultants on which to draw for periodic and ad hoc specialist missions on behalf of the DC. Mobilising such consultancy services with the minimum number of steps according to procedures agreed by the DC. Providing logistical and back-up services to individual consultants and mission teams. Reviewing mission arrangements with BRAC and the DC and advising the DC on possible improvements in the phasing, timing and working arrangements for individuals and mission teams.

vi) Reporting - Preparing and submitting to the DC twice-yearly summary reports of key issues in the development of BRAC programmes and support services, with particular reference to issues identified by individual consultants and mission teams. Preparing and submitting to the DC an annual financial report on the utilisation and reconciliation of the aid budget approved by the DC, other budgets drawing on resources beyond the DC framework, and the overall budget of BRAC.

vii) Administration - Undertaking all administrative work required to support the substantive activities listed above.

Staffing

4. The DLO professional staff complement will include the following personnel:

i) Senior Liaison Officer(SLO) - Responsible for the overall management of the DLO. Specific responsibilities to include organisational and financial liaison; field monitoring; mobilisation of consultancy services; reporting; and administration. This post should be a full international appointment.

ii) Research Assistant(RA) - Responsible for the information liaison function specified above, including the information resource centre.

iii) BRAC Liaison Officer(BLO) - Responsible for assisting and complementing the SLO and RA in all aspects of the work of the DLO. (NB. It would be appropriate to consider this position as a one-year appointment selected by BRAC with the concurrence of the DC. Each year, BRAC would select a young, promising employee for this position with a view to giving her/him exposure to issues, concerns and procedures involved in the relationship between BRAC and the DC. Simultaneously, in helping to maintain organisational and information liaison, and in taking part in field monitoring activities, the BLO would develop broad familiarity with the majority of BRAC programmes and support services. This would provide BRAC with a supply of well-informed young professionals capable of being promoted to more responsible positions on their return to full-time duties within BRAC.)

Financial Arrangements

5. NOVIB has opened a bank account in The Hague in the name of the NOVIB/BRAC Consortium. Donor contributions to the DC will continue to be deposited in this account for onward disbursement. A Consortium account will also continue to be maintained in Dhaka and operated by the DLO. The SLO will continue to be authorised to make payments from the Dhaka account for items in the approved DC budget. The Dhaka account will continue to be replenished as and when necessary, based on the receipt of satisfactory expenditure accounts from the DLO.

Planning, Budgeting and Reporting

6. In consultation with NOVIB, the SLO will draw up quarterly and bi-annual workplans and budgets as appropriate for the activities of the DC and for its approval. The SLO will prepare an annual financial report as specified in para. 3 (vi) above.

Amendments to Terms of Reference

7. These terms of reference will be reviewed annually by the SLO in consultation with NOVIB, with the DC and with BRAC. Any proposed amendments or additions will be submitted to the DC for approval.