

The New Governance Institutions of Bangladesh: Problems and Prospects

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Abstract

In the 21st century everybody concedes that Government is no more the lone sovereign actor of development. It is no more held responsible for inter and intra country affairs as like previous centuries. The types, nature, form and chemistry of running the business of government has been changing rapidly since last century. Now Government is decision maker at the same time decision taker also. To run its business efficiently and effectively it has to evaluate its own way of doing things, co-operate more horizontally to other organizations and the very ever-changing relation with other actors. Sometimes it has to outsource its duties, sometimes to it has to play complimentary role and sometimes it has to play the supplementary role. Especially the government of developing country has to be very cautious about its duties. Because of the service delivery in public sector of these countries are getting worse.

The study investigates into Bangladesh scenario of different foundations in the light of development activities from 1980s Bangladesh is experienced with forming different foundations to render its service delivery to the people. It is felt that some foundations are working very well and some are not. It analyzes the present status of the most successful foundation and one of the failing foundations. For that purpose it investigates the organizational setup, reporting procedure, performance evaluation, relation with other same type organization and the evaluation done by other global organizations. The methodology follows the case study strategy of the exploratory and descriptive type. It depends on both the primary and secondary data. It includes face-to-face semi structure, questioners; qualitative interview of people namely insiders and knowledgeable outsiders of the specific organization. It goes through their different reports like annual report, audit report, and some periodical reports.

The research findings of the study recommend that the foundation concept as the new governance institutions is very timely idea. Its success depends on its formation, organizational setup, primary capital, scholarly leadership, committed work force, and on competitive advantages in the relative field. It further highlights on how to update and revise rules and regulations to meet the needs of coming days.

The study concludes that as some institutions could play better role some areas than the traditional government setup so the foundations must undertake their credibility to appreciable performance.

List of Abbreviation

1	ADB	: Asian Development Bank
2	ASSP	: Agricultural Support Services Project
3	BARD	: Bangladesh Academy for Rural Development
4	BDS	: Business Development Support
5	BDT	: Bangladeshi Taka
6	BIDS	: Bangladesh Institute of Development Studies
7	BIPOOL	: Big PO's Loan Operations Division
8	BPATC	: Bangladesh Public Administration Training Center
9	BSF	: Bangladesh Silk Foundation
10	CAP	: Community Action Plan
11	CDD	: Community Driven Development
12	CEO	: Chief Executive Officer
13	CGAP	: Consultative Group to Assist the Poorest
14	CIW	: Community Infrastructure Works
15	DMF	: Disaster Management Fund
16	EPB	: Export Promotion Bureau
17	ERD	: External Resource Division
18	EWS	: Early Warning System
19	FMS	: Financial Management Systems
20	FSP	: Financial Services for the Poorest
21	FSS	: Financial Self-sufficiency
22	GB	: Grameen Bank
23	GB	: Governing Body
24	GM	: General Manager
25	GnB	: General Body
26	GOB	: Government of Bangladesh
27	HCP	: Hardcore Poor
28	HRD	: Human Resource Development
29	HRM	: Human Resource Management
30	IAS	: International Accounting Standards
31	IC	: Information and Communication Component
32	ID	: Institution Development
33	IDA	: International Development Assistance
34	IFAD	: The International Fund for Agricultural Development
35	IFADEP	: Integrated Food Assisted Development Project
36	IGA	: Income Generating Activities

37	JMBA	: Jamuna Multipurpose Bridge Authority
38	KPI	: Key Performance Indicator
39	MD	: Managing Director
40	MES	: Monitoring and Evaluation System
41	MFI	: Micro Finance Institution
42	MIS	: Management Information System
43	MO	: Memorandum of Association
44	MRRU	: Microfinance Research & Reference Unit
45	MTSP	: Microfinance and Technical Support Project
46	NGO	: Non Government Organizations
47	OOSA	: Organization Operating Small Area
48	OSS	: Operating Self-sufficiency
49	PKSF	: Palli Karma Sahayak Foundation
50	PLDP	: Participatory Livestock Development Project
51	POs	: Partner Organizations
52	RRAC	: Bangladesh Rural Advancement Committee
53	SAP	: Social Assistance Program
54	SBCP	: Sundarbans Bio-diversity Conservation Project
55	SDF	: Social Development Foundation
56	SDP	: Silk Development Project
57	SFDRP	: Southwest Flood Damage Rehabilitation Project
58	SME	: Small and Medium Entrepreneur
59	SWOT	: Strength, Weakness, Opportunities & Trades
60	TEIGP	: Training, Employment and Income Generation Programme
61	TNA	: Training Need Assessment
62	TOR	: Terms of Reference
63	UERC	: Upazila Employment Resource Centers
64	UN	: United Nations
65	URDEP	: Upazila Resources Development and Employment Project
66	USAID	: United States Agency for International Development
67	WB	: World Bank

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Declaration

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CHAPTER ONE

Introduction

1.1 Preamble:

Governance is now a day much talked issue. However from time immemorial lots of experiments are taken place to improve it for better service delivery. Governance, Good Governance, Good enough governance, outsourcing, subcontracting are all part of experiment. Better Governance is needed to ensure the sustainability this concept is no doubt beyond question. In Bangladesh it has got unitary form of government with permanent bureaucracy. The size of Bangladesh Government is really very big more than a million. Blade selling and cannon purchasing all are done by government. Concept of such pervasive government started changing in eighties in many areas of the world. Bangladesh is also no exception. Especially at the time of globalization many intellectual debates took place regarding what government should do and should not do. There is no panacea. In nineties Bangladesh experienced lot of reforms, readjustments some from its own some from the various types of preconditions given by donor agencies or by the different international bodies. Most of the reforms targeted for poverty alleviation, employment and exploring comparative advantages not by the permanent bureaucracy but some of them by the setting up new governance institutions. Some Foundations were established from late nineties. By the help of emerged private sector or vibrant civil society and money taken from World Bank or other international organizations government set the foundations to serve the purposes of its own.

The NGIs set by Bangladesh government have got unique governance spectrum. Background of establishment, purpose, administrative and financial management, and recruitment, relation with government and other development partners and outcome varies from one another. Is there any common real framework of purposeful NGI? Do they like....It has to be independent in decision making. Scholarly, honest, full of drive, working or retired civil servants and the towering personalities from civil society with relevant working experience could be entangled for smooth running and future planning. It must start with handsome amount of money so that it is not born retarded. NGI must not be very much within the fetter of government. Government should be very careful about its own conditionalities or given by the donor agencies. It should not carry the

cloudy inheritance of the relevant field. The more government interferes the more NGI will lose its identity. The success of new governance institutions in Bangladesh depends on how specific area it has got to work with comparative advantages with others who are working in it. But how do these organizations actually operate? How are they governed? This study aims to uncover those questions.

1.2 Objectives:

Napoleon said, “There might be million of reasons of your failure but not a single excuse.” No this study is not to execute any institution. It is not a fault finding study. This study will try to understand the organizations of *Palli Karma Sahayak Foundation* (PKSF), *Horticulture Export Development Foundation* (HORTEX) *Social Development Foundation* (SDF) and *Bangladesh Silk Foundation* (BSF) in terms how are they governed? Their decision making and decision implementation process. The authority they exercise within their own institution and with the partner organizations. Are they independent to take their own decisions? Thus this study is in quest of finding the equation of successful foundation and the causes of failure. It will unearth the strengths, weaknesses, opportunities and threats of these foundations also.

1.3 Rationale:

It is assessed that some of the new government institutions (NGI) are playing very significant role in their respective area for which it is made for. Their overwhelming performance makes them role model for other countries. It became independent in all respect and no more in the fetter of any institutions whether public or private. They are successful in a scale that they became umbrella organization for others. These organizations are no more decision takers they are now decision makers. But some institutions couldn't stand on their own feet. They depend on the next contract with the government or with the donor agencies and absolutely depended in nature and became the rehabilitation center of retired civil servants and think tanks of civil society. This study will scrutinize the chemistry of doing so. In future when government will think of any

institution like this may consider the findings of this study. In Bangladesh it will never be possible to continue such an exhaustive government and to make government efficient, people friendly and right sizing is very timely demand. To do so success story has to repeat and replicate and short comings of the recent experience has to be avoided.

1.4 Methodology:

In Bangladesh there are some foundations working in different fields. Four of them have been chosen to conduct the case studies to understand the concept and practices. In this paper those institutions are critically examined. In this process this paper tried to find out their strengths and weaknesses in respect of governance theories with a view to better service delivery. This study is mostly based upon the secondary data. Many executives of the concerned foundations has given interviewed in a semi formal manner and some in condition of anonymity talked candidly about the problems and prospects of their foundation. In this paper present status of the mentioned foundations has been critically discussed. Memorandum of Article of Association of the foundations and review reports by the concerned development partners, annual reports, and census and survey reports has been examined. Their present activities have also been observed.

Moreover, this study has gone through the memorandum of article of associations different foundations, annual reports, different research works conducted by Bangladesh Institute of Development Studies (BIDS), World Bank (WB), Asian Development Bank (ADB) and other policy research institute, regular publications of concerned foundations have been viewed.. Related research papers, writings, critics have been consulted. Concerned foundations' websites and other corresponding websites are already been viewed. Corresponding census reports and survey reports are also taken into the consideration. Books, journals on governance are also helped to form the theoretical structure.

1.5 Scope and Limitations:

Bangladesh couldn't go for much adventure with NGIs because of its practical limitations. As many as nine NGIs are in Bangladesh. They are working in a limited area other than PKSf. Four of them have been chosen to analyze to understand the institutions and their problems and prospects. PKSf is the pioneer organization and internationally reputed. At the same time SDF is running smoothly with the strong support of donor agencies. BSF and Horticulture Foundation is running with the ligament problem in its leg. All are in a sense transparent, technology friendly and accountable having web site documents. Only PKSf has got some Monitoring and Evaluation reports prepared by reputed organization like Bangladesh Institute of Development Studies (BIDS), World Bank and by their own people. Others don't have any rigorous performance evaluation reports. They did not undertake any performance audit. Review reports or analytical literature are not many in any library or their office even.

1.6 Structure of the Study:

The Chapter one- this one gives the introduction, Chapter two looks at the Palli Karma Sahayak Foundation, Chapter three studies Social Development Foundation,. In Chapter four, Hortex Foundation is examined, while Chapter five Silk Foundation is looked at. The study ends with Chapter six which contains the Conclusion.

CHAPTER TWO

Study of Palli Karma Sahayak Foundation (PKSF)

2.1 Introduction

The Government of Bangladesh (GOB) established Palli Karma Sahayak Foundation defying World Bank's suggestion in May 1990 as a non-profit organization for the alleviation of poverty primarily through rural employment generation. Although PKSF does some work among the urban core of Bangladesh in selected areas, PKSF's core business is as an funding agency channeling micro credit funds to contracted Partner Organizations (POs), for on lending to the rural poor, specially women, for self employment purposes (*1. Ahmed, 2003; PKSF, 1990*). To do its core business PKSF is working to build up the capacity to promote financially viable POs in Bangladesh. In this sense, PKSF's mission is to ensure that its POs are financially viable so that the fund distributed to the poor will return to PKSF as the basis for continued on lending. PKSF has accepted that a key performance indicator for its progress is a repayment rate that is no less than that which it expects its POs to achieve and maintain.

Funds have been made available to PKSF by the Government of Bangladesh taking loans from the World Bank, the Asian Development Bank (ADB), the International Fund for Agricultural Development (IFAD) and the United States Agency for International Development (USAID).

2.2 PKSF Objectives

The main target of PKSF is to support retails MFI to alleviate poverty through micro finance. PKSF has chosen intermediation and market development role. PKSF has got many objectives such as

- i) To sponsor, promote and provide in various forms and manners, assistance including financial, institutional, advisory and training, to Non-Government, Semi-Government and Government organizations, voluntary agencies and societies, local government bodies, institutions and groups of individuals (hereinafter referred to as the "Partner-Organizations") undertaking activities with a view to generating income and/or employment opportunities and alleviating poverty in conformity with the objects of, and in a manner approved by, the Foundation.
- ii) To promote, aid, guide, organize, plan, develop and co-ordinate projects/schemes aimed at all round development and help creation of productive employment

- opportunities, promotion of self-reliance and generation of awareness for improvement in the quality of life of the poor.
- iii) To help institution-building and expanding the existing institutional capacity aimed at improving access to resources of the poor.
 - iv) To identify, develop and promote opportunities for facilitating employment for the poor by channeling resources for providing them with credit, functional education, and training for development of their skills and other help and assistance, as may be necessary.
 - v) To be a lender, promoter and stimulator of innovative ideas and methods for poverty alleviation, and to develop proper eligibility criteria for the Partner-Organizations and other bodies obtaining loans/grants from the Foundation and set up an effective management information system for regular and proper monitoring and evaluation of the poverty alleviation activities of the Partner-Organizations.
 - vi) To encourage, promote and assist efforts in poverty alleviation with focus on injecting new technologies, ideas, and generation, dissemination and application of appropriate technologies relevant to employment creation and poverty alleviation.
 - vii) To provide relevant information, advice other services to the Partner-Organizations for reviewing and exchanging experiences in undertaking poverty alleviation programmes and activities.
 - viii) a) To initiate, undertake and promote research activities directed towards poverty alleviation and employment generation, b) to establish and support research and training institutions c) to grant stipends, scholarships, fellowships, d) to set up committees, sub-committees and study groups, e) to organize seminars, workshops, conferences and f) to undertake publication of reports, periodicals, monographs, bulletins, journals and books etc. in furtherance of the objects of the Foundation.
 - ix) To sponsor, conduct and arrange training programmes, seminars, workshops and meetings for promoting interaction amongst Non-Government, Semi-Government and Government organizations, voluntary agencies and societies, local government bodies, institutions and individuals for attaining the objects of the Foundation.
 - x) To establish in any place in the country such offices, agencies and local units as may be necessary for managing any of the affairs of the Foundation.
 - xi) To initiate, undertake and arrange training programmes for the personnel, both of the Foundation, Partner-Organizations and other bodies and for those working for the projects and programmes administered and supported by the Foundation.

- xii) To invest and deal with all money of the Foundation, including those not immediately required, in such manner as may be determined by the Foundation from times to time.
- xiii) To establish and maintain contact and collaborate with other organizations, institutions, bodies and societies in Bangladesh and abroad including relevant international agencies, constitutions of the U.N. System interested in similar objects and to co-operate with such institutions, bodies and organizations for furthering the objects of the Foundation.
- xiv) To obtain membership and to pay fees for the membership of any national or international bodies, institutions, organizations and subscribe to their publications, if any, for furtherance of the objects of the Foundation.
- xv) To procure for the Foundation registration or recognition of the Government or any other concerned authority in the country or abroad, and take all such steps as may be necessary or expedient for enabling the Foundation to carry on with its functions properly necessary or expedient for enabling the Foundation to carry on with its functions properly.
- xvi) To undertake, sponsor, support or aid any educational, social, commercial, agricultural or industrial activities for attaining the objects of the Foundation.
- xvii) To use all income of the Foundation for advancement of its objects.
- xviii) To arrange for suitable remuneration to any person, firm, association, organization or institution for services rendered or to be rendered in or about the promotion of the Foundation.
- xix) To purchase, take on lease or allotment or hire or otherwise acquire, erect or adapt movable or immovable properties for the time being and to sell, let out or hire all or any portion of the same as may be through desirable.
- xx) To enter into any arrangement with the Government or any other authority, local, municipal or otherwise, public or quasi-public bodies that may seem conducive to the objects of the Foundation.
- xxi) To recruit, appoint, take on lien, deputation or on contract any employees, consultants, experts for the Foundation and its programmes and projects or enter into any other agreements in this regard or to discontinue and terminate their services as deemed fit and proper by the Foundation.
- xxii) To do all such other lawful things as are conducive or incidental to the attainment of the objects and furthering the growth of the Foundation.
- xxiii) It is hereby declared that the objects as set forth in any of the above sub-clauses shall be separate and independent objects of the Foundation, except where the context otherwise expressly requires, and shall in no way be limited or restricted by reference to the terms of any of the sub-clauses or by the name of the

Foundation shall have full powers to exercise all or any of the powers conferred by any part of this clause.

PKSF still couldn't achieve all its targets and still at pains to ensure. It is moving learning by doing process.

2.3 Background of establishing PKSF

Earlier the Government of Bangladesh was involved in Micro Finance Sector in a small scale. Only Grameen Bank has got some equity interest. To understand the background of establishment one must understand the socio-economic and policy context. From late 80s foreign donation was not available. At the same time, Professor Yunus, as a member of the World Bank based Consultative Group to Assist the Poorest (CGAP), and a highly respected microfinance doyen and champion of the need to target the poorest of the poor in development, lamented that the greatest constraint to the impact of microfinance on the incidence of poverty was the scarcity of funds for significant growth in lending outreach (*Remenvi and Quinones, 2000*). Second, the gradual acceptance among microfinance professionals that the realization of MFI financial viability is a cause of the first importance, which could be significantly enhance if there existed an apex body which is dedicated to this core goal. Both of these factors have been at the center of the strategic role that PKSF has pursued since its establishment in 1990 (Yunus, 2003).

2.4 Establishment of PKSF

In 1984, The World Bank entered into dialogue with the GOB on a project titled 'A Framework for Additional Efforts to Address Rural Poverty and Employment'. In that project proposal, the World Bank and the GOB proposed to set up a network of "Upazilla Employment Resource Centers (UERC) to replicate both the Grameen model for microfinance and the BRAC model for education and skills training. The original proposal was built around the contracting of a foreign NGO as an implementing organization for this project.

On behalf of the World Bank Mr. Nijhawan worked as the designated project officer. He was soon to find that the proposal would undergo significant alteration as the official dialogue channels were expanded to include local Bangladeshi microfinance professionals, especially Dr. Mohammad Yunus. Professor Yunus's initial reaction to the proposal was critical but constructive so. He welcomed the prospect that an additional source of funds might be created to facilitate the growth of outreach and capacity building. However, he was quite negative about the proposed structure, the proposed activities of the organization, and the role of the proposed foreign implementing agency. As PKSF was a pioneer organization of its type in Bangladesh, none of the potential stakeholders were sure about the actual model.

Related documents and literature show that the World Bank was trying to keep this organization from being integrated into the formal public sector structure of the GOB (PKSF, 1994a). The GOB, on the other hand, was open to exploring lots of institutional options, like forming a “Rural Non-farm Employment and Training Project”, a “Foundation for Rural Employment”, an “Upazila Resources Development and Employment Project (URDEP), etc. From the very beginning, therefore, the World Bank sought to have the GOB accept a set of conditions that it felt would ensure the independence of the new institution, while the GOB was trying to ensure that its need for accountability and hands on control in accordance with tradition would be protected. The GOB was determined to avoid the conditionality favored by the World Bank, even using its own money. At the end the PKSf was established with GOB funds and the World Bank’s conditionality was rejected. As a result the Bank cancelled the proposed fund for PKSf from the World Bank on June, 1990 (PKSF, 1994a).

The President of Bangladesh approved final proposal for the creation of PKSf on 12 November, 1989. Mr. Badiur Rahman (the then Joint Secretary of GOB) was appointed as CEO of PKSf responsible for the establishment process. The GOB appointed a Board of Directors, including Mr. M. Sayeduzzaman, Ex-Finance Minister of Bangladesh, as Chairman. Other members of the first PKSf Board were Professor Yunus, (CEO of Grameen), Mr. Abdul Mueyed Chowdhury (Ex Secretary of GOB and present CEO of BRAC), Mrs. Taherunessa Abdullah, (social worker), Mr. A. A. Qureshi, (Banker) an Professor Wahiduddin Mahmud, (civil society representative). The PKSf was registered as a joint stock company in Bangladesh on 2 May, 1990. Negotiations with the World Bank on funding continued behind the scenes and started funding from the World Bank six years later in 1996 (PKSF, 1994a). The people selected to lead PKSf were competent, reputed and renowned in Bangladesh.

However, PKSf successfully completed “Poverty Alleviation Microfinance Project”. PKSf is still implementing a couple of projects “Second Poverty Alleviation Microfinance Project (Microfinance II) worth US \$ 181 million and “Financial services for the Poorest” worth 6 million with WB (World Bank, 2000 and 2002).

2.5 Type of Authority and Formation

The MOA defines a maximum number of the members in the General Body as 25, of which government may nominate not more than 15 members from government agencies, voluntary organizations or private individuals. The remaining 10 members represent the Partner organizations and qualified individuals are interested in this sector. These ten are appointed by the PKSf Board in their private capacity as individuals. The General Body

usually meets once a year, primarily to provide overall policy guidance. In 2007 PKSf has a General Body of 16 members of whom are appointed by the GOB and PKSf Board.

2.5.1 Organizational Structure of PKSf

The Foundation is at present structured in the following manner:

General Body		Consisting of 16 members
Governing Body		Consisting of 7 members
Managing Director		
Management Staffs		176 persons as on July 12, 2003

Members of the General Body of PKSf

Chairman : **Dr. Wahiduddin Mahmud**
Professor
Department of Economics
University of Dhaka

Members : **Dr. Fakhruddin Ahmed**
Managing Director
Palli Karma-Sahayak Foundation (PKSf)
At present he is honorable **Chief Adviser of Bangladesh**

Mr. Mosharaf Hossain Khan,
Deputy Managing Director of PKSf and he is Acting
Managing Director of PKSf and member of its general
body
and governing body.

Janab Dhiraj Kumar Nath
Secretary (Retired)
Rural Development and Cooperative Division
Ministry of Local Government, Rural Development &
Cooperatives
Government of Bangladesh

Professor Muhammad Yunus
Managing Director
Grameen Bank
Mirpur-2, Dhaka

Begum Tahrunnesa Abdullah
Social Worker

Dr. Iqbal Mahmud
Professor
Department of Chemical Engineering
Bangladesh University of Engineering & Technology
(BUET), Dhaka

Dr. Shaikh Moqsood Ali

Convener

National Task Force for Poverty Alleviation, and
Ex-Member, Planning Commission, Dhaka

Mr. Muhammad A. (Rume) Ali

Deputy Governor

Bangladesh Bank, Head Office
Motijheel C/A, Dhaka

Mr. Badiur Rahman

Secretary

Planning Division, Ministry of Planning
Government of Bangladesh
Sher-e-Bangla Nagar, Dhaka

Begum Rokeya

Executive Director

Sabalambi Unnayan Samity (SUS)
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Dr. Nazmunnesa Mahtab

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Janab A. A. Qureshi

Managing Director

Grameen Fund, Ex-managing Director,
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Dr. Hossain Zillur Rahman

Senior Research Fellow Bangladesh Institute of Development
Studies (BIDS)

17/E, Sher-e-Bangla Nagar, Dhaka

Dr. Ahmed Kamal

Professor

Department of History
University of Dhaka, Dhaka

Members of the Governing Body of PKSF

Chairman : **Dr. Wahiduddin Mahmud**
Professor
Department of Economics
University of Dhaka
And ex adviser of the Caretaker Government of Bangladesh.

Members : **Dr. Fakhruddin Ahmed**
Managing Director
Palli Karma-Sahayak Foundation (PKSF)
The Chief Advisor of present caretaker government of Bangladesh.

Professor Muhammad Yunus
Managing Director
Grameen Bank
Mirpur-2, Dhaka and the Great Nobel Laureate.

Begum Tahrunnesa Abdullah
Social Worker

Dr. Iqbal Mahmud
Professor (Emeritus)
Department of Chemical Engineering,
Bangladesh University of Engineering & Technology (BUET),
Dhaka

Mr. Muhammad A. (Rumee) Ali
Deputy Governor
Bangladesh Bank
Head Office, Motijheel C/A, Dhaka

Dr. Nazmunnesa Mahtab
Professor
Department of Public Administration
University of Dhaka, Dhaka

General body is the apex body of PKSF. Normally it approves the annual budget, accepts the achievements, appoints the independent audit firm, selects the members of governing body and any policy which is totally new and very vital is approved by it. Membership of GnB is not renewable unless they get mentally retarded, corrupt, resigns and engage in anti institution activities. No monthly remuneration is given to them. It sits once in a year. Members get lump sum amount for the attendance and transport and logistics are extended to them for that purpose. Some take that money and some are not. But every member is very particular to the meeting. They do not miss it. Because every member own it.

Governing Body overviews the operational activities of PKSf. The tenure of GB is for two years. It sits once in a month. At present out of seven members three of them nominated by the government. Prof. Md. Yunus, Dr Nazmunnesa Mahtab and Mr. Muhammad A. (Rumee) Ali are nominated by the government. Chairman of GB is also nominated by the government. In case of nomination for the PKSf government is always very cautious. Once government nominated Mr. Joynul Abedin as the chairman of GB and the GB requested government to withdraw him because of his incompatible behavior and government withdrew him. Other than he people chosen by government for PKSf is really praiseworthy. At the same time members of GB are veteran in their respective areas and they have their own voice. It might create extra pressure on government to be cautious. GB approves the policy to run PKSf. Loan applications for more than fifty lacs or five million BDT are approved by the GB. GB is always equipped with the information of PKSf and related to it. Everybody is answerable to GB. It does not interfere into the daily business of PKSf.

Managing Director is chief executive of PKSf. He has to run the administration and the operational side. He is appointed through very transparent process. At first GB forms a 'search committee'. This committee publishes appointment circular in various daily newspapers giving one month and fifteen days. From the applications committee prepares a short list i.e. three or five in numbers on the basis of their competence, experience and credibility prevails in the market. The short listed candidates have to face the GB. Among them the best one will be selected as the MD of PKSf. His tenure will be for five years. So that he can get enough time to understand the institution, make future plan and execute. After the tenure he might contest for the second time but he has to face the GB again. Dr Salehuddin Ahmed was selected twice as the MD of PKSf. A handsome compensation package in the context of Bangladesh is being offered to the MD. He has got every authority to fire any staff of PKSf for reasonable ground. He has to approve every loan.

Government does not interfere any of the business of GNB, GB or MD. They are fully independent to take their own decision though it reports to the Banking Division of Ministry of Finance.

2.5.2 Operational Management

In PKSf, Operational Management has four divisions: (i) Small and Medium PO's Loan Operations Division, called OOSA; (ii) Big PO's Loan Operations Division, called BIPOOL; (iii) General Administration; and (iv) Audit Division.

(i + ii) The Loan Operation Divisions: These are the program divisions of PKSf which select POs, disburse and recover loans, monitor and evaluate programs and provide on-site technical assistance and advisory services to POs.

(iii) General Administration: HRD (Staff recruitment, placement, appraisal, training including POs training etc.), general administration, procurement, maintenance, research are under Administration Department Accounts and Finance department are also included in this division which is solely responsible for financial transactions of PKSf and financial reporting to Donors or Government.

(iv) Internal Audit: The internal audit division reports directly to the Managing Director. Each year the internal audit cell will audit every PO.

Table 01 : Number of Staff per division of PKSf

Division	Sub-Division	No.
Operation	OOSA	55
	BIPOOL	10
	MIS	06
	Projects	09
	Finance And Accounts	07
Human Resource Management	General Administration	11
	Research	01
	Training	05
Internal Audit	Head Office	08
	Regional Office	03

Source: PKSf, 2004.

It is noteworthy that Operational Division is the most important division of PKSf as this division select POs disburse credit and is responsible to recover disbursed credit from POs per contract (Table 01). Other division are supporting divisions to strengthen its credit business i.e. core business of PKSf. One Managing director (CEO) directs these divisions. Besides, there is around seventy other staff for logistic support. One operation officer has got four POs. It is mentionable that operation officers work as a team. There are six teams at this moment with one team leader in each called supervisory officer. Two experienced Deputy Managing Directors supervise all operation works.

2.6 Operational Activities and Modality of PKSf

As an Apex organization, the direct clients of PKSf are POs, while the borrowing clients of these POs are only indirect clients of PKSf. As a consequence, PKSf seeks to contribute to poverty reduction trends in Bangladesh by ensuring that institutional development of POs along with financially sustainable lines. To this end, PKSf has initiated a number of interrelated and inter-dependent activities, as follows:

- Mobilization of loan funds from Donors, commercial financial organizations, and other sources;
- Disbursement of raised funds to support loan programs for the poor through Partner Organizations (POs) – Typically this is done through contractual arrangements with POs for wholesale loans for on-lending to poor clients.
- Developing Best Practices For POs in the Microfinance Sector;
- Institutional Development Program for the POs;
- Research and
- Advocacy and Promotion.

2.6.1 Loan fund Mobilization

According to PKSf constitution, PKSf management can mobilize funds in the forms of grants, loans and contributions from a wide variety of sources which include the Government of Bangladesh, private individuals and organizations, foreign governments, international donors and lending agencies and capital markets. PKSf has already taken a significant amount of funds both grants and loans from Government of Bangladesh, the World Bank, The Asian Development Bank (ADB), and The International Fund for Agricultural Development (IFAD) and United States Aid for International Development (USAID) in various stages. Though PKSf's main business is wholesale lending but PKSf also mobilize funds for enhancing the capacity of PKSf and POs, research, policy development and advocacy activities from donors.

2.6.1.1 Loan program for the poor through Partner Organizations (POs)

a) PKSF funds are used by POs to support four Core credit programs; (i) Rural micro credit (ii) Urban micro credit, (iii) Micro enterprise Credit and (iv) Micro credit for the hardcore poor. PKSF disbursed loans to 189 POs in 2003, as shown in the table (Table 02) below:

Table 02: PO Category-wise Cumulative Disbursement of Credit: In Million Taka up to June, 03

Type of Loan	OOSA	BIPOOL	Total
Rural Microcredit	6147.34	6903.92	13051.26
Urban Microcredit	67.30	550.00	617.30
Micro credit for hardcore Poor	3.50	442.68	446.18
Micro enterprise Credit	25.86	100.00	125.86
Total	6244.00	7996.6	14240.50

Source: PKSF, 2004

From this table around 56% credit disbursed to the big POs (BRAC, ASA, Proshika) and other 46% disbursed to the small and medium POs (among 186 POs). As MFIs are expert in handling rural credit, so that small and medium POs are very much interested to stick on that and they are selective with other products. From July 2004 big POs are not taking loans from PKSF. Because PKSF asked them to ensure taking interest at the borrowers level 12.5% as it takes 7% interest from them. But they disagreed. It paved the way for the small and medium POs. At present 70% loans have been disbursed to the small and medium POs and 30% to the big POs. it became inversely positive for PKSF and its small and medium POs which is more sustainable. It minimizes the risk factor of loan fund of PKSF.

b) Besides, PKSF is also implementing some projects through POs as projects are being engaged with poverty alleviation for the poor. But all POs of PKSF are not engaged with these projects. Some of them are implementing these projects in some selected areas as mentioned by donor prior consultation with PKSF. These projects have come with a comprehensive package i.e. capacity building, mobilization, credit, counseling etc. The objectives of these projects are different, but ultimate goal is poverty alleviation of the poor. The projects under which credit funds are provided include (i) Participatory Livestock Development Project (PLDP); (ii) Integrated Food Assisted Development

Project (IFADEP); (iii) Training, Employment and Income Generation Programme (TEIGP) of Jamuna Multipurpose Bridge Authority (JMBA); (iv) Southwest Flood Damage Rehabilitation Project (Socioeconomic Rehabilitation Fund) (v) Sundarbans Biodiversity Conservation Project (SBCP); (vi) Financial Services for the Poorest (FSP) project; and (vii) “Microfinance and Technical Support Project (MTSP)” funded by the International Fund for Agricultural Development (IFAD) and the Government of Bangladesh.

c) Under PKSF’s core credit program, i) it charges 4.5% service charge per year from its OOSA category POs. The main assumptions to keep interest rate low for these local based small and medium MFIs that they need some breathing time and benefits in the way to their financial sustainability. PKSF charges 7% service charge per year from its BIPOOL category POs, as assuming these POs have got more capability to pay more interest for borrowed fund than those are not so big (OOSA). ii) Loans received by OOSA category POs from PKSF are repayable within a period of 3 years in 10 equal quarterly installments with a grace period of 6 months under the PKSF’s core credit program and Loans received by BIPOOL category POs are payable in 4 years in 12 equal installments with a grace period of 12 months.

d) The unique characteristics PKSF loan program is its pattern of continuous monitoring. POs enjoy more flexibility designing their financial services for the poor. PKSF does not have any rigid microfinance model. It is flexible in every aspect of microfinance delivery and collecting methods. But POs microfinance program is, as always, under a constant monitoring umbrella of PKSF. PKSF is trying to establish professionally sound, but financially viable MFIs in all over Bangladesh specially the local based MFIs. Financial and operational transparency is more vital for PKSF to any MFI to be a partner organization as well as to sustain and continue its program as a partner organization.

To fulfill PKSF’s objective and to ensure credit delivery system smooth, PKSF has followed number of operational methods. Most important methods are as follows:

- Partner Organization (PO) Selection
- Verification of Loan Utilization and Field inspection
- Assessments for successive loans and helping to prepare business Plan using KPIs
- Monitoring Microfinance operation of POs (Off-site and On-site)
- Auditing

2.6.1.2 Partner Organization (PO) Selection, Software of Sustainability:

PKSF does not work directly with the poor borrowers. It works through its Partner Organization. PO selection is very vital and important for PKSF. For this reason PKSF follows a clear but time intensive selection process to identify a potential POs. The selection of MFIs to be funded is the major function of PKSF. Typically, at least 3 months is needed for a potential PO to fulfill the terms and conditions involved in becoming a PO. It is mentionable that around 2500 MFIs (one MFI can apply more than one time) applied to PKSF showing their interest to be a PO of PKSF since inception. From the huge bulk of application, PKSF selected as POs only 213. It seems very hard for some MFIs, but it is also easy who are aware about their operational strategies and planning. Typically the selection process can be divided into the following five stages:

- Application form MFIs in Prescribed Form,
- Preliminary desk appraisal by PKSF staff
- Field Visit by PKSF to PO applicant
- Recommendation for approval by the Governing Body from PKSF
- Signing of Loan Agreement

1st Stage - Application form MFIs in Prescribed Form: PKSF advertise for Partner Organization. Then PKSF receives application for loan in a prescribed application form that requires the applicant to include details of the information about the organization, program, financing, etc. After getting application PKSF send one acknowledgement letter to MFIs with specific identification number.

2nd Stage - Preliminary Appraisal: In this stage some MFIs have been rejected directly if there are some major inconsistencies in application form especially on financial or legal matters. MFIs have been informed by PKSF with a letter stating the causes of rejections. Sometime in few exceptions PKSF asks for further information or MFIs need to clarify about some indistinct information. If there is some deficiency, the concerned organization is kept under supervision for very short time and suggestions are given for improving the performance. In this stage the main inconsistency are due to inefficiency to fill up the application form. On the other hand if an organization has experience of managing credit program for the poor, PKSF preliminarily selects it for field visit if all information

provided by the organization is consistent. PKSf judges experience in rural credit program using several criteria (Appendix 01);

- (a) Number of years of experience,
- (b) Amount of loan disbursed,
- (c) Number of members and borrowers,
- (d) Recovery rate of loan,
- (e) Adequacy of skilled salaried staff and
- (f) Credibility of the sponsors.

3rd Stage – Field Visit: Once an organization is selected for field visit, an officer visits the organization. That particular officer needs to prepare one inspection report based on field visit and needs to put up with necessary recommendations. That report is analyzed by several higher-level officers subsequently (Assistant/Deputy General Manager to Managing Director via Deputy Managing Director). If the performance of the applicant is found satisfactory it is recommended for acceptance as PO. If there is some deficiency, the concerned organization is kept under observation and suggestions are given for improving the performance. On the other hand, if performance of an organization is found unsatisfactory, the application is rejected. Usually, the main reasons for rejection are the financial mismanagement, gross inconsistency between information in the application and that gathered from field verification.

4th Stage - Approval by the Governing Body: Governing body is highest authority to accept any proposal for PO. If the operational management considers an organization to be accepted as PO, the proposal (usually called board memo for new PO) is placed with detail description of the organization along with the field report, rationale for accepting it as PO and recommendation of the MD, in the meeting of the Governing Body. The board memo needs to present to the Board meeting by relevant operational supervisory officer and clarify any query of Board members on that meeting. The Governing Body after deliberation accepts or rejects or puts certain conditions for accepting the organization as PO. Usually Board grants BDT 0.1 million for any new PO.

5th Stage - Signing of Loan Agreement: Final step in disbursing loan to the newly selected

Partner Organization is the signing of a standard loan agreement with PO according to Bangladeshi rules and regulations regarding Govt. stamp (duty) required. The loan agreement contains terms and conditions of loan (e.g. rate of service charge, area of loan disbursement, number of installments etc.). The loan is collaterally free. In addition to a loan agreement, a promissory note is signed by the representative of PO. The loan agreement is signed from PKSf's side by the Managing Director and from PO side by the Chief Executive of the PO or sometimes jointly by the Chief Executive and the Chairman.

2.6.1.3 Verification of Loan Utilization and Field inspection

After the first loan is given, the PO is supposed to disburse the loan immediately after receiving the fund and give a list of borrowers to PKSf. An officer from PKSf in charge of the PO visits the PO to verify the loan disbursement and utilization of loan by the members. Usually, the concerned officer visits each PO every three month. Field visit by the officers of PKSf is the backbone of monitoring of programs of POs. PKSf places utmost emphasis on field visits. However, if the PO is big and has multiple branches, a team of PKSf officials visit the program. The field visit is used for verification of the program as well as an effort for institutional development of the PO. The duration of field visit is three to four days depend on volume of works and accessibility. The concerned officer needs to prepare one report based on his field inspection. PKSf usually use one formats (set of information) to review the whole activities of PO in every three months. Several types of field visits are done by the operations officers. These are:

- a) Regular Field Visit – In every three months.
- b) Management Audit – Once in a year comparatively detail inspection.
- c) Special Field Visit – When require.

In every inspection report PKSf officer tries to cover the following aspects of PO's microfinance and operational management.

- The Status of Governance
- Management & Leadership
- Training of Borrowers and Officials and Development of Financial Products
- Loan Portfolio Tracking & Future Growth
- Savings Account Tracking
- Internal Fraud Control
- The Status of External Control

- Delinquency Control & Credit Management
- Strategic Financial Planning
- Overall Performance (Financial and Operational)
- Other management aspects and institutional strengths and weaknesses of the organization

After preparing this inspection report the concerned officer need to prepare one letter for PO describing main findings and some related practical suggestions. PKSf follow up the actions according to the observation of inspection report about PO. PKSf has strong stand about its follow up activities. But there are some instances where PO has failed to meet up the standard PKSf wants. In this situation, PKSf has tried to understand the problem solving capacity of that particular PO and if it needs some help PKSf is as always ready to help them and PKSf has done it for some POs. Indeed, PKSf is trying to keep its quality up to the mark. Even though PKSf has some bad experience with some POs (Table: 03).

Table 03: The Status of PKSf's PO

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
Active	123	143	155	161	164	163	171
Suspended	17	15	15	13	18	18	18
Dropped	10	12	12	15	17	24	24
Total	150	170	182	189	199	205	213

Source : PKSf, 2003.

2.6.1.4 Assessments for successive loans and helping to prepare business Plan using KPIs

Every PO needs to prepare its own business plan every year, which helped PKSf to understand the capacity and extend of that particular PO and it also helps to prepare PKSf's own business plan. To prepare a business plan, PKSf use performance indicator system. Based on some Key Performance Indicators (KPIs), PKSf formulated a 'Rating System (RS)' for categorizing the MFIs. This RS help in assessing MFI's ability to magnetize and use funds from PKSf as well as other external sources. As it also assess POs institutional strength and their ability to expand their credit operations in a sustainable manner (Kader, 2004; Hakim, 2001).

PKSF has also described the utility of PO categorization using "Weighted Scoring System" of rating/categorizing the partner organizations (POs) that this "Scoring Model placed for categorization will be used for evaluating the overall standard of 'Partner Organizations' so that financing of POs with more efficiency becomes possible with a view to make them (POs) sustainable. With this, it will be possible for POs to have a clear idea about the probable flow of fund from PKSf to them along with the qualitative achievement of their operations. But it does not establish the right of POs to get fund from PKSf on achievement of required score on the indicators mentioned. The final decision would lie with the PKSf who would also consider the POs reputation, integrity, sense of unity with the principles and ideology of the Foundation etc. along with the indicators presented" (PKSF 1998).

PKSF's "Weighted Scoring System": rating/categorizing the Partner Organizations (POs)

Indirect Evaluation System of its own

PKSF's PO categorization using "Weighted Scoring System of rating/categorizing the partner organizations (POs) is described as below:

- a) For PO categorization, PKSf use some indicators. These indicators are to be used at two levels for funding a PO and its change from one category to another.
- b) In order to be financed from PKSf and to remain in the present category, a PO should score as follows in the 'First and Second Levels' of Indicators.

Table 04: POs category indicator chart.

Category	Number of Members	Desired GPA (Grade Point Average) in the Frame of First Level of Indicators	Desired GPA in the frame of Second Level of Indicators
E	400 - 1,500 (+500)	2.5+	2.00+
D	1,500 - 5,000 (+1000)	2.7+	2.20+
C	5,000 - 10,000 (+1000)	2.9+	2.50+
B	10,000 - 15,000 (+1000)	3.0+	2.80+
A	15,000 - 60,000	3.2+	3.00+

c) For moving in the next higher category, a 'Partner Organization' should score as follows in the First and second levels of Indicators.

Table 05: POs higher category indicator chart.

Category	Desired GPA in the First level of Indicators	Desired GPA in the Second Level of Indicators
From E to D	2.70+	2.20+
From D to C	2.90+	2.50+
From C to B	3.00+	2.80+
From B to A	3.20+	3.00+

d) For different categories of PO, PKSf has determined different projected highest limit of PKSf's fund outstanding at the end of the year.

e) A particular PO of category 'A' may be promoted as a PO under 'BIPOOL' (Large PO window of PKSf) if it can maintain an overall GPA of 3.5 on a continuous basis for at least 2 years and if its own capital and number of borrowers are BDT. 10,000,000 and 100,000 respectively.

Broad Categories of PKSf Performance Indicators:

PKSf's performance indicators have been categorized into two broad groups:

Primary Indicators:

- Good Governance within the institution
- Viability of micro Credit Borrowers
- Program placement
- Group management
- Loan disbursement and recovery system
- Level of skills of field workers
- Efficiency of accountant
- Quality of chief executive
- Skill of mid and top level Managers
- Incentive base for management staff & employees
- Management Information System (MIS)
- Accounting system
- Regular internal supervision
- Status of physical assets
- Financial sustainability
- Quality of portfolio

- Productivity ratios
- Status of micro credit fund of the PO
- Financial ratio analysis

Secondary Indicators:

- Human resource development programme
- Monitoring & Evaluation
- Internal audit
- Budgetary practice

Approval of Successive Loans

Once the POs business plan except by PKSf, then the approval of successive loans to a PO depends on several factors:

- Satisfactory utilization of previous loans,
- Maintaining high rate of performance standards in term of financial and portfolio quality as for example:

Table 06: Ratio Analysis

Ratios	Standards
Debt to Capital ratio	2.5 : 1
Capital Adequacy Ratio	Minimum 15%
Current Ratio	Minimum 2 : 1
Liquidity Ratio	Minimum 25%
Rate of Return on Capital	Minimum 1%
Debt Service Cover Ratio	Minimum 1.25:1
Cumulative Recovery Rate	Minimum 95%
On Time Realization Rate	Minimum 92%

- Giving reports regularly to the PKSf,
- Potential for expansion of loan program, and
- Repayment of loan installments to PKSf, if due etc.

Loan Approval Committee

PKSF has two loan approval committees:

- a) Loan Committee and
- b) Governing Body.

a) Loan Committee - The successive loan proposals up to BDT 5 million are approved by the Loan Committee. This committee comprises four members (Managing Director, Two Deputy Managing Directors, General Manager (Admn.). PKSF's Governing Body authorizes this committee for loan sanction up to BDT 5 million. For this committee relevant officer and supervisory officer need to prepare one written proposal mentioning POs activities with necessary justified recommendations usually called 'loan committee memo'. Similar loan agreement is signed for each installment of loan between PKSF and POs. Loan beyond BDT 5 million limits is approved by the Governing Body. For this relevant officer and supervisory officer need to prepare one written proposal mentioning POs activities usually called 'Board Memo'. Finally Managing Director sends it to Board with recommendation. In Board meeting relevant supervisory officers present this proposal to the Board. Finally Board gives necessary allocation and it publishes as Board minutes. Similar loan agreement is signed for each installment of loan between PKSF and POs.

Table 07: Citizen Charter of loan Approval and Disbursement Procedure from PKSf to POs

Steps	Man-Day
Receiving Loan Demand from PO ↓	--
File Processing for Initial Approval for further Loan Allocation ↓	0.25
Preparing Draft Loan Committee/Board Memo ↓	0.25
File Processing for Approval and Signing of Loan Committee/Board Memo ↓	0.50
Presentation of Memo in front of Loan Committee/Board for Approval ↓	0.50
To Receive Loan Committee/Board Minutes ↓	--
Sending Allocation Letter to the PO ↓	0.25
File Processing for Fund Release ↓	0.50
Preparing Cheque Requisition and Send it to Accounts Section ↓	0.25
Made Loan Agreement, Signing of Loan Agreement and Loan Disbursement	1.00

Source: Author's observation from specific file.

It is noteworthy that there are some variations in first loan approval and successive loan approval procedures. There are also some variations in loan approval in Loan Committee and Board and disbursement procedures. It takes around 20-25 days depends on how events match each other. If the date of Board meeting matches with the demand letter from POs timely, it takes only 5 days. It also mentionable, PO needs to cross every step to get loan from PKSf.

2.6.1.5 Monitoring Micro finance Operation of POs (Off-site and On-site)

Monitoring of credit program is crucial for its success. PKSf monitors the programs both at their field and office levels. Since PKSf provides collateral free loan to POs the only way to reduce the risk is to monitor the programs regularly several complementary steps are taken to monitor the activities of POs, especially the credit program and fund management. A brief account of the monitoring system is given below:

a) Off-site Monitoring and

b) On-site Monitoring.

a) Off-site Monitoring: Every month all POs send their monthly report to PKSf detailing their operational data with interim financial statements within ten days of next month. Desk officer analysis all monthly report and submits one written copy to MIS section for central data base. Another analysis sheet preserve for further use like growth trend analysis. Every month POs send some forms such as:

- Operational Data Form (Credit and Savings)
- Cash Flow Statement
- Income –expenditure Statement
- Provisional Balance Sheet

b) On-site Monitoring: PKSf officers, during their regular intensive field visits for on-site monitoring of the POs' programs, provide the POs advice on different aspects of management and operations of their microfinance programs. This on-site technical assistance has been found very effective in improving the efficiency of POs' programs.

Table 08: PKSf official analyses a set of trend of POs activities like :

Growth	Productivity
Number of branches	Cost per taka lent
Number of active members (in million)	Cost per loan made
Number of active clients/borrowers (in million)	Number of active members per loan officer
Number of loan officers	Number of active borrowers per loan officer
Number of full time staff	Portfolio per loan officer
Average number of borrowers per branch	Portfolio in arrears
Average number of members per branch	Portfolio at risk
Loan Portfolio	Loan loss ratio
Loan disbursed	Reserve ratio
Number of loans disbursed	Financial Performance Indicators
Average loan size	Debt to Capital ratio
Total loan outstanding	Capital Adequacy Ratio
Overdue (classified)	Current Ratio
Average outstanding balance by client	<i>Liquidity Ratio</i>
Average loans outstanding balance	Rate of Return on Capital
Total loan loss provision	Debt Service Cover Ratio
Total loan loss reserve	Cumulative Recovery Rate
Savings	On Time Realization Rate
Total savings	Operating Self-sufficiency (OSS)
Compulsory Savings	Financial Self-sufficiency (FSS)
Voluntary Savings	
Total of savings	
Average Savings per member	
Number of savings accounts (Members)	

2.7 Auditing

100% audit by internal audit team: PKSf conducts 100% audit of borrowers, usually annually, before embarking on major expansion of loan. The audit reports are submitted to the CEO of PKSf directly.

As a part of annual financial auditing of PKSf, external audit firm is engaged to verify the financial position of sample POs.

Financial Highlights

The figures shown below are taken from the audited financial statements of Palli Karma-Sahayak Foundation (PKSF) for the year ended 30 June 2005 and all balances have been stated in terms of the value of the Bangladeshi Taka as at 30 June 2005:

Table 09: Financial Highlights

	2005	2004
	Taka	Taka
Results for the year		
Total income	1,496,855,313	1,265,786,271
Total expenditure	1,008,722,946	436,935,802
Excess of income over expenditure (surplus)	488,132,367	828,850,469
At the end of the year		
Total loans to Partner Organizations (POs)	10,692,794,272	10,457,201,412
Loans to large POs (BIPOOL)	5,327,365,996	7,105,332,851
Loans to small and medium sized POs (OOSA)	5,365,428,276	3,351,868,561
Loans to rural micro credit borrowers	8,386,624,493	9,019,408,173
Loans to urban micro credit borrowers	865,559,971	979,713,322
Loans to hard-core poor	568,520,000	950,000
Loans to ultra hard-core poor	112,498,750	42,590,150
Loans for micro-enterprise lending	351,403,330	398,182,000
Loans for micro-entrepreneurs lending	349,400,000	-
Loans to POs for capacity building	58,787,728	16,357,767
Capital fund	6,366,414,314	4,378,290,834
Total properties and assets	24,365,215,875	20,085,059,441
Returns		
Surplus as % of average capital fund	9.09%	21.03%
Surplus as % of average portfolio	4.62%	8.29%
Surplus as % of average total assets	2.20%	4.60%
Ratios		
Cumulative loan collection ratio on total dues	96.33%	98.09%
Loan collection ratio on current dues	98.46%	97.48%
Current ratio	9.06:1.00	11.97:1.00
Debt/equity ratio	2.56:1.00	3.35:1.00
Debt service cover ratio	4.29 times	7.46 times
General and administrative expenses as % of average portfolio	1.94%	1.05%
Total loan principal affected by arrears as % of outstanding portfolio	29.62%	10.81%

The above figure shows that recovery rate of micro credit by PKSF is more than 98%. Day by day loans taken by large POs are reducing and the loans taken by small and medium sized POs are increasing. Huge number of money went to hardcore people and ultra hardcore poor people. PKSF moves with new ideas as it started giving loans to the micro entrepreneurs.

2.8 To streamline the micro finance sector PKSf has prepared a number of policy guidelines and standard for its POs and practitioners.

- a) Guideline for selection of POs and borrowers for rural, urban, hardcore poor and micro enterprise to crystallize the selection passage of PKSf.
- b) Guideline for accounting system which will show the double entry and follow the international accounting standards.
- c) Policy for loan classification and debt management reserve: It will upgrade the loan provisioning policy for its POs and recognize its loss.
- d) Guideline for designing internal controlling system for POs of PKSf to strengthen the system of accountability.
- e) Guideline for management savings.
- f) Guideline for management of service charge earning for better allocation in priority sectors of PKSf.
- g) Guideline for avoiding overlapping at the field level.
- h) Management information system for in-house reporting of field level activities to PKSf.
- i) Guidelines for performance standards and categorization of POs which will be used as in-house evaluation for credit rating of POs before any further disbursement.
- j) Policy of financial ratio analysis which will identify strengths and weakness of MFI management.
- k) Policy for the utilization of disaster management fund.
- l) Guideline of Early Warning System: It will give ideas to take preventive measures through sub-indicators.
- m) Business plans for POs: It has got two parts, one is to prepare and expansion plan horizontally and vertically and the next is to formulate some institutional development strategies.
- n) Guideline for management audit of POs by PKSf.
- o) Guideline for internal audit of POs by PKSf.
- p) Policy of formulating audit TOR for external auditor to PKSf and its POs and the appointment of auditors by POs.
- q) Policy of loans for institutional development.
- r) Finding policy for indigenous ethnic minorities.
- s) Policy of institutional development for the POs: It has three components-training for the PKSf officials and POs credit personnel, development of Management

Information System and loan for institutional development for POs. PKSf is implementing for its POs capacity enhancement since 1997. PKSf gives highly subsidized loan at 1% service charge rate to its POs to buy computers, motor cycles, bi-cycles, engine boat and photocopiers. The recovery rate of this loan is almost 98.31%.

Table 10: The Status of Institutional Development (ID) Loan Program of PKSf as on Oct, 2004.

Item	Number of POs	Loan Disbursed (In million BDT.)	Total Unit Purchased
Computer	112	14.57	158
Photocopier	10	1.30	10
Motorcycle	170	56.91	548
Bi-cycle	114		3120
Engine Boat	01	0.05	01
Training Centre cum Office Complex	07	1.70	07
Total :		74.53	

Source: PKSf, 2004 (US \$ = BDT 60)

t) Research: PKSf gives much importance in research and it formed a research advisory committee consisting of outstanding economist and researchers of the country. It is doing continuously some advocacy and promotional program such as workshops, conference, training for pre-PKSf POs and non POs staff, study tour foreign organization staff, publications, establishing libraries, micro-finance orientation for youths.

2.9 Recruitment & Training Policy

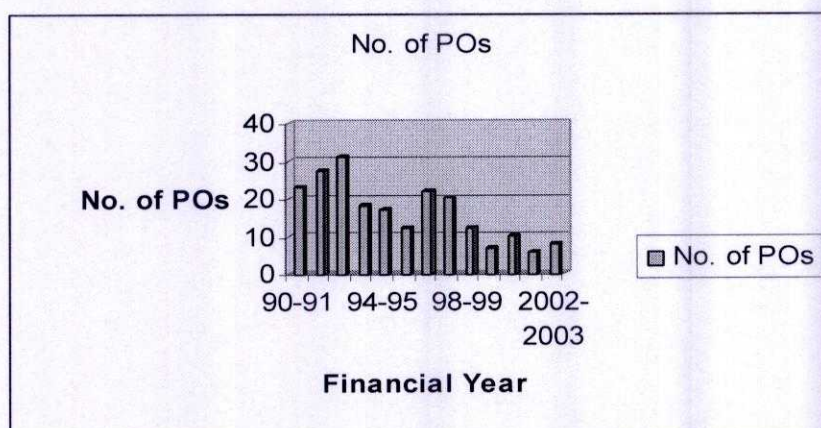
PKSf has well-developed and transparent recruitment policy. It recruits graduates of above average academic results. Through elaborate screening process like written test, viva-voce etc. Selected candidates are used to go for extensive training program offered by PKSf. Main areas of the training are various approaches of credit program management, aspects of poverty alleviation program, auditing techniques and PKSf management. Besides, Officers are sent to Bangladesh Rural Development Academy (BRDA), Bangladesh Public Administration Training Center to have overview of rural development and poverty alleviation programs. In addition to that they acquire practical training from Grameen Bank and other NGOs with PO attachment.

2.10 Achievement of PKSF

2.10.1 Enlistment of POs

PKSF has accepted POs every year since its inception. Starting with 23 POs in its first year of operations, PKSF enlisted 189 POs up to June 2003. POs are dispersed all over the country and they have been working in every districts of Bangladesh. It is found from field observation that PKSF is able to attract the MFIs and they are eager to be a PO of PKSF (Figure 01).

Figure 01: Yearly Enlisted Number of POs

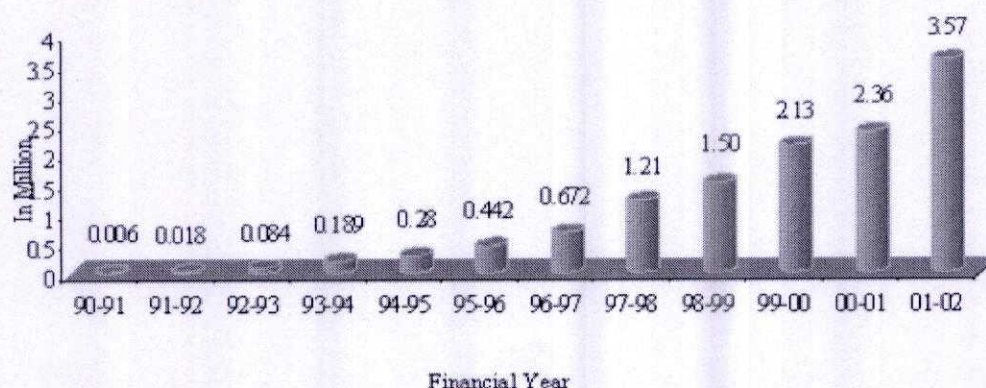


Source : PKSF, 2004.

2.10.2 Scaling up Outreach

PKSF is playing a significant role in scaling up outreach. Starting with 0.006 million in its first year of operations, PKSF's POs have covered nearly 4.17 million borrowers up to June 2003. It constitutes around 32% of country's total microfinance borrowers (Figure 02).

Figure 02: Number of Borrowers of PKSF (In Million)

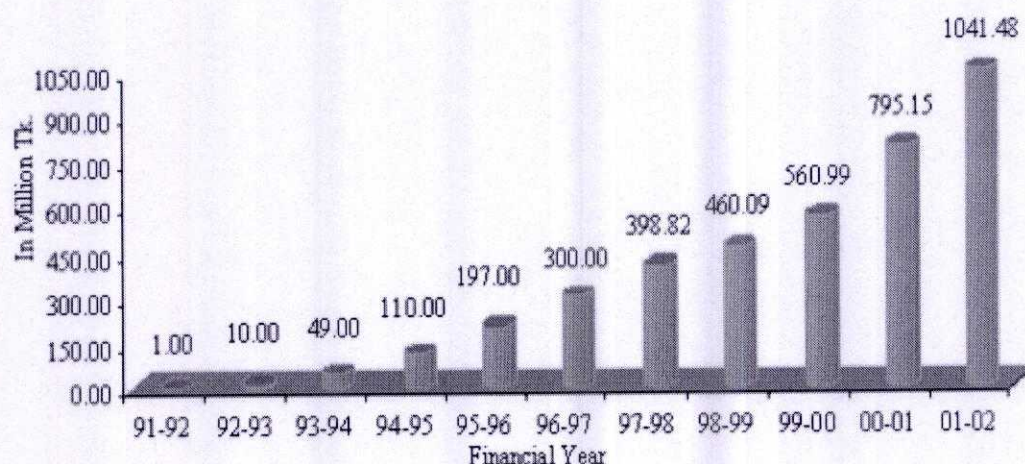


Source : PKSF, 2004.

2.10.3 Loan Fund and Loan Disbursement

In the thirteen years since 1990, BDT 14.2 billion in PKSf funds have been disbursed through 213 POs to the benefit of 4.17 million poor borrowers up to June 2003, starting with BDT 1 million in its first year of operations (Figure : 03). PKSf disbursement is continuously increasing at faster rate except during FY 1998-99 due to devastating flood in 1998 all over the country. In contrast, PKSf disbursed highest in FY 2001-02 resulted of POs capacity enhancement.

Figure 03: Annual Loan Disbursement of PKSf (Tk. in Million)



Source : PKSf, 2004 (US \$ 1 = BDT 60).

Table 11 : Sources of Funds for Micro-Credit Lending (%)

	1996	1997	1998	1999	2000	2001	2002
Member Savings	26.5	17.1	22.6	27.4	27.6	26.2	29.6
PKSf	11.8	17.1	23.2	26.0	24.0	24.6	24.2
Donors	58.8	34.2	28.0	20.6	20.4	18.9	16.6
Interest Income	0.0	15.4	13.4	13.5	17.2	17.7	18.9
Commercial Bank	2.9	16.2	12.8	12.6	10.8	12.6	10.7

Source: Compiled from CDF, 2003.

In national level, PKSf is supplying around 25% of total microfinance fund of Bangladesh directly and it is also contributed to constitute MFIs own fund i.e. interest income (Table: 08). PKSf appeared with more than double strength within 7 years and continuously it increases its dominance to capital market of microfinance. If someone

calculate the whole dominance with savings and interest income, PKSf regulate around 55% of total capital of microfinance operation in Bangladesh.

2.10.4 Recovery Rate

PKSF has two different recovery rates (PKSF, 2004):

(a) Recovery rate of loan between the PO and PKSf, Recovery rate of PKSf over the last 6 years has been nearly 98%. This rate is defined as the percentage of due amount has been received on time and

(b) Recovery rate of loan between POs and Borrowers. Loan recovery of POs at the field level is 99%.

2.10.5 International replication

PKSF model of financial intermediation and institutional development support has become quite well known as the apex or wholesale fund. A large number of microfinance professionals and practitioners from across the globe have shown their interest about PKSf. Some countries are going to be established organization like PKSf as for example PPAF in Pakistan, RMDC in Nepal, FONCAP in Argentina, LID in Bosnia and MISFA in Afghanistan etc.

CHAPTER THREE

Study of Social Development Foundation

Introduction

The Social Development Foundation (SDF) was established as fully autonomous organization in writing by a notification of the Government of Bangladesh (GoB) in 2000 and registered under Companies Act, 1994 on 28th June 2001, as a not-for-profit body for achieving the vision “Empowered Communities Overcoming Hardcore Poverty in Bangladesh”.

The major objective of SDF is to facilitate sustainable social development to address the Hard Core Poor (HCP) for reduction of poverty through increased access to knowledge / information and resources through institutional building and livelihoods development. SDF supports formation and strengthening of informal institutions at the village and community levels and also strengthen existing community organizations for addressing the needs of the poor.

3.1 Vision

Empowered Communities Overcoming Hardcore Poverty in Bangladesh

SDF shall evolve and implement innovative approaches to address hardcore poverty in partnership with community, NGOs, Government and Private Sector to emerge as a nodal agency for social development in Bangladesh.

3.2 Mission

SDF upholds an august mission to address poverty issues for enriching and sustaining the lives and livelihoods of the excluded hardcore poor throughout Bangladesh. The organization accomplishes this by piloting an integrated program through participation of the communities and implementation of community demand driven development activities.

3.3 Objectives

To assist the Government of Bangladesh to effect a 50 percent decline in the number of people below the poverty line by 2010.

3.4 Core Values of SDF

Social Development Foundation is a people centered learning organization with the commitment to free the country from hardcore poverty through empowerment of the community and developing sustainable community institutions. The non-negotiable guiding principles (core values) of the organization are:

- ☐ Unity and equity
- ☐ Use of local resources
- ☐ Participation and ownership
- ☐ Belief and trust in community wisdom
- ☐ Reaching all the hardcore poor as per the priority list of community
- ☐ Community driven development (CDD) approach
- ☐ Focus on women, children and youth
- ☐ Transparency and accountability
- ☐ Self-reliant and sustainable institutions of the poor

3.5 Governance Structure

The organization and management structure of SDF is as follows :

• General Body (GnB) :

There is a GnB comprising a maximum of 20 members headed by Chairperson.

• Governing Body (GB):

From the GnB, a GB is formed comprising 9 persons who may or may not be in the service of the Republic. However, they have reputation for commitment and dedication for social services and professional integrity. Members of the GnB and the GB serve in their personal capacity.

• Chairperson:

During the first two-year tenure of the first GB, the Government appoints the Chairperson. After the tenure of the first GB, the Chairperson is elected by the GnB.

• **Managing Director (MD):**

The MD is the chief executive officer of SDF and the member of both GnB and GB. The MD has been appointed through a competitive and transparent process. The day-to-day management of the SDF is vested in a management team headed by the MD. He/she is appointed by the GB. The MD is responsible for the overall functioning of SDF. The other members of the SDF management team are recruited from the market on competitive basis.

3.5.1 General Body (GnB):

The GnB has the following major functions:

- ☐ Provide overall policy guidance and direction for efficient functioning of SDF
- ☐ Approve Annual as well as Supplementary Plans and Budgets drawn up by the Governing Body of SDF
- ☐ Consider the balance sheet and audited accounts of SDF
- ☐ Delegate its powers and functions to other authorities of SDF, if found necessary and proper
- ☐ Amend the functions and powers of the General Body and other entities of SDF through addition, alteration, modification or substitution in consultation with the Government, if deemed necessary.

3.5.2 Governing Body (GB):

The GB is responsible for determining the direction and scope of activities, management and administration of the Foundation. The GB has the following functions:

- ☐ Provide policy guidelines and direction
- ☐ Prepare and execute operational plan, manual, guidelines, service rules, agreement/contract instrument, terms of reference for scholarships/fellowships, consultancy, research, etc. for smooth operation and management of the Foundation
- ☐ Approve and administer annual supplementary plans and budgets
- ☐ Oversee overall management, administration and implementation
- ☐ Staff recruitment/termination
- ☐ Appoint boards, committees, panels, individuals, etc to deal with specific tasks and delegate to such committees/individuals

Table 12 : General Body (GnB) and Governing Body (GB) of SDF:

Name of the GnB Member	Position
Mr. M. Khalid Shams Managing Director, Grameen Telecom, Grameen Bank	Member
Ms. Anzela Gomez Executive Director, Bachte Shikha	Member
Director General NGO Affairs Bureau	Member
Director General Department of Youth Development	Member
Prof. Ahmed Kamal Professor, Department of History, Dhaka University	Member
Dr. Hossain Zillur Rahman Executive Chairman, PPRC	Member
Mr. Golam Samdani Fakir Director (Training), BRAC	Member
Dr. Rushidan Islam Rahman Senior Researcher Fellow (BIDS)	Member
Dr. Salehuddin M. Aminuzaman Professor, Public Administration & Chairman, Department of Development Studies, Dhaka University	Member
Dr. Mohammad Ibrahim Professor, Physics Department, Dhaka University	Member
Mamyaching Chairman, Bandarban Hill, District Council, Bandarban	Member

Table 13 : Governing Body Members (As of April 2007)

Name of the GB member	Position
Principal Secretary to the Prime Minister, Prime Minister's Office	Chairman
DG, BIAM Foundation & Former Secretary, Government of Bangladesh	Member
Managing Director, PKSf	Member
Mr. Anisul Huq Choudhury Former Secretary, Government of Bangladesh	Member
Dr. Binayak Sen Senior Research Fellow, BIDS	Member
Mr. Mohammad Shafiqul Haque Choudhury Managing Director, ASA	Member
Mrs. Rasheda K. Choudhury Director, Campaign for Popular Education (CAMPE)	Member
	Member
Mr. Muhammad Fazlur Rahman Managing Director, SDF & Former Secretary, Government of Bangladesh	Member Secretary

3.5.3 Management Structure and Organizational Chart

The organizational structure of the SDF, initially at the pilot stage, consists of three Divisions:

- (a) Programming Division, (b) Monitoring, Evaluation and Learning (MEL) Division and (c) Finance and Administration Division (F&A).

Each Division is headed by a General Manager (GM).

3.5.3.1 Programming Division:

Programming Division is responsible for:

Information & Communication Component (IC)

Institutional Development at local level;

Community Action Planning (CAP);

Community Infrastructure Works (CIW);

Social Assistance Program (SAP);

Pilot on Maternal & Child Health Care;

Piloting private financing of community utilities;

Monga Mitigation Initiative Pilot Program (MMIPP);

3.5.3.2 Monitoring, Evaluation and Learning Division

The Monitoring, Evaluation and Learning (M, E & L) Division is responsible for:

Monitoring, evaluation and learning of all activities & Establishing and maintaining of SDF Management Information System (MIS).

3.5.3.3 Finance and Administration Division

The Finance and Administration Division provides full support, services and logistics for smooth implementation of the program. The Division is also responsible for:

SDF is currently implementing the following programs:

- a) Foundation launched the **Social Investment Program Project (SIPP)** on private basis in four years commencing from April 2003. It is the pilot project with the financial assistance for IDA at the Government of Bangladesh.

Table 14: Project component as per allocation of fund.

Component	US Dollar (million)
Project Component - 1 Strengthening of SDF and Project Management Support : • Information & Communication (IC) • Capacity-Building • Monitoring and Learning (ME&L) • Project Management Support	1.78
Project Component - 2 Institutional Development at Community Level • Awareness raising and information sharing • Institutional development and planning	0.36
Project Component - 3 Implementation of Community Action Plan (CAP) • Community sub-project • Social Assistance Program (SAP)	18.07
Project Component - 4 Pilot Private Financing of Community Utilities	0.81

b) The **Monga Mitigation Initiative Pilot Program (MMIPP-II 2006)**: In consideration of the experienced gained and lessons learnt from piloting the MMIPP in 2005 SDF in partnership with PKSf have planned to implement a scaled-up pilot program MMIPP-II over a period of about four months (October 2006 through January 2007) to address the Monga problem in 2006.

Expected outcome of MMIPP:

- Formation of hardcore poor families into voluntary saving groups in the targeted villages.
- Reduction of death due to starvation.
- Employment generated in community infrastructure works.
- Increase in family income
- Improvement of food intake.
- Reduction of sale of advance labour.
- Reduction of Mahajani debt of the targeted HCP families.
- Reduction of out migration of members of HCP families.
- Access to micro-credit form HCP.

The intervention area of this project is in three districts, four upazillas, four unions-about 62 villages in total. The districts will include Kurigram, Gaibandha and Nilphamary. Approximate cost is BDT 5 crore 76 lac.

The following partner organizations are working with SDF to implement its program and different activities

Table 15: PO Chart of SDF

Sl. No.	Name of PO	Assigned Area
1.	Eco-social Development Organization (ESDO)	Phase-I, Gaibandha
2.	Development Organization of Rural Poor (DORP)	Phase-I, Jamalpur
3.	Eco-social Development Organization (ESDO)	Phase-II, Jamalpur
4.	Bangladesh Extension Education Services (BEES)	Phase-II, Gaibandha
5.	Dhaka Ahsania Mission (DAM)	Phase-III, Jamalpur
6.	Bangladesh Extension Education Services (BEES)	Phase-III, Gaibandha
7.	Thengamara Mohila Sabuj Sangha (TMSS)	Phase-III, Gaibandha
8.	Development Organization of Rural Poor (DORP)	Phase-III, Jamalpur
9.	Bangladesh Association for the Social Advancement (BASA)	Phase-III, Jamalpur
10.	Samaj Kallyan Sangstha (SKS)	Phase-III, Gaibandha

CHAPTER FOUR

Study of Hortex Foundation

Introduction

The Horticulture Export Development Foundation, in short, Hortex Foundation, was established at the initiative of the Government of the People's Republic of Bangladesh in 1993 under the Companies Act of 1913, having registration No. C-323(11)/93. The Foundation is an association not for profit within the meaning of the Section 26 of the Act, organized and set up for the development, promotion and marketing of exportable horticultural produces, particularly high-value, non-traditional crops to high-price non conventional markets. Its Memorandum & Articles of Association was, however, amended in March, 2003 to make it broad-based so as to cover other areas of agri-business as well.

4.1 Management of the Foundation

The Governing Body of Hortex Foundation comprises 7 members representing 2 from public sector and 5 from private sector organizations including NGOs. The Directors of the Governing Body are elected/nominated for a fixed term by a General Body which consists of at least 15 members.

The Secretary of the Ministry of Agriculture is the preset Chairman of the Governing Body.

4.2 Objectives of Foundation

The main objectives of the Foundation are to:

- i. Assist and promote agribusiness specially horticultural products and developed and facilities export opportunities;
- ii. Sponsor, promote, assist and provide, in various forms and manners, assistance including financial, institutional, advisory and training, to non-government agencies, societies and groups of individuals including small and marginal farmers;
- iii. Promote, aid, guide, organize, plan, develop and coordinate project/schemes aimed at assisting all round development and marketing of exportable horticultural

- produces and other agribusiness products and thereby help income generation, employment creation and poverty alleviation in the rural area;
- iv. Establish and develop commercial projects, ventures, schemes and help institution-building as well as expansion of the existing institutional capacity aimed at generating income and creating employment from the resources mobilized in the rural areas;
 - v. Identify, develop and promote opportunities for facilitating generation of income and income generating activities for Hortex as well as for farmers/entrepreneurs/agencies/NGOs/associations/chambers etc. with a view to making Hortex a self-sustaining organization and develop and build institutional capability and create employment, functional education, training for development of farmers' skills related to the objectives of the Foundation;
 - vi. Promote and simulated innovative ideas and methods for the development and marketing of exportable horticultural produces and develop proper eligibility criteria for the partner-organizations and other bodies to set up an effective management information system for monitoring and evaluation of other activities related to the Foundation's objectives;
 - vii. Encourage, promote and assist in realization of the objectives of the Foundation with focus on introducing new technologies generation, dissemination and application of appropriate technologies relevant to the Foundation's objectives;
 - viii. Provide relevant information, advices and/or other services to the partner-organizations for reviewing an exchanging experience towards the development and promotion of horticultural export from Bangladesh.

Pursuant to the objectives, the Foundation may:

- i. Raise funds and accept donations, grants, loans or other financial assistance from any Government, private or any other sources and agencies, institutions in Bangladesh or abroad for use in work consistent with the purposes and objectives of the Foundation, provided, however that the receipt of any such foreign loans or donations will be subject to Government approval and fulfillment of the provisions of the relevant by the Government from time to time, excepting that for domestic loans, such approval of the Government may not be necessary;

- ii. Establish pension/provident fund/benevolent fund/group insurance and/or any other fund for the benefit of the employees of the Foundation and provide other amenities and facilities to them;
- iii. Acquire, take-over or accept by way of gift, the assets of any other organizations, bodies or societies with similar objectives or undertaking and accept the management of any endowment or trust fund set up with similar objectives as that of the Foundation.
- iv. Prepare and adopt by-laws, make rules and regulations, code of practice and rules of business for facilitating the proper functioning and administration of the Foundation, transaction of its affairs and implementation of the project and projects and programs sponsored/executed by it and its partner-organization.
- v. Institute, conduct, defend or compromise legal proceedings by or against the Foundation or its members or employees in respect of matter affecting the Foundation.
- vi. Do all such other acts or things either alone or in conjunction with other organizations or persons as the Foundation may consider necessary or are incidental or conducive to the attainment of the above objectives.

4.3 Activities of Hortex Foundation:

4.3.1 Support for Horticultural Export Development Project (IDA Credit No. 2393-BD)

The Hortex Foundation successfully implemented a 3-year IDA funded project, the "Support for Horticultural Export Development" along with Agri-business Component of Agricultural Support Services Project (ASSP-IDA Credit No. 2233-BD) from June 1996 through June, 1999. The Ministry of Agricultural, Government of the People's Republic of Bangladesh was the Administration Agency of the Project.

The following achievements were made under the project:

- i. Developed a model zone (Chandina, Comilla) for export-oriented production and marketing of horticultural produces of international standard;
- ii. Introduced and implemented successfully contract farming system for production of export-oriented high value horticultural produces of international standard;

- iii. Involved Bangladesh Rural Advancement Committee (BRAC), a reputed NGO, for contract farming for the production and export of high quality horticultural produces;
 - iv. Identified interested buyers in the UK, France, Belgium, the Netherlands and Singapore through fielding or international market intelligences missions;
 - v. Successfully produced extra fine French bean of international quality, a high-value non-traditional horticultural crop and organized export of the same of high-price upstream markets of the European Union countries including the UK, the Netherlands, Belgium and France.
- In addition, summer crops like green chilli, okra, bitter ground and yard long bean of international quality were also produced and exported to the upper segment European markets under Hortex assistance;
- vi. Selected appropriate varieties and other agronomic techniques and inputs for some high-value horticultural crops like French bean, Okra, tuberose cut-flower, etc.
 - vii. Developed and introduced packaging cartons of international standard for French bean, okra, Chilli, long bean, bitter ground and baby pineapple and arranged to supply the same to the exporting organizations as demonstration inputs;
 - viii. Year-round baby pineapple production was made successful at Chittagong Hill Tracts (CHTs) in collaboration with Agricultural Research Station, Khagrachori (BARI) and trial export shipment of the same was made to the UK through BRAC and other exporters;
 - ix. Successfully developed protocol for canned okra (Var. BARI-1) in collaboration with Agricultural Marketing Company Limited;
 - x. Assisted BRAC in establishing pack house for horticultural produces along with cool chain facility;
 - xi. Generated employment opportunity for rural women;
 - xii. Average CFR prices received from the European upstream markets for the non-traditional high-value horticultural produces were quite high compared to the traditional horticultural produces exported to the traditional ethnic markets. The average price received for French beans was US\$3.25 and that of other crops was US\$ 2.20 per kg, as against US\$ 1.20 only for the export of traditional horticultural produces to the ethnic markets;
 - xiii. As an effort to diversify into value added products, pre-packed bobby beans were exported for the first time to the UK and the Netherlands markets;

- xiv. Sample shipments of tuberose cut-flower were also effected for the Netherlands Auction Market and the response thereof was found positive for commercial shipment;
- xv. Trained BRAC staff, exporters and farmers in providing technical services like sowing, irrigation, pest management according to the rules and regulations of the EU, as well as harvesting, sorting, grading, packaging, cool chain management, etc.

4.3.2 Agricultural Services Innovation & Reform Project: Hortex Component (IDA Credit No. 3284-BD)

In view of this achievement and success, the Government as well as the donor agency became very much interested in carrying forward the development activities initiated by Hortex Foundation. This culminated in a 3-year follow-up project under the title, "Agricultural Services Innovation and Reform Project" (ASIRP-Credit No. 3284-BD). As usual, Ministry of Agriculture was the Administrative Agency and Hortex Foundation was the Implementing Agency of "Hortex Component" of the project. The project started on July 01, 1999 and ended on March 31, 2003.

Highlights of the achievements under the above project were as follows:

- i. 1200 MT of high-value and quality horticultural crops (fruits and vegetables) were exported to high-price upstream markets of the UK, the Netherlands, French, Belgium, Germany, Dubai, Bahrain, Singapore and Hong Kong against an export target of 870 MT, thereby exceeding the target by 39%;
- ii. Most significant developments took place in the export growth of hot green chilli (371%), bitter ground (4100%) and yard long bean London super market china, like Tresco;
- iii. Apart from fruits and vegetables, ornamental plants and cut-flowers were developed for export and successful trial shipments made to the Netherlands;
- iv. Frozen vegetables were also developed and two 20 feet container-load of such products were exported to New York;
- v. Foreign exchange earning from Hortex-promoted export was equivalent to Tk. 54.23 million against a target of Tk. 32.62 million;
- vi. 11 new crops and 10 new markets/buyers were developed for quality horticultural crops;

- vii. Farmers' as well as exporter's profitability also proved to be higher with Hortex support than without Hortex support, the difference being Tk. 10-16 per kg.
- viii. Hortex-promoted export grew by 121 percent against a decline of national export by -7% in the terminal year of the project, thereby leaving a positive impact on national export pattern;
- ix. Market related other activities included field trial for export-oriented orchids, examining organic farming, experimenting IQF frozen and processed product and undertaking continuous product and market development exercise;
- x. Quality cartons of international standard were developed and Hortex logo used on the export cartons, had increasing been accepted by the buyers as a quality mark and a brand name image started developing for Bangladeshi horticultural produces in the upstream export markets abroad;
- xi. 3 reefer trucks and one reefer container were procured and effective cool chain facility for producers and exporters of horticultural crops, established;
- xii. total area cultivated under the project stood at 122 hectares, which was 18% higher than the target fixed. Number of contract farmers also increased considerably (514%) during the project period;
- xiii. In production, remarkable progress was achieved in crop modernization, technology transfer, cropping pattern, farming system, minimizing production risk, increasing productivity and undertaking adaptive research.
- xiv. 23 Memorandum of Understandings (MOUs) were signed, of which 16 were with private sector, 6 with NGOs and one with public sector. Hortex support and assistance were channelized through these organizations;
- xv. Among other activities, market information services were subscribed, web site installed, market research projects undertaken, airfreight study commissioned, on the ground transportation developed, direct air transportation through transshipment successfully experienced and quality management system established.
- xvi. The project thus made significant progress on all fronts and created a positive demonstration effect and developed an inertia in the horticulture sector.

4.3.3 Present Status

Presently, there is no donor-funded project under implementation by Hortex. However, its Governing Body has decided to continue the activities under self-financing scheme and

try for assistance from various other sources, including the government. During this interim arrangement, following activities are being carried out, among others:

- i. Direct support to farmers in the form of supplying production demonstration inputs and providing production and harvesting technology;
- ii. Training and assistance to farmers in the quality production and marketing of their produces through local transportation and developing grading and packing centers. These activities will add value to the produces and command higher price to generate more income the farmers.
- iii. These activities will also help create employment among the farmers and farmers' families thereof, leading to improving their socio-economic condition;
- iv. In addition, supports are given to carton development, quality improvement, transportation development, cool-chain management and market access information dissemination with the ultimate objective of assisting farmers and exporters;
- v. Apart from these, farmers are also assisted to diversify their export crops to other areas of horticulture;
- vi. Broad-based national-level seminars are being organized to create quality awareness among all the concerned agencies, so as to get them prepared to meet the challenges of globalization and quality requirements of the markets. Two such recently organized Seminars were on EUREP GAP and its implications on Future Export of Horticultural Crops form Bangladesh and Sanitary and Phyto-sanitary Measures for Fresh Produce Export under Tow;
- vii. To meet the quality challenge, assistance and advisory services are also being provided at all stages of post-harvest handling of fresh produces, apart from direct help to farmers.

CHAPTER FIVE

Study of Silk Foundation

5.1 Background

In Bangladesh, sericulture industry is still considered as a symbol of luxury and source of wealth for its growth potential and sector profitability. Despite the fact that local silk failed to compete with the imported Chinese yarn for its incompetence, our sericulture industry can outperform if provided with sufficient assistance and incentives by the government. Keeping that in mind, in 1998 the government of Bangladesh put into action the Silk Development Project (SDP), within which Bangladesh Silk Foundation (BSF) was created to revive the lost glory of silk sub-sector. BSF, a non-profit organization facilitated the implementation of Silk Development Project (1998-2003).

Bangladesh has inherited excellent historical and traditional artisanship in the sericulture industry. Intense globalizations of new, differentiated, relatively cheap, and better quality products as well as the poor economic performance of the country have placed our silk products at disadvantage in terms of cost effective marketing and maximum exposure. Such a stiff global competition has made it quite impossible for retaining the market share in most cases. In some cases, the situation has deteriorated to such an extent that the existence of sericulture industry of our country is at stake, adversely affecting the economy. With a strong objective to overcome these hindrances BSF started operation in 1998 and carried out the following activities that further facilitated to achieve excellent performance of the silk sector:

- Worked directly with the primary producers
- Identified the associated problems and provided appropriate solutions
- Provided required technical and financial support
- Contributed largely in improving the of cocoon yield and quality
- Ensured the supply of high yield diseases free silkworm eggs (DFLs)
- Provided required extension services to the beneficiaries
- Conducted contingent training and field base research.
- Introduced certain appropriate but low cost technologies
- Efficient utilization of innovative technology and available infrastructure
- Active initiatives taken to bridge the backward and forward linkages
- Developing market chain for locally produced silk cocoons, yarn and fabric

BSF at this stage has contemplated to develop a business plan after completion of successful five years for ensuring the sustainable business strategies for its operations. With this objective GTZ has appointed this consultant to assist BSF to prepare a bankable

business plan, which will be used as a concrete guideline for BSF to move ahead on self sustainable basis.

After the SDP/WB era, BSF now requires commercial and strategic approaches to make it sustainable and also rendering quality services to the silk entrepreneurs. This exercise is the outcome of that.

The business plan consists of management, marketing, technical and financial aspects. This business plan has been designed following a desk research and depending on the knowledge of this consultant. However, this business plane intends to focus on developing a self-sustainable business strategy, which would enable BSF to cater for the needs of associated SMEs involved in the silk sector. The business development plan of BSF is built on strategy of undertaking two-strategic functions in parallel. To support the current poverty alleviation interventions, BSF will expand its revenue-generating activities that will eventually ensure organizational sustainability in the long run.]

5.2 Mission of BSF

The corporate mission of BSF is to support sustainable economic development in Bangladesh by serving all the stakeholders engaged in sericulture and silk industry to promote and revitalize the silk sector.

Henceforth, BSF would like to eat and run as one of the leading and successful organization for promoting silk sector in Bangladesh and playing a significant role in poverty reduction.

5.3 Corporate Vision

The vision of BSF is to reduce poverty and generation of employment for rural people through the development of silk industry and conservation of natural environment. To realize this, BSF would work as an autonomous entity for silk sector development by extending adequate support and necessary assistances to various stakeholders, sharing knowledge and resources, linking lead buyers with small producers, ensuring fair prices for the products of small silk entrepreneurs by retailing and exporting their products ad therefore, contributing to the economic development of the country.

5.4 Objectives

The objectives of BSF will include the followings:

- a. To contribute in rural development through generating employment
- b. To assist in improving the incomes of small-scale silk-enterprises/entrepreneurs through product development and market linkages.
- c. To develop a competitive silk industry by introducing improved technology and revising the institutional policy for sustainable development
- d. To address the institutional, economic and technical constraints affecting the silk sector development.
- e. To assist in reducing the production cost, improve the product quality and quantity of raw/spun silk to develop its competency.
- f. To produce and supply high quality DFL at competitive price to realize high cocoon productivity.
- g. To provide strategic guidelines for the skill based entrepreneurs for exercising better management practices which would eventually result more income generating activities.
- h. To act as an *Information Resource Center* for the entities involved in silk industry.
- i. To empower the rural people especially the poor women to strengthen their entrepreneurial skills and capacity building for ensuring sustainable silk production activities.
- j. To bring about institutional and investment measure aimed at improving sector performance including institutional development, research and development (R&D) activities, product development, market expansion, marketing and technical assistance
- k. To coordinate among the different institutions related to sericulture.
- l. To explore and generate additional business opportunities both in local and global market for the local entrepreneurs.
- m. To facilitate the establishment of market linkage
- n. To play an advocacy role in presenting the interests of the local entrepreneurs or investors to the government, different agencies at national and international level.

5.5 Organizational Set-Up

BSF is headed by a Managing Director who is responsible to a 12-member Governing Body (GB) comprising various stakeholders; Government, NGOs, Silk Rearers, Reelers, Weavers and Silk Manufacturers and Exporters. The GB provides overall guidance to formulate strategies and programs for the promotion of sericulture and silk industry and all other policy matters. The MD is assisted by a team of 37 core staff based at BSF Head Office and four field offices.

Table 16 : Governing Body Members of BSF (As of April 2007)

1	Md. Abdur Rashid Sarker Secretary Ministry of Textiles and Jute.	Chairperson
2	Dr. Chowdhury Saleh Ahmed Director General, Monitoring Cell Ministry of Finance.	Member (Representing Ministry of Finance)
3	Dr. Abdul Aziz Sarker Director-in-charge Bangladesh Sericulture Research & Training Institute (BSRTI), Rajshahi.	Member (Representing BSRTI)
4	Md. Fazlul Haque Managing Director and Joint Secretary (Policy), Ministry of Textiles and Jute.	Member (Representing Ministry of Textiles and Jute)
5	Mr. Mosharraf Hossain Khan Deputy Managing Director Palli Karma Sahayak Foundation (PKSF)	Member (Representing PKSF as micro-credit financing institution)
6	Md. Abdur Rahman Sarker Advisor, Mirgonj Reshom Palupalonkari Samity, Rajshahi.	Member (Representing Rearers)
7	Ms. Swapna Rani Sarker Reeler, NIDP, Netrokona.	Member (Representing Reelers)
8	Munzur Faruk Choudhury Managing Director, Usha Silk Ltd, Rajshahi.	Member (Representing Weavers)
9	Representative from BRAC	Member (Representing NGO)
10	A. K. Arzoo Director, Jagorani Chakra, Jessore.	Member (Representing NGO)
11	Mohammed Merajul Alam Managing Director, Meraj Fabrics Ltd., Rajshahi.	Member (Representing Private Sector Silk Manufacturers and Exporters)

5.6 Activities of BSF

BSF with the financial assistance of IDA initiated five year operational activities name Silk Development Project (SDP). At that time BSF pioneered many instances in technological changes and dramatic improvement in DFL quality. Main activities were as follows:

- 1) BSF grainage-exclusive facilities ensuring high quality DFL production.
BSF has developed three of its leased grainage into technically unique institutions those are capable of producing and handling both local and foreign silk warm varieties and their multiplication.
- 2) Technology dissemination-appropriate training support for the grassroots.
BSF trained 5,654 beneficiaries into 51 batches who were participated from BRAC, CARITAS, PROSHIKA, RDRS, TMSS and IIRD through special contacts.
- 3) Demonstration of chawki rearing (DCR)-a healthy beginning for improve cocoon productivity.
- 4) Support for Bush-mulberry plantation.
By December 2002, total 193.6 hectors of land was brought under bush and low part type of plantation by 1656 farmers.
- 5) Extension services:
Till December 2002, total 126 SDB supported Extension Support Staff (ESS) worked under BRAC, RDRS, TMSS, IIRD and PROSHIKA.
- 6) Action Research:
The research was undertaken in three phases covering five crops seasons within September 2001 and December 2002 followed by two mass trial production in another two crops from January to June 2003.
- 7) Product development and market promotion:
BSF organized 22 training sessions for the silk fabric manufacturers where 355 beneficiaries participated and benefited.

Table 17: Training Organized by BSF.

Training sessions	No. of course	No. of participants
Cocoon processing and reeling	1	13
Yarn preparation and weaving	3	64
Fabric design	16	225
Dyeing and printing	2	53
Total	22	355

All these attempts by BSF have helped the Silk manufactures improving the quality of their products.

After completion of Silk Development Project in June 2003 BSF could not continue the ongoing projects due to fund shortage. It was about to shut down Bangladesh Government transferred some money just to pay the salaries of staff. From 2005 BSF undertook a new project within “Sustainable Silk Development” with the financial assistance form the GOB. Under this project BSF undertook the following activities-

- (a) Cultivating and maintaining mulberry lands.
- (b) Production of highbred silkworm eggs
- (c) Production of commercial silk cocoons.
- (d) Production of quality silk yarn
- (e) Training and
- (f) Ensuring employment

5.7 SWOT Analysis of Bangladesh Silk Foundation:

Table 18 : SWOT Analysis

Strengths	Opportunities
1. Successful completion of five years project and achievement of targeted objectives 2. Strong professional network with the important actors involved in sericulture development 3. Well defined organizational structure 4. Available of necessary infrastructure to provide suitable business development support (BDS) 5. Capability to undertake action oriented research in identifying the relevant constraints and providing appropriate guidelines to overcome those 6. Posses comparative and competitive strengths in the area of DFLs production	1. Increased interests and demand of foreign buyers for our silk products 2. Export potential for skill products in the Middle East and Europe markets 3. Export market all over the world for home furnishing materials (home textile) is increasingly growing 4. High demand for silk eggs in few Indian market (neighboring provinces) 5. Imminent National Skill policy and active role of the GoB 6. Increasing domestic demand and changes in local usage patterns 7. Small silk entrepreneurs prefers to work with reliable agencies to get better prices
Weakness	Threats
1. Shortage of trained manpower in post-cocoon stage 2. Lack of product development and designing capability 3. As a foundation, BSF's activities cannot be totally commercial 4. BSF could not bring its total assets under productive operations	1. Probability of closing down of the operation due to lack of working capital 2. Market controlled by few powerful business houses and middlemen 3. Foreign silk manufacturers, especially those of China, are more efficient 4. Presence of strong competitions, like BRAC and BSB

Chapter Six

Conclusion

Currents, Cross Currents:

This paper examines four foundations or new Governance Institutions of Bangladesh out of nine foundations so far. The classic limitation of this paper is no ministry can tell how many foundations are there in Bangladesh. Every time when Government tried to form a foundation, it really tried to out source its businesses. But some of its attempt is successful and some are failed or failing. This paper has taken effort to understand the formation background of new governance institutions. It also scrutinized the NGIs mission, vision, governance structure, activities, and status in the relevant field, horizontal and vertical relations with donors, POs, similar organizations and GOB.

Among them only PKSf was established by the money of GOB and others were with the help of IDA or World Bank. BSF has got birth in the womb of Silk Development Project. Horticulture Development Foundation practically implemented Horticulture Export Development Project in the first phase for three years and in second phase it implemented Agricultural Services Innovation and Reform Project for another three years. Basically it implemented project and follow up project for six years supported by World Bank. The administration agency was Ministry of Agriculture. Secretary, Ministry of Agriculture is the pre-set Chairman of the Governing Body of Hortex Foundation. BSF and HF other than implementing the projects that could not ensure the salary of their own staff even. The concept was creating foundation as an institution. But it failed for many reasons.

Social Development Foundation was formed in the partial light of PKSf. Still it is implementing the projects supported by GOB, IDA, PKSf and WB. Without this sort of project whether it can run that could not be judged because it did not pass that soft of time. But looking into their own formation and activities it is very natural that it will not run. Because it does not have any income generating mechanism of its own. BSF and HF are directly intervened by the Government. It is one of the duties of secretary MOA to run the HF not the only duty. No professionalism is developed among the HF. The very 'part-time' attitude prevails in their mind. Because they do not know what they will do when the project will not continue. Though HF got very lucrative comparative advantages in

their respective field as Bangladesh is very much agriculture based country. Because it was very much designed to implement the project not to establish a functioning institution.

BSF has got the born rivalry with Bangladesh Sericulture Board. It has got many odd inheritance of the body. One officer in condition of anonymity told this author that they faced serious problem created by the influential political leaders who are very much involved in the silk business. They pointed out to ex-prime Minister Begum Khaleda Zia that your husband established BSB for that reason to tarnish the achievement of BNB Sheikh Hasina intentionally created another parallel organization like BSF and BNB Government was not caring enough to BSF.

The governance structure of SDF is almost same to PKSf. Because the MD of SDF get appointment through a comparative and transparent process and the governing body consisting of very talented civil servants and the member of civil societies is responsible for determining the direction and scope of activities, management and administration of the foundation. But they have no core area to operate where they will get comparative advantages through which they earn their own bread. Many NGOs are working in the same field where they achieve their professional excellence.

Then what happened to PKSf? Let us look into it. It started journey after having six years marathon dialogue between GOB and WB and without the help of World Bank. GOB provided handsome amount of money at the very inception of PKSf taking loans from ADB, IFAD and USAID. PKSf implements projects but it is not dependent on projects. It sailed with Mr. Badiur Rahman (the then joint Secretary GOB who retired as Secretary and worked for a long with UNDP). Noble laureate Prof. Muhammad Yunus, Mr. M. Sayeduzzaman, (Ex Finance Minister of Bangladesh) Mr. Abdul Mueyed Chowdhury (ex-advisor of GOB & Ex-CEO of BRAC, Mrs. Taherunessa Abdullah (Social Worker and worked with late Dr. Akhter Hamid Khan), Mr. A. A Qureshi (Eminent Banker), Professor Wahid Uddin Mahmud (Ex-Advisor to GOB and Eminent Economist). They possess such a personality and expertise that they worked independently and weaved the institution properly. At present the members of the GnB and GB of PKSf are academically sound, competent, committed to the institution and have vast experience in the arena of microcredit. Government nominated only three of them. One is Prof. Yunus

and others are Mr. Muhammad A, (Rume) Ali and Dr. Nazmunnesa Mahtab. Rests of the members are by the GB. MD is appointed by the GB. MD, GB and GnB are almost independent. They can take any interest for sake of PKSf. They have very good bargaining power with the donors and the international agencies. They have very sound reputation in the market. That is why no agency raises their eyebrows to the demand of PKSf. Managerial staffs are recruited by the PKSf authority through open transparent written and viva-voce exam. Their academic background is above average. As they work with very enlightened, erudite and committed people they became also very dynamic, motivated and committed. They are being provided extensive academic and practical training. That is why they can implement the decisions of their apex body within the shortest possible time. A really professional group of people is dealing with the institution. MD is the executive team leader of PKSf and he has been chosen as the chief executive of this country. It indicates what sort of competent people are chosen by PKSf.

Interference from government is almost at the zero level. Government played very positive role all along with PKSf. It is always a facilitator, enabler not a controller. The towering personalities of PKSf could keep government in right track. Government didn't change its stand towards PKSf. Especially last seventeen years Bangladesh faced many political turmoil but all the governments maintained very positive continuity in case of PKSf concerned.

At present PKSf is not financially depended to any corner. It gives extra confidence. This fortune is not built automatically. The operational area selected for PKSf was virgin. Neither NGO nor any international agency tried to do it earlier. In eighties microfinance industry in Bangladesh was facing a slow take-off period but in nineties it experienced a rapid extension period. PKSf could pick the market very timely and flourished quickly under the dynamic leadership. This leadership is a royal mixture of competent, dynamic, reputed civil servant and versatile professional of civil society. Normally a gap exists but in case of PKSf both made a royal unbeatable team. They explored the microfinance market with matured professional touch. It doesn't lend money only it lends ideas also and monitors it. It perfectly managed the shock in the year 2004 when all the big NGOs declined to take loan from PKSf because they disagreed with the interest rate at the borrowers' level. PKSf successfully utilized the money to the OOSAs. They made it inversely positive for them as it minimized the risk as the base is widened. Now

thousands of MFIs wants to be the PO of PKSf. It became a rating organization because global development partners and foreign countries before allocating any fund in microfinance they want to know whether that organization is enlisted PO of PKSf or not. With the support of continuous monitoring, evaluation, technology transformation and assured fund to its POs, PKSf made the microfinance industry stable, predictable and fairly competitive. It ensures the sustainability of PKSf. Now it goes for rigorous researches to find the new avenues and shortcomings of its own, arranges seminars, workshops and having a smart website. It is channeling money towards hard core people (HCP) through its POs. it has given 80000 US dollars as aid to the tsunami affected people. In 1991 it disbursed loan of 03million BDT and up to January it disbursed 36179.96million BDT. Thus it became a role model for any new governance institution.

CONCLUSION:

This paper finds that if government with utmost good will creating an optimum fund selects an operational area where comparative advantages exists and assigns the reputed, competent, dynamic civil servants and civil society professionals in time to do its own business with least interference forms a New Governance Institution it can yield better result. That NGI can get much light from PKSf.

Areas for Further Research:

It has to be defined the area having comparative advantages linked to national and international market is needed. Opportunity cost of this effort is to be identified.

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