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BRAC 1990 ANNUAL REVIEW

November, 1990

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ANNEXES

BRACRONYMS AND ABBREVIATIONS

AIM	-	Asian Institute of Management
AO	-	Area Office
BADC	-	Bangladesh Agricultural Development Corporation
BARD	-	Bangladesh Academy for Rural Development
CSP	-	Child Survival Programme
DLO	-	Donor Liaison Office
DOL	-	Department of Livestock
DRR	-	Directorate of Relief and Rehabilitation
DTW	-	Deep Tube Well
DVW	-	Doctor of Veterinary Medicine
FAPE	-	Facilitation Assistance for Programme on Education
FLP	-	Flood Relief Programme
FS	-	Field Supervisor
GS	-	Gram Shebika, Gram Shebok
HTW	-	Hand Tube Well
IGA	-	Income Generating Activities
IGVGD	-	Income Generating Vulnerable Group Development Programme
LLP	-	Low Lift Pump
MDP	-	Management Development Programme
NFPE	-	Non-Formal Primary Education
PEOC	-	Primary Education for Older Children
PFRP	-	Post Flood Relief Program
PO	-	Programme Organizer
PT	-	Power Tiller
RCP	-	Rural Credit Programme
RDP	-	Rural Development Programme
RED	-	Research and Evaluation Division
REP	-	Rural Enterprise Programme
RM	-	Regional Manager
RO	-	Regional Office
STW	-	Shallow Tube Well
TARC	-	Training and Resource Centre
VO	-	Village Organization
WFP	-	World Food Program
WHDP	-	Women's Health Development Program

1. EXECUTIVE SUMMARY

1. Introduction

This report comments on performance to physical targets and performance to financial budgets during the first nine months of 1990. Inevitably there are variations, but we did not identify any which we judge need be of major concern to donors. The general record is of greater rather than lesser achievement in relation to what was planned.

The report focuses on those areas where we believe improvements might be made. In many cases, our suggestions are largely endorsements of what we have discovered BRAC is already doing, or of changes that BRAC has already started to make. In certain areas, we have identified further improvements. In only a few instances do we recommend changes of substance or significance.

The Review Team's assessment of BRAC is that it continues to be an organisation with an impressive record of achievement and innovation. It is constantly refining and developing its systems and methods. Its impact on its target group, the landless of rural Bangladesh, increases substantially by the year.

2. Social and Institutional Development

Important changes made in the institution-building approach of RDP in 1989 proved to be more problematic than expected. New rules and regulations, meant to enhance accountability and internal democracy in Village Organisations (VOs), caused a number of members to leave and some older VOs to close. The branches transferred to RCP and many older RDP branches had, therefore, to undergo a restructuring process which is expected to be concluded by January 1991. However, the increase in members in RDP Villages is generally on target. By end June, 1990, women VO members had risen to almost two thirds of total membership.

An experimental Para Legal Programme was expanded during 1990 into ten new Areas. This programme seems to be one of the most successful ways of securing a much-needed "empowerment" of VOs and their members, and is a very useful tool in the protection of the interests and dignity of landless men and women. This and other new interventions, such as compulsory functional education awareness training for all borrowers, and the introduction of a much stronger, more programmed approach to value-based training, are likely to strengthen the institution-building aspects of BRAC's work, in both RDP and RCP areas.

Actual expenditure for Human Resource Development training to September 30 is basically on target. There was an apparent under-achievement in certain of the original targets, in part because of an expansion in the number of days allocated for some courses, in part because of the major increase in the output of teachers for the compulsory awareness training. This, together with increased demands for NFPE teacher training and staff training, resulted in serious overcrowding at the TARCs. Expenditure on Human Resource Development training for 1990 will be slightly over budget, and the overall three year expenditure will be roughly 12% higher than originally planned.

The Team considers that the development and delivery of courses for skill training, largely taking place in the field, is handled in a professional and appropriate manner. 5,000 more people received skill training in the first nine months of the year than the total planned for the entire year. Spending for the year and for the plan period will be significantly over budget. In the opinion of the Review Team, the new targets and budgets are justified by the need to provide training and technical support to the increased numbers of borrowers.

Numbers of staff trained to September are approximately 150% more than planned, while expenditure is 35% over the total budget for the year. In the view of the Review Team, the over-achievement of target is necessary, and the consequent over-spending of budget is therefore justified.

The Management Development Programme, established in 1990, is a new effort, dedicated to enabling BRAC, government and other development agencies to manage their resources more productively, equitably and sustainably. Despite a slow startup, the MDP appears to be off to a very good start. The need for it is perhaps more obvious than ever, both within BRAC and outside.

In respect of training capacity, the volume, demand and complexity of BRAC's training has increased steadily over the years. Finding and training qualified new instructors appears not to be problematic: the biggest training handicap is a shortage of space. Because of the pressure on existing capacity, BRAC has advanced and expanded its building plans. Funds permitting, it is planned that total capacity, including TARCs and Management Development Programme will be increased from 218 beds to 640 by end 1992, the total cost of land and buildings increasing from the original Tk 58m to Tk 114m. In the opinion of the Review Team, the expansion of the TARC and MDP plans are justified by the need. Within the context of the overall revision of the RDP II and RCP Plan and Budget, these changes are recommended to donors for acceptance.

The Non Formal Primary Education (NFPE) Programme has exceeded the school-opening target for 1990 by 100%. Although total NFPE costs are likely to exceed the budget by only 10% in 1990, due to half the new schools opening late in the year, there are financial implications for future years. In the revised budget proposed for 1990-92, there will be a 50% increase in the projected number of school openings. The Team's view is that, given adequate financial resources - the requested budget shows an increase from Tk 152m to Tk 200m - and assuming an expanded training capacity, the new projections are within BRAC's capabilities.

3. Economic Activities

In the first six months of 1990, loan disbursements totalled Tk 153m or 25% of total disbursements since BRAC began making loans in the mid 1980s. Women took two thirds of this year's loans, the dominant sectors being Rural Trading and Livestock. During the next 18 months there will be a substantial increase in funds going into Irrigation; the loans BRAC plans to make in Deep Tube Wells alone total more than Tk 200m. Fisheries is expected to be a major area of expansion, with the new Sericulture programme planned to provide 60,000 jobs for women by end 1992.

Both RDP and RCP set financial targets for the expansion of the loan portfolios according to the maturity of each Area or Branch Office. However, no explicit consideration is given as to how these targets are going to be achieved in terms of the growth of in the primary sectors, or specific economic activities within those sectors. The Team therefore recommends that BRAC should draw up explicit targets for the future development of individual sectors over three years. Particular consideration should be given as to which other sectors and activities should be developed, notably off-farm activities in the Rural Industries and Trading sectors to which little attention has been given.

The technical support structures that have been created over the years by RDP, eg in the Livestock, Irrigation and Fisheries sectors, have proved to be both innovative and effective. They are a key element in the increase of loans now being made in these sectors and their beneficial economic impact on VO members. However, REP's record of introducing new activities is not impressive, tending to apply its efforts to the hardware aspects of technology innovation rather than the more essential elements of ownership, organisation and management.

Bearing in mind the planned expansion of RCP, it is recommended that consideration be given to creating a single technical support structure to serve both RDP and RCP. Personnel should largely be at Area Office or village level and adopt the approach RDP has taken in introducing new activities, concentrating on identifying and introducing gradual steps in organisation and technology.

To ensure their overall viability and beneficial economic impact, the larger collectively owned schemes such as Power Tillers and

Deep Tube Wells do require particularly careful monitoring and follow-up. As the Team observed in the field, loan repayments can and do become erratic, especially if a scheme is not operating properly or successfully. In such situations, there is a need for coordinated action by the appropriate BRAC staff, whether general POs or technical personnel or both.

IGVGD has been expanded into 36 Upazilas with the target of reaching 75% of the estimated 80,000 vulnerable group cardholders in those Upazilas. The programme continues to operate effectively, with minor improvements constantly being introduced. As at end of September, 1990, actual expenditure for the nine months was Tk. 7.0 million against a pro rata budget of Tk. 9.2 million. The reason for this was start up problems as the programme began operations in the new Upazilas.

4. Financial Analysis

The total loan portfolio for RDP is 11% under target as of September 30, 1990. Savings are also short of forecast by 16%. The under-performance has occurred primarily in the 4th year Area Offices. BRAC has constrained its lending to the members in these older VO's and concentrated on re-enforcing discipline with respect to the need for weekly meetings, savings and loan repayments. We expect that loan portfolio and savings targets throughout RDP will be met by next year and continuously thereafter.

RCP is approximately on target for profits despite a major shortfall in income from investments (Tk. 5.5 million was forecast for 1990 of which almost nothing will be earned) due to the delayed receipt of funds from the donors. Prospects for the long term viability of RCP appear good as the value of the loan portfolio outstanding is only 3% below target - see the graph in Section 7 - at the end of September,1990, and operating costs appear to be under control.

BRAC has had to fund a significant portion of the activity of RDP and RCP from other sources, including members' funds (individual savings and group funds), due to the delay in receipt of donor funds. The Team suggests BRAC should make explicit its policies in respect of the use of such members' funds. We also believe, in order to further protect the savings of members within RCP, and to move the financial structure of that programme closer to that of the proposed future bank, that BRAC should provide an equity base to RCP.

BRAC has made significant progress towards implementing a loan quality review and reporting process which is clear, accurate and reasonable. All loans in both RCP's and RDP's loan portfolio will be classified into one of three categories by year end-current, late or overdue. This achievement is consistent with last year's Appraisal Report recommendations.

We have made recommendations with respect to the definition of current loans such that the true quality of all loans is assessed at least once a year. In addition we recommend, in accounting terms at least, that BRAC write off a portion of its current loan portfolio against the accumulated loan loss provision and that this process of adding to and comparing the provision to write offs be done annually. We believe that the total reduction in BRAC's loan portfolio as a result of the write offs this year will be less than the 2% of disbursements accumulated to date by BRAC as loan loss provision.

5. Management

The Review Team is favourably impressed with the quality of BRAC's management, from the conduct of apparently simple (but actually very carefully developed) group development activities at village level, through to the complexities of managing a large and sophisticated corporate structure. On the question of decentralization, BRAC has made progress in the past year by expanding its field structure from six to eight regions, and by moving five of its regional managers from Dhaka to the field.

Although BRAC's Management Information Systems are still undergoing development and testing, significant and very useful improvements have been made, in line with and exceeding recommendations made in the 1989 Appraisal Report. An area of weakness in the Management Information System, however, is the integration of and inter-relationship between plans, budgets and reports. Detailed recommendations for the creation of a more integrated budget and reporting format are made in the report.

In respect of personnel, recruitment of qualified staff is taking place at a rate in accordance with or in excess of planned requirements. The effort to recruit and retain qualified women at the PO level, from which all management appointments are made, has been very good over the past year. As a percentage of the total, the rate of appointment of women to all grades within BRAC has risen from 2.4% in 1987, to 28% in 1990. In the important Level III-VI categories, the number of women has risen as a percentage of the total from 2.4% in 1989 to 10.2% now.

If the current rate of female recruitment continues, the imbalance in favour of men could be largely corrected within three or four years. BRAC should be able to anticipate the appointment of the first female Area Managers within the next two years. In addition, it is recommended that BRAC consider the possibility of establishing a Women's Advisory Unit, with responsibility for providing professional support to female employees and for advising senior management on gender-related issues in management and programming.

6. Revised Budget

BRAC has requested additional Taka funds donors to carry out an increased and accelerated programme of activities for RDP II. The total revised funding requirement requested by BRAC for the three year term of RDP II (1990-1992) is now Tk. 827m which is a 43% increase over the previous programme budget of Tk. 578m. The primary reasons for the increase are:

	Original	Revised
	(Tk m)	
Employment & Income Gen.	50	86
NFPE	152	201
Capital Invest. & Loan Fund	121	194
Programme Infrastructure	58	114
Others	197	232
Total	578	827

The reasons for these increases have largely been explained above, notably in respect of employment and income generation, NFPE and programme infrastructure (for the TARCs and MDP). The additional funds for capital investment and the loan fund are largely needed to finance the land, building and other start-up costs of 10 RDP Area Offices each in 1991 and 1992.

The Team considers that the increase in activities and budget now proposed by BRAC is largely justified. The greater part of the total increase in funds requested is in order to restore the cuts recommended by the Appraisal Team in April, 1989, especially in respect of training and management development facilities, and the later cuts brought about by the withdrawal from one donor from the consortium in August, 1989.

Two points should be noted. The delay in the disbursement of donor funds to BRAC this year has necessitated having to deploy other funds on which RDP and RCP will have to pay interest,and losing income from investments, in total amounting to Tk. 10-20 million. Second, the requested additional funds are all for RDP II, not for RCP. Based on our analysis, RCP will be able to attain its original financial and operational objectives without additional donor funds to those already committed.

The Team also considers that BRAC has the capacity to carry out the activities in the revised budget. There are two areas of possible concern. The first relates to BRAC's capacity to carry out the significantly expanded programme of NFPE schools. The second relates to the new Women's Health and Development Programme, planned to start in January, 1991. The Team has not agreed to these new conditions. Not transferred loans are those with no new borrower agreement.

current loans - loans in their original term of repayment regardless of actual performance, ie. if a loan is advanced for 2 years it will be classified as a current loan until that two year period has expired.

late loans - a borrower who has not repaid a loan completely during its current period is given an additional repayment period of up to 1 year to complete repayment. This category has only recently been introduced - since December 31, 1989.

overdue loans - loans which have exceeded their current and late repayment periods. This category contains what are undoubtedly the worst loans in the portfolio, the ones least likely to be repaid.
In addition to the preceding indicators of loan quality BRAC also uses the term "recovery rate". BRAC defines recovery rate as follows;

$$\text{recovery rate} = \frac{\text{total instalments received to date}}{\text{total instalments received} + \text{overdue amounts}}$$

This measure is very misleading. As disbursements increase the recovery rate will generally improve even though the actual quality of the loan portfolio may not. This is due to the cumulative nature of the measure. For example -

$$\text{recovery rate at time 1} = \frac{100}{100 + 5} = 95\%$$

$$\text{recovery rate at time 2} = \frac{200}{200 + 7} = 97\%$$

In this example the recovery rate has improved even though the amount overdue has increased (from 5 to 7).

We do not recommend the use of recovery rate as a measure of portfolio quality.

bad loan - this is a subjective term often used by lenders. The worst loan is one which has to be written off.

default - technically a borrower who does not meet an obligation to the lender is in default. The most serious obligation from the perspective of a lender is the obligation to pay interest. A loan which has recently stopped paying interest may or may not be bad and may or may not actually have to be written off.

In addition to the previous terms which deal with loan quality often in a very subjective way, there are accounting terms which tend to be more precise and which cover the same issues:

loan loss provision - this is an accounting term which is meant to recognise the real value of the loan portfolio. To date this has been calculated on the basis of 2% of all loan disbursements. The loan loss provision is deducted from the gross value of the loan portfolio to obtain the net value of the loans outstanding. To date BRAC has accumulated a total loan loss provision of Tk 14 million.

	at September 30, 1990 (Tk million) Provision	Loans O/S	Provision as % of O/S
all RDP AO's	11	195	5.6
all RCP branches	3	68	4.5

write off - a lender must regularly decide what portion of the loan portfolio has no value. Any loan which is not paying interest and which has no hope of ever doing so must eventually be written off. (Once a loan stops earning interest it is no longer an asset and should be removed from the balance sheet). The loan loss provision anticipates write-offs in advance but a lender must regularly compare actual bad debts to provisions accumulated. If the write off exceeds the provision the loan portfolio and the reported income must be reduced further than the provision has already done. BRAC has not yet written off any loans or in effect compared its loan loss provision to its bad debts. BRAC is almost ready to answer this basic and important question - ie. how many bad loans does BRAC actually have?

One of the problems faced by a reviewer when looking at BRAC's loan portfolio, trying to judge its quality, is the fact that the monitoring department, which produces most of the data on BRAC activities, has to date not produced results which match those of the accounting department. The quality breakdown by type of AO and branch, produced by the monitoring department was not available for September 30, 1990 to compare with the table of provisions for the same date provided by accounting. It is anticipated that by year end both the monitoring and the accounting departments will be using the same terms and will be producing numbers which are consistent.

Conclusions

The basic issues with respect to the reporting of loan portfolio quality are;

- is the method used clear?
- is the method accurate?
- is the method reasonable and appropriate?, and finally,
- how good is the loan portfolio?

BRAC's new method of classifying the loan portfolio - determining the amount of principal outstanding which is current, late or overdue - agrees with the recommendations of the Appraisal Team of last year. Once the process has been completed and the measure of principal outstanding made consistent with an acceptable accounting definition, this method will definitely pass the test of clarity.

As far as accuracy is concerned, this is a matter of auditing or verification.

Recommendation

The external auditors should verify on a random sample basis the classification of the loan portfolio of several AO's and RCP branches to confirm that the definition that BRAC is uses for each category had been correctly applied.

Is BRAC's classification reasonable? Is it reasonable for example to re-finance loans which do not repay within the prescribed term? Should these not be called overdue right away? Section 6.8 of this report expressed a concern with respect to some examples of irregular loan repayment records discovered in some AOs. Are these loans late or current. Section 5.1.2 mentioned that some VOs had been dropped from RDP and RCP. It may be that these defunct VOs have any loan obligations outstanding. How are these loans rated?

BRAC and other peer lending organizations have always argued that as long as the delinquent borrower is still alive and still in the village there are means to pressure him or her to repay a loan. Experience in Bangladesh and other countries around the world has shown that this can be true. What is required however in order to collect payments on late loans, to keep them from becoming overdue loans in BRAC's parlance, is a good information system and persistent supervision of the late payers by the PO responsible. As a further cautionary comment, BRAC should not wait until the expiry of the longer term loans before deciding if they are late or overdue - it may be too late by that time.

Recommendation

BRAC should continue in its policy of classifying all loans as current, late or overdue. This classification should take place at the expiry of the original loan term or every year, whichever occurs first. If a longer term loan is behind on repayments by a certain amount, say 10% of interest payment due at the annual review, that loan should be re-classified as late and should receive additional PO attention.

Recommendation

Each PO should be required to manage the late and overdue portion of his or her loan portfolio and BRAC must provide the PO's with the information necessary to perform this task. The PO's ability to keep the late and overdue loans low or to reduce them over time should be a criteria for promotion.

Recommendation

BRAC should develop strategies for each AO that has late or overdue loans. BRAC can develop training courses to concentrate experience with poorer borrowers and to disseminate that experience to PO's and Area Managers who need assistance.

One area of particular concern discovered during the Review involves the power tiller program. As discussed in the economics section many of these machines have failed to operate profitably. It appears that the loans for these schemes may also be in trouble. BRAC's present method of classifying loans - current, late and overdue - has not caught up with these loans because of the manner in which current loans are now defined.

Recommendation

BRAC should immediately carry out a special review of all power tiller loans and classify them according to the recommended procedure as current, late or overdue. BRAC will have to develop a plan specifically for dealing with these loans including write-offs if that is the most realistic approach.

The final question - how good is BRAC's loan portfolio? - can now, finally, be addressed. To re-state the previous summary of loan quality BRAC's portfolio appears as follows:

Summary of Loan Portfolio Quality
June 30, 1990

	Current	Late	Overdue
all RDP Area Offices	155.9 (92.5%)	6.3 (3.7%)	6.4 (3.8%)
all RCP branches	45.2 (83.7%)	8.7 (16.1%)	0.1 (0.2%)
Total	201.1 (90.4%)	15.0 (6.7%)	6.5 (2.9%)

Assuming that the classification has been carried out accurately (which will be confirmed by audit) BRAC probably has a loan portfolio with at least Tk 6.5 million in bad loans. BRAC management estimates that the total write off this year may go as high as Tk 11 million. On the other hand, as explained earlier, these bad loans have been on the books since BRAC began lending in the early 1980's and needs to be compared to the accumulated loan loss provision (Tk 14 million) which the accounting department has been applying against the total gross loan portfolio.

Recommendation

BRAC must finally determine what portion of its loan portfolio should be written off and do so. BRAC must also continue to accumulate a loan loss provision as a percent of loans advanced annually and annually should compare the provision against the write-off. (2% of annual disbursements is still a reasonable provision each year - until further experience allows BRAC to refine this number).

BRAC should have all the information necessary to perform this task for the first time this year, once the year end figures have been compiled. It is our opinion that the write-off conservatively applied will not exceed the accumulated loan loss provision.

It is a matter of practical application in the field that the borrowers whose loans are written-off do not feel that they can default on future obligations without consequences. BRAC should in its own best judgement consider all of its options with respect to the loans which will have to be written off, including taking individual and group savings. Obviously any money that is recovered on a loan which is written off is pure profit but this money is very hard to collect. The Area Managers must balance continuing to try to recover the loans written off, thereby enforcing the message that defaulters will not be forgiven versus the time that would have to be spent to recover money which has already been considered lost in accounting terms.

The process of identifying and then writing off a defaulting loan will force BRAC to take whatever actions it can to recover lost principal and interest. BRAC will have to take concrete action against defaulting borrowers. In theory BRAC has a number of options including taking group or individual savings as well as restricting future loans to VOs and small groups which have individuals who have defaulted. This is the theory which has in fact seldom been tested. It would be very useful for BRAC, as well as for external practitioners of micro-credit elsewhere, to have documented what actually happens in the case of defaulted loans under a peer group lending program.

Recommendation

BRAC should document the process leading up to the write off of the loans which have defaulted. This should be a quantitative and qualitative summary of how BRAC identified the bad loans, the amounts of principal and accrued interest involved, the actions taken by BRAC, the actions and adjustments made by the members within the VOs and the small groups and finally the amount of money recovered in the process.

Conclusion

Once the write off process has been completed BRAC will have a much cleaner loan portfolio and in our opinion a portfolio of very quality. It should be re-emphasized that BRAC has already borne the cost of its bad loans with its loan loss provision. This provision was created by BRAC in anticipation of the impact of bad loans on the balance sheet and income statement. In our opinion the provision is adequate to absorb the accumulated bad loan experience to date.

7.5.3 Financial Management Capability

At the time of the Appraisal Mission the issue of financial management was raised. The Appraisal Mission did not feel that experienced traditional lenders were required at the operational level of either RDP II or RCP. Rather it was felt that the experience of this type of financial manager could best be used at the Head Office. The Review Mission concurs with this opinion and sees the need for a senior financial officer within BRAC with special responsibility for the financing of RCP. The forecast volume of members funds and the need at all times to earn 12% on average with these funds while paying 9% to the members, in order to meet target profits for RCP alone justifies the having a financial officer.

Recommendation

BRAC's senior management should be strengthened by hiring or training and appointing a financial manager at Head Office. This officer should be responsible for RDP and RCP members' savings and for ensuring that the overall availability of funds from all sources is carried out efficiently. This officer would also be responsible for the financial budgeting and control for all BRAC's financial activities.

Recommendation

One of the tasks of the financial officer should be to oversee the development of courses to be given by the TARC's or MDP first to the Program Co-ordinators involved with lending, and then to Regional Managers and Area Managers.

7.5.4 Women as Borrowers and Savers

BRAC accumulates a significant amount of gender based information with respect to its savings and credit activity. Some of the basic data available is summarized following as of June 30, 1990;

a) membership RDP and RCP	- total members 407,977 - 63% are women (up from 61% at Dec.31/89)
b) borrowers RDP and RCP	- women have received 56% of the loans made to date by BRAC or 58% of the principal disbursed
c) savings RDP and RCP	- 67 % of individual savings accumulated and 67% of group funds are from women
d) uses of loan proceeds	- men use loans for; - rural trading - 45% - agriculture - 15% - livestock - 12% - irrigation - 11% - women use loans for; - rural trading - 38% - livestock - 23% - food process. - 22% - rural indust. - 7%
e) collective loans	- women have participated in 40% of the collective loan schemes

The following basic analysis was also carried on data available

Loans to Women as % of Sectoral Disbursements

	Cum.Disb.to Dec. 1989		Disb. Jan-June,1990	
	Tkm	% Total	Tkm	% Total
Agriculture	9	20	6	75
Irrigation	11	32	6	60
Fisheries	1	20	-	-
Livestock	54	66	40	83
Rural Indus.	15	58	7	78
Rural Trans.	2	13	1	9
Rural Trading	88	49	39	67
Food Process.	70	96	8	100
Health	-	-	-	-
Misc.	-	-	-	-
TOTAL	251	55	105	69

The proportion of loans going to women has significantly increased over the last six months. The increase, in percentage terms, is most marked in Agriculture and Irrigation, almost certainly due to women becoming shareholders in the larger schemes such as Power Tillers and Deep Tube Wells.

What conclusions can be drawn from the above data and analysis?

- BRAC is clearly committed to getting women involved as borrowers and has been made significant strides in that direction over the last six months
- women are better savers than men
- women do not borrower in proportion to their participation as members
- women are less likely to join a collective scheme

Data with respect to women's loan repayment history is not available in the June statistical summary for either RDP II or RCP. It could be inferred that since women are less involved in rural trading and irrigation than men and since these two activities contain most of the overdue loans then women must be better credit risks than men. This may be true but the analysis is not particularly impressive.

The problem with BRAC's gender specific savings and credit data may be that no one has asked a coherent question or set of questions on the subject of women as borrowers and savers. It is not sufficient to collect data with a gender dimension. First one must have a hypothesis to test or at least an objective in mind. BRAC has not been required to demonstrate or prove any particular theory or answer any useful question as far as women as borrowers or savers are concerned. It may not be useful to impose some issue or theory on BRAC. What may be more useful is for BRAC to develop its own gender issues with respect to savings and credit. This perspective and the resulting need for data to test or prove specific theories should be one of the areas of management of the Women's Advisory Unit proposed in Section 8.

7.6 The Impact of Inflation on BRAC's Performance Targets

Inflation has not been taken into consideration in the comparison of the targeted results for loan portfolio outstanding for 1990 because BRAC has not revised its standard loan amounts since the plan for RDP II and RCP were prepared. In other words the target figures that BRAC was using during 1990 for loan size, disbursements and loans outstanding were those set in the plans for RDP II and RCP in 1989. By the time of the next review of BRAC's savings and credit performance BRAC will have adjusted the size of the loans to members to compensate for inflation. The targets will have to be inflated by the end of 1991 to obtain a true comparison at that time.

8. MANAGEMENT

8.1 MANAGEMENT STRUCTURE

A description of BRAC Programmes, Departments, Companies and Senior Staff is contained in Section 3 of this report. The only area on which the Review Team offers comment on the structure is the relationship between sectoral programmes (poultry, livestock, sericulture, fisheries, etc.) and the RDP/RCP field structure, which is described in detail in Section 5.2, above.

Each Area Office under RDP has a number of general POs, responsible to the Area Manager, who in turn reports to the RDP Programme Coordinator. Sectoral POs serve both RDP and RCP, and may be physically located at area offices or at a regional office. Responsible to the Regional Manager, they are coordinated by Dhaka-based sectoral specialists. RDP is significantly larger than RCP and has eight Regional Managers, whereas the RCP Programme Manager effectively handles the role of Regional Manager. Because the ten RCP branches are very new, the coordination of, or the relationship between sectoral POs, other regional inputs and Dhaka is not a problem, however as RCP expands, new structures will have to be developed. This is discussed further in Section 6.2, above.

On the question of decentralization, BRAC has made progress in the past year by expanding its field structure from six to eight regions, and by moving five of its regional managers from Dhaka to the field: Pabna/Natore, Jessore, Manikganj, Jamalpur/Sherpur, Rajbari/Faridpur. There is also a regional office in Rangpur, but the RM, who is also responsible for Narsingdi, is based in Dhaka. The Mymensingh/Kishorganj and Sylhet/Comilla Regional Managers remain in Dhaka.

8.2 MANAGEMENT INFORMATION

8.2.1 Planning and Communication

The Review Team considered BRAC's work planning and communications procedures and systems at field level in some detail. Each PO has a weekly workplan, broken down into a daily itinerary and targets which can be discussed each morning with the Area Manager. These workplans will become more formalized in the near future with the institution of a PO's 'Supervisory Checklist for Credit'. The checklist, recently tested in three RDP branches, standardizes the checking and the recording of information according to the maturity of an area branch.

Each Area Office conducts a weekly 'Thursday Meeting' of all Area staff to discuss the previous week's activities, problems, new looked in any depth at this Programme and is not therefore in a position to make any assessment of its demands on BRAC's management capacity.

In our view, therefore, whether the donors endorse BRAC's request depends almost entirely on whether the donors are willing to make the additional Taka funds available. According to BRAC's and our calculations, at the present rates of exchange the necessary funds are indeed available, with a margin to spare.

Subject to the reservations expressed above, we therefore recommend that the donors approve the requested budgets for 1990 and 1991. Approval for 1992 is not necessary at the present time and might perhaps be re-considered at the next donor meeting in mid-1991 in the light of BRAC's progress in implementing the revised plans and the relevant exchange rates at that time.

7. Donor Follow-Up

Throughout the Review, the Team received unstinting cooperation from BRAC staff. Senior and middle management in particular have given generously of their time in discussions and in assembling all the data we requested.

In considering any additional, special reviews which might be commissioned, donors will be aware of the further burden such reviews will place on BRAC staff. It is therefore suggested that donors should seek to enhance and strengthen BRAC's own capacity to carry out monitoring, evaluation and impact studies. If independent consultants are necessary, wherever possible Bangladeshi talent should be deployed.

The report makes suggestions regarding further review and impact studies in the fields of institutional development, Non Formal Primary Education, the BRAC Bank, and field-based computer loan monitoring and reporting.

The Team summarizes forthcoming reviews, studies and evaluations, and suggests that donors might consider reducing, or better, eliminating the RCP Mid-Term Evaluation. RCP will be covered in the 1991 Annual Review and will also be the subject of two further inputs if the above proposals are accepted.

developments, and the plans for the coming week.

Regional Meetings are organized on a monthly basis by the Regional Manager and include all Area Managers and sectoral POs in the region. In addition to planning and performance review, these meetings are a regular opportunity for communication between the field and Dhaka.

Field-based Regional Managers meet with their Dhaka-based Programme Coordinator on a monthly basis, and there are quarterly inter-regional meetings conducted by each Programme Coordinator.

Despite an almost complete absence of telephones in BRAC field offices, communications appear to be good. In addition to its formal management information systems, frequent staff training programmes, a regular staff newsletter, and the prescribed series of meetings, there is a great deal of travel within the system. In addition to the daily activities of the gram shebok/shebika at village level, each PO makes regular village visits, and most Area Managers visit each of the villages in their area once every couple of months.

Travel and travel costs are kept simple by a basic, uniform system. Gram sheboks/shebikas travel by rickshaw or by bicycle. The same is true for POs during their probationary year. After confirmation, POs are provided with a motorcycle on a hire-purchase basis and are provided with a flat rate for operational and maintenance costs.[1] This effectively removes the cost of regulation and maintenance from BRAC managers.

The workload of the PO and Area Managers is heavy. Work often begins at 6 a.m. and ends after dark, with a short break in the afternoon. Expansion of programmes, therefore, is not carried out by adding to this workload, which has been developed on a systematic basis over a period of years. Expansion is handled by the hiring and training of additional staff, as discussed in Section 8, below.

8.2.2 Monitoring

Although performance to target, both quantitative and qualitative, is of interest to BRAC's external supporters, it is perhaps more important to have assurance that BRAC itself is well informed about the qualitative and quantitative achievements of

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[1] The cost of the motorcycle is deducted from the salary in 48 monthly installments; Tk 2 per kilometre is provided for the first 500 km in a month, and Tk 1.5 for each subsequent kilometre.

its programmes. In other words, BRAC should have clear reporting systems which validate its work and which provide an early warning system to different levels of management if and when things start to go wrong.

BRAC has a complex and detailed financial and activity reporting system which is compiled at the area level from village records, and which is reviewed by the Regional Manager before forwarding to Dhaka for consolidation.

In 1988, BRAC established a Monitoring Cell which aimed, in part, to simplify and streamline the MIS. This was still under development at the time of the 1989 Appraisal, which noted the importance of developing output indicators, especially those related to institution building and social change. Such indicators will help to distinguish weak VOs from stronger ones, and should lead to better targeting of interventions and corrective action where required.

Since the 1989 Appraisal, the Monitoring Cell has become a full-fledged department, although the staff complement remains small. Reporting forms have undergone a further series of revisions and testing, with the focus so far on credit and institution building. The creation, testing and institutionalization of a weekly credit recovery report for POs and Area Managers is particularly useful. The management of financial information has been discussed in detail in Section 7, above.

Perhaps the most important development has been the creation - in consultation with field workers - of 30 village indicators covering delivery, organization, social and health aspects as well as savings and credit. Each of the indicators has been grouped as to input and output, and weighted in order to determine the quality of the village organization.

The results, discussed in Section 5.11 above, demonstrate that BRAC has developed a system which can uncover weaknesses. The system is being further refined, and will be introduced this year on a system-wide, quarterly basis.

Since April 1990, the Monitoring Department has deployed a Programme Organizer with special responsibility for monitoring to each region. In addition to regular monitoring and reporting, these individuals will work on more detailed, special reports aimed at determining the quality of BRAC inputs and achievements. Three useful studies, noted in the June 1990 Report, have been completed since April on the implementation of revised credit procedures.

8.2.3 Research

Although the Research and Evaluation Division has not focussed on management issues per se, many of its studies have provided useful information for management purposes. The Review Team was favourably impressed with RED studies which report on negative and potentially contentious issues. From a more generic point of view, the new Management Development Programme should also soon begin to take an active role in research into management issues.

8.2.4 Management Information System

A problem perceived by the Review Team is not the quality of BRAC's plans and reports, but with the connection between them. Basically, BRAC generates three types of report:

- accounting and financial reports;
- statistical reports;
- narrative reports.

While all are generally of very high quality, and improvements can be seen between the 1989 Appraisal and the current mission, there are areas of overlap between the three, and there are gaps.

Overlaps

One overlap occurs between the Monitoring Department and the Accounting Department, which are still working out a common definition of loan portfolio outstanding and interest earned. The result is that each department presents different information on loan portfolio and interest.

Apart from the confusion that mismatched overlaps can cause, they add to the workload of Area Offices, where emphasis on field work rather than reporting should be the order of the day. Every effort should therefore be made to reduce the reporting burden on the field, and to avoid duplication and overlap.

Gaps

Perhaps the most serious problem in the MIS, in the view of the Review Team, is a gap between the budget structure and some financial reporting, and a lack of integration in the reporting system between activities and spending. This manifests itself in two problems:

a) The Reporting Relationship Between Credit and the Activity for which the Credit was Used

As noted in Section 7, reporting on loan recovery has improved. What the reports do not easily reveal, however, is the quality and effect of a particular loan. For example the fact that loans for power tillers have been largely unsuccessful is not reflected in loan statistics, and can only be determined through discussion at the Area Office level and by detailed scrutiny of a series of ledgers and reports.

Similarly, it would be useful to know more about Deep Tubewell Loans, at least in a general and consolidated sense, by region and nationally. How many BRAC DTWs have broken even, or made profits? Why? Are yields around BRAC DTWs greater than for others in the area? These questions and others are covered in some detail in Sections 6.7 and 6.8.

The Review Team is not suggesting a major revamping of the reporting system, but the inclusion of some additional loan-related output indicators in the list that has been recently developed.

b) <u>The Relationship Between Spending and Activity Targets</u>

Because the BRAC approach to programming is a dynamic one, based to a certain degree on natural growth and evolution rather than rigid blueprints, there is currently a problem in relating some programme activities to programme expenditure, as well as to earlier plans and budget. As reality moves further from an original plan, and where activity and financial reports go their independent ways, closing the loop between what has been learned and the development of the next plan and budget becomes more difficult.

For an organization with a limited number of cost centres and a simple programme of activities, the problem will not arise. A plan to purchase 50 cows at Tk 5000 each can be easily reviewed at any point during the year by getting out the financial and activity reports and comparing them, whether or not they are designed for ready comparison. Problems can be detected quickly and rectified.

Within BRAC, the exercise is much more complex. Take, for example, skill training. Assume that the plan and budget have been carefully constructed, and have taken into account both the need for a certain mix of training activities, and the teaching and physical resources necessary to achieve the goal. At present, the reporting system, as with the cow example, reports on both spending and activity. The spending is not readily comparable to the budget, however, and activity progress is not readily comparable to spending.

If the training activities and the number of trainees change (as they have), or if the number of courses changes (as it has), and if the cost of altered courses differ from one discipline to the next (as they do), one is left with a programme that differs increasingly from the original, and a difficult problem in relating budget, spending and achievements. At any given point in the year, spending performance may be easy enough to determine, but the activities it relates to are much harder to determine.

This is precisely the case with skill training in RDP this year (described in Section 5.5). In gross terms, at September 30, 37,252 people had received training against a target of 32,191 for the entire year. This represents an apparent 69% over-achievement of target for the period, while the budget for the period was overspent by only 9%. Why the large discrepancy? It can perhaps be accounted for by careful but ad hoc calculations done once or twice, or many times during the year, increasing the number of trainees, but reducing the number of training days accordingly. Or it may be the result of over-budgeting in the first place. Or it may just be good luck.

The difficulty is that BRAC's system at present doesn't reveal the answer easily. This presents a problem of one sort for external reviewers, and another for senior management. In more complex areas (such as skill training) the external reviewer makes an informed guess as to what has actually happened. But unless senior managers (and area managers) know what is happening as it happens, unless there is some sort of early warning system that ties activities to budgets in the reporting system, the same thing can happen in reverse, bottlenecks can develop in the system (e.g. a backlog of trainees waiting for TARC space), or budgets 'on target' may represent badly under-achieved activity targets. If the reasons aren't clear, the budget planning process for next year will not be properly informed by the lessons of the current year.[1]

Management by Activity

There are a variety of straightforward solutions to the problem. Using a management-by-activity approach, a budget is prepared against each activity or set of activities. Then, a cash-flow projection is done against each one, along with an 'activity-

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[1] An excellent example occurred during the Review Mission when the NFPE budget was being recalculated. Using general calculations instead of actual costs during the year, the total expenditure for 1990 was under-estimated by approximately Tk 10 million.

flow'. Using a bar chart or graph, spending can be tracked on a monthly, or quarterly basis against activities. If 50% of the budget is gone and only 25% of the activities have taken place during the projected period, the problem can be spotted quickly, and adjustments can be made. The system can be detailed-reaching down to individual cows and hundreds of taka at, say an Area Office. Or it can be aggregated into much larger budget heads, as required. At the end of the year, or at any point during the year, the accuracy of the plan, or the adjustments required will provide a reasonably clear historical picture of what happened, so the next budget is built on the lessons.

Basically, the budget, implementation schedules and reporting are tied together, using common terminology, numbering and formats. Schedules include:

- a work breakdown structure for each major programme activity, such as NFPE or REP; the codes established here will be used throughout the financial and narrative reporting system;
- an implementation schedule for each major activity;
- an activity schedule for each major budget head within the work breakdown structure;
- a multi-year budget in which the current year is broken into quarters (this flows easily from the implementation and activity schedules);
- progress reports

An example of how such a system might be set up for the Non-Formal Primary Education Programme, with sample schedules, is contained in Annex 10. A sample status report is shown below, in order to underline the importance of a system which can easily demonstrate activity and budget performance.

Progress Reports contain a narrative, with the following information:

- progress achieved against what was planned;
- variances from planned schedules and budget;
- problems encountered and action taken or recommended.

A quarterly activity report, with achievements against the targets contained in activity schedules, is compiled. The status report, however, follows the original budget format:

SAMPLE STATUS REPORT : NFPE
For The Second Quarter, April 1 - June 30, 1990
(Tk 000)

No.	ACTIVITY	Budget Year	Budget Qtr	Actual Qtr	Cumulative Budget	Cumulative Actual	Variance	% Completed Activity	Time	Taka
1.100	TRAINING	782	120	180	376	258	118	47%	50%	33%
1.100	Teacher Training	252	0	40	126	40	86	10%	50%	15%
1.102	Refresher Courses	110	0	0	50	50	0	50%	50%	45%
1.103	Teachers' Workshops	250	120	140	120	140	(20)	75%	50%	56%
1.104	Staff Training	170	0	0	80	0	80	0	50%	0
1.200	MANAGEMENT									
1.201	FS Salaries									
1.202	PO Salaries									

Etc.

This report (which uses imaginary figures) reveals several things:

- regarding teacher training, progress - both by activity and spending, is well behind schedule;
- there is an under-achievement in staff training
- teachers' workshops, 75% completed, but with only 56% of the budget spent, may have been over-budgeted;
- as a whole, the training budget may be high, as 47% of the activity has been completed but only 33% of the budget has been utilized.

8.2.5 Conclusion

Although BRAC's Management Information Systems are still undergoing development and testing, significant and very useful improvements have been made, in line with and exceeding recommendations made in the 1989 Appraisal Report. BRAC activities at all levels are extremely well documented.

An area of weakness in the Management Information System, however, is the integration of plans, budgets and reports.

At area, regional and national levels, two improvements could be introduced:

- addition to the newly developed list of output indicators, indicators relating to the quality and productivity of certain types of productive loans (e.g. Deep Tubewells and power-tillers);

- better integration between budgets, activity and financial reports.

Recommendations

It is recommended that for the coming year, BRAC attempt to develop an integrated budget and reporting format, combining quarterly activity and financial progress for at least two programmes. The system would be operated on a trial basis.

It is further recommended that until the approach has been tested and adopted, quarterly narrative reports should contain a schedule of progress by activity, and financial reports should indicate spending in relation to budget.

8.3 PERSONNEL

8.3.1 Background

The 1989 Appraisal gave the issue of personnel management only brief coverage, recommending that it be more closely examined during the first Review Mission. Concern was expressed in some quarters, however, about BRAC's ability to recruit, train and retain an appropriate complement of staff required for the planned expansion. It was suggested in the Appraisal Report that the desirability of creating a personnel division should be reviewed during the first Review Mission.

Hitherto, personnel management has been the direct responsibility of the Executive Director. Since the 1989 Appraisal, however, BRAC has reorganized the personnel department. A manager has been appointed and at the time of the Review Mission, she was undertaking a one-year personnel management training course at Manchester University.

It should be noted, however, that BRAC has a detailed and comprehensive personnel policy manual which covers conditions of service, discontinuance of service, leave and holidays, service benefits, disciplinary procedures, performance review and benefits.

8.3.2 Recruitment

BRAC has three important staff categories. The first, the Gram Shebok/Shebika, is the basic village organizer. Because these individuals are recruited and posted locally, and because most of their relevant training is provided by BRAC, recruitment and retention of people in these positions has not been problematic.

The most critical position within BRAC, and the most difficult to fill adequately, is the Programme Officer (PO).[1] These individuals are BRAC's professional interface between its objectives and its village-level activities. In addition, it is from this level that all RDP Area Managers, all RCP Branch Managers, all TARC trainers, all regional and senior managers are drawn. No appointments to higher positions are possible until an individual has gone through a period of work as a PO

All POs are graduates, and those in the higher salary levels hold masters degrees. In each area office there are a number of general POs reporting to the Area Manager. There are also professional POs for fishery, livestock, sericulture, poultry, NFPE and other sectoral areas, as demanded by the area's programme makeup and maturity.

BRAC has no difficulty in attracting applicants for PO positions. Recruitment is done by newspaper advertisement and appointment is usually made within three days of a written test and interview.

On average, a newspaper advertisement can draw as many as 3000 applicants. These will be reduced to about 1000 who will be given a written test. Of these, about half will then be given an interview. In anticipation of a 40% dropout rate during the probationary year, 70 will then be selected for training and deployment, in the expectation of 40 confirmations after a year in the field.

For all employees, the first year with BRAC is provisional. Following an orientation/training programme, the PO is posted to an Area Office. In the case of men, the appointment is usually some distance from their home district in order to avoid pressures of family and friends. In the case of women, the appointment is usually to a district adjacent to their home - far enough away to avoid family pressures, but close enough, in theory, to allow for occasional home visits. During the probationary year, the novice PO has a personnel appraisal every three months.

A third critical staffing position is the Area Manager. In RDP these have increased at twice the rate planned during 1990. Ten branches were transferred to RCP in January, 1990, and it is proposed that twenty new RDP branches, rather than ten, be

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[1] Depending on qualifications and experience, a PO may enter BRAC at salary Level III (basic scale of pay Tk 1025-1850/m); some POs may reach Level VI (Tk 2000 - 3650/m).

opened.[1] This has meant a net increase in Area Managers of 20 during 1990. In all cases Area Managers are drawn from PO ranks. The more mature the Area, the more experience the Area Manager is likely to have. This was borne out, for example, in 8 RDP and RCP offices visited by Team Members in Natore and Pabna:

	Branch Maturity	Area Mgr's BRAC Experience
Bera RDP	Year 1 (1989)	3 yrs
Putia RDP	Year 1 (1990)	4 yrs
Natore II RDP	Year 2 (1989)	5 yrs
Natore I RDP	Year 2 (1987)	9 yrs
Boraigram II RDP	Year 2 (1989)	6 yrs
Atghoria: RDP	Year 4 (1980)	9 yrs
Pabna	RCP (1990)	6 yrs
Chatmohar	RCP (1990)	9 yrs

8.3.3 Personnel Complement

The 1989 Appraisal noted that the expansion of staff in the PO grade would be the most critical element of staffing for the years 1990-92, with an estimated increment of 151 in 1990, 117 in 1991 and a further 104 in 1992. BRAC's own planned induction figures were higher: 180 for 1990, 205 for 1991 and 205 for 1992. Of these, 40% might be expected to drop out in the probationary year, so actual net requirements for RDP would be lower. The further expansion of RDP by ten additional branches in 1990 (and also in 1991 and 1992) therefore increased the demand for the deployment new POs in 1990 to something in the order of 230.

The crude number of PO-grade staff (levels III - VI) increased between October 1989 and October 1990 from 398 to 665. If BRAC's estimated attrition rate of 40% during the probationary year is correct, the increase of 267 could drop to 160. With a further intake and deployment of over 100 PO level staff planned for November 1990, the requirement for the year should be met without serious difficulty.

8.3.4 Turnover

At Gram Shebok/Shebika level, the confirmation rate following the probationary year is in the area of 75-80%. In an effort to decrease the turnover rate, BRAC plans to introduce a number of improvements in their terms of service, starting in January 1991:

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[1] The increase is a reversion to BRAC's original 1989 plan, which was reduced because of budgetary constraints. The budgetary implications are discussed in Section 10.

2. INTRODUCTION

2.1 BACKGROUND

In January, 1989, a number of interested donors met in Dhaka to consider BRAC's proposals for a major expansion of its activities in Bangladesh. This meeting led to a detailed appraisal of these proposals by an independent team of consultants in April, 1989, jointly funded by ten donor agencies. This in turn eventually resulted in a decision by nine donors, acting as a consortium, to contribute a total of some US$ 50m towards BRAC's proposals - now known as Rural Development Programme (RDP) II and the Rural Credit Programme (RCP).

Since its formation, the local representatives of the donor consortium have met regularly in Dhaka. In order to ensure timely disbursement and proper use of the donor funds, and effective implementation of the Programmes by BRAC, the donor consortium decided at an early stage:

- to establish a Donor Liaison Office in Dhaka
- to retain independent external auditors to undertake specific auditing tasks determined by the donor consortium
- to retain a permanent core team of four members to carry out an annual review of progress of RDP II and RCP.
- to commission special reviews of specific issues as considered necessary by the consortium or as recommended by the review team

The November, 1989, meeting of the donor consortium agreed that the first visit of the annual Review Team should take place in November, 1990. This was confirmed at the consortium meeting of May 3rd, 1990, the broad objectives of the review being to:

1) assess progress made in the field against the targets and goals defined in each of the programme plans

2) recommend adjustments in the programme plans as necessary

3) provide an early warning system with respect to future targets and goals

4) assess the balance being struck between the pursuit of economic and social goals

It was further agreed that the main fields of attention of the Review Team should be: rural development; small enterprise activities; RCP (BRAC Bank) operations; and management. Items of particular concern included: the process of transition from RDP to group insurance, provident fund, housing allowance, medical allowance.

Among probationary POs, however, the dropout rate is high (40% for men and 50% or more for women[1]). The dropout rate is explained by a number of factors. The first is that for many young graduates, work in an NGO is regarded as second-best, and if another opportunity arises, many will take it. A second reason has to do with BRAC's work ethic and field-based working conditions, which are more rigorous than in government and much of the private sector.

A third may have to do with the remuneration offered by BRAC. Although BRAC's wages are currently competitive with government at the entry point, the overall wage and benefit package (when combined with the issue of job security) may be less attractive than it seems at first glance. BRAC makes annual provision for inflation and has a standard policy of merit increments as well, but with an anticipated forthcoming 50% increase in government wages, BRAC employees may actually find themselves falling behind. This will have budgetary implications for BRAC during the coming 12-24 months.

An area of more important concern to BRAC is the loss of mid-level and senior managers long after confirmation. The departure of trained, experienced people to the private sector and other development agencies which pay considerably higher salaries is worrisome. BRAC cannot simply double its remuneration package, however attention is now being given to the idea of developing a longer term benefits package, which might include the provision of low interest housing loans. Although probably beyond the scope of the current budget, this will be an important factor for consideration in the development of RDP 3 in 1992.

8.3.5 Women

The 1989 Appraisal made reference to the relatively low number of professional women within BRAC. Steps have been taken during the past year to address this issue, the most striking of which has been the emphasis on the recruitment of women to Programme Officer positions. 75% of all PO recruits in the first half of 1990 were women. In addition, women field workers in the Child Survival Programme, hitherto project staff engaged on a contract basis, are currently being upgraded to permanent PO status for the new Women's Health Development Programme.

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[1] In actual fact, the dropout rate for women is somewhat theoretical as there were only two women working in RDP at Levels III-VI in July 1989.

As a percentage of BRAC's employees (4207 at Oct 14, 1990), women numbered 975, representing 23% of the total. This number is somewhat misleading, however, as 431 women were in the category of non-regular project staff, and a further 278 were part-time project staff.[1] More informative numbers may be found in an analysis of specific job categories, and in trends over time.

Over the past 12-18 months, the following changes have taken place:

- as a percentage of the total, the rate of appointment of women to all grades within BRAC has risen from 2.4% in 1987, to 28% in 1990;[2]
- in the important Level III-VI category as a whole, the number of women (confirmed and unconfirmed) has risen as a percentage of the total from 2.4% in 1989 to 10.2% at Oct. 30, 1990. In real terms, this is an increase from 32 women to 179, representing a growth factor of almost 6;
- within RDP the change is more striking: in July 1989 there were only two women (or 0.5% of the total) at levels III-VI. At end October 1990, the number had increased to 113, or 17% of the total.

Although all interviews and tests for male employees are carried out in Dhaka, interviews and tests for women are carried out in three different cities in order to reduce the travel difficulties faced by female applicants.

In addition to interviews with several probationary women POs, Review Team Members had an opportunity to discuss the issue of women in BRAC with a group of long-time BRAC women CSP workers. The relatively higher dropout rate for women staff is explained by a number of things. Some factors, such as marriage or family concerns may be beyond BRAC's control. Some women undoubtedly underestimate the social and physical difficulties of the job. For example, many of those interviewed by the Review Team talked about loneliness, and about the problem of travelling to the village by bicycle. Some women overcome the problems this presents for them; some do not.

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[1] It has been suggested that an inordinate number of part-timers are women, and that this status is a block to their promotion. Part time employment may actually allow some women to take employment and manage a family at the same time. In any case, it is not a block to promotion, as virtually all important promotion is made from the P.O. ranks, where part-time employment does not arise. This report therefore concentrates on women at the P.O. level.

[2] All 1990 figures are for the period Jan 1 - Oct 31.

Some of the problems are within BRAC's control, and are being addressed. Unlike men, who are usually and deliberately posted to an area that is not close to their home village, women are posted closer to their families so that travel problems and isolation are reduced. Women are now normally posted in pairs, or more preferably in groups of more than two, so that when one goes on leave, those remaining have company.

8.3.6 Personnel Appraisal

A rigorous personnel appraisal procedure is carried out every three months for all probationary workers. In theory, this is followed by an annual appraisal of each worker by his or her immediate supervisor. In actual fact, the annual reviews seem to be conducted on a less frequent basis.[1] Completed review forms, which are apparently not shared with the worker concerned, are all forwarded to Dhaka. Because copies are not kept at the worker's job location, most managers outside Dhaka have few points of reference, except memory, when conducting a personnel review. Where there is a new manager, this makes continuity in performance appraisal difficult.

8.3.7 Personnel Training

BRAC has an ambitious programme of upgrading and training for all employees. Training is conducted at BRAC Training and Research Centres (TARCs), and at other institutions in Bangladesh, and abroad. Training within the TARCs (described in Section 5) has developed considerably in variety, quality and scope in recent years, but in many cases, record has not been kept as to what training employees have had. This is currently being rectified through the introduction of a survey which will become a permanent record of each employee's training and which will form the basis of a more regular programme of training and upgrading.

BRAC's devotion to higher studies for its employees is impressive. At the time of the Review Mission, 37 staff were on training programmes abroad, including one taking a Masters of Public Health at Harvard, and one taking a masters degree in business administration at the Asian Institute of Management. These external studies are funded in most cases outside the core BRAC budget, by donor agencies such as the Ford Foundation, the

[1] The number of actual personnel files examined was too small to form a firm conclusion, however on average these indicated that once confirmed, an individual may not have a further appraisal for as much as five years.

British Council, the Dutch Government and, in some cases, by BRAC itself.

Perhaps the most important development for BRAC's management over the past twelve months, however, has been the startup of the Management Development Programme (MDP). The purpose, targets and achievements are discussed in Section 5. Of critical long-term importance, is the quality and tone which the MDP will bring to BRAC management. In its early years, the MDP will concentrate on upgrading BRAC's mid-level and senior RDP and RCP managers through exposure to ideas and concepts that were hitherto generally available only outside Bangladesh. Already a number of courses have been developed and tested, and modules created which focus on three aspects of management:

- technical competency;
- human behavioral competency;
- conceptual and analytical competency

The latter two, often ignored or underplayed in Bangladesh management training, place new and special emphasis on motivational development and value creation.

The Review Team was impressed with the new emphasis being given to value-based training and discussion in all VOs, both RDP and RCP. POs have already, or soon will undergo training in values and issues.[1] In addition, BRAC has recently produced an impressive and comprehensive, 300-page workbook - Desh, Khal, Shomaj ('The Country, The Times, The Society') for use by POs in this training.

8.3.8 Conclusions

Recruitment of qualified staff is taking place at a rate in accordance with or in excess of planned requirements. The effort to recruit and retain qualified women at the PO level, from which all management appointments are made, has been very good over the past year. If the current rate of female recruitment continues, the imbalance in favour of men could be largely corrected within three or four years. Given the number of female PO appointments, BRAC should also be able to anticipate the appointment of the first female area managers within the next two years.

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[1] For example: dowry, polygamy, early marriage, divorce, education of children, health and nutrition, discipline and corruption, family planning, discrimination against women, religious misbeliefs, exploitation.

While the high dropout rate of probationary POs may be costly, in the view of the Review Team, it is probably a necessary and important cost of doing business for BRAC. The rigorous system of testing (interviews, written tests, performance reviews and probationary period) weeds out inappropriate individuals before they become problems. As a result, BRAC has a high number of qualified, experienced and committed individuals.

The rapid expansion means that for the next two or three years, a relatively high number of mid-level managers will be new and inexperienced. This underlines the importance of BRAC's management training programmes, an area which has undergone both expansion and improvement over the past year.

Recommendation

Greater attention should be paid to regular performance appraisal. This could make career opportunities within BRAC clearer, but more importantly, should enhance work performance. Copies of personnel appraisals should be kept by a worker's immediate supervisor for purposes of continuity. Consideration should be given to the idea of sharing the appraisal with the individual concerned.

8.4 CAPITAL EXPENDITURE

Except for the limited purchase of stationery, office and training supplies and incidentals at branch and regional level, very little expenditure takes place beyond the scope of BRAC's Dhaka-based Logistics Department.

Except for major construction projects, such as the new building at Rajendrapur or the forthcoming Dhaka construction, BRAC does its own design, purchasing and contracting work in relation to its construction requirements. Construction efforts are supported by a small cadre of professional engineers (Ref. Annex 4.2).

Authority levels and procedures for capital expenditure, the purchase of supplies, equipment and construction materials is clear and straightforward (see details in Annex 11).

BRAC maintains a surprisingly small fleet of 22 vehicles,[1] all of which operate on a pool basis under the control of the Dhaka Logistics Department. No vehicles are assigned on a permanent basis to any department or to any field office outside Dhaka.

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[1] These include 6 field jeeps, 4 micro buses for staff transport, 2 'mini-micro buses', 2 larger 'coaster' buses, 3 pickups and 4 cars.

As noted in Section 8.2.1, motorcycles are allocated on a need basis to confirmed staff at PO level and above through a hire-purchase system, which basically removes the responsibility for maintenance and the onus of running costs (including petrol) from BRAC.

9. GENDER-RELATED ISSUES

9.1 SUMMARY CONCLUSIONS AND RECOMMENDATIONS

9.1.2 Background

The location of this section in the report and its brevity is not a reflection of its importance. Basically, it represents a summary of the main points contained within other sections of the report dealing with gender-related issues.

The importance of BRAC's work with women is obvious, even to the most casual observer. Enrollment in BRAC NFPE schools is deliberately biased towards girls, who make up approximately 70% of the students. BRAC's Child Survival Programme is currently evolving into a more comprehensive health programme targeted at women. BRAC's Income Generation for Vulnerable Group Development Programme is exclusively targeted at the weakest members of Bangladesh's female community. The newly expanded para-legal programme and issue-based training focus to a large extent on gender-related issues such as dowry, early marriage, female inheritance and violence against women.

9.1.3 Women as Savers and Borrowers

As noted in Section 7, of all RDP and RCP group members, 63% are women (up from 61% at Dec.31/89) In RDP and RCP women have received 56% of the loans made to date, and 58% of the principal disbursed (up from 44% at Dec. 31, 1988). Of total savings in RDP and RCP, 67% represents funds accumulated by women.

The proportion of loans going to women has significantly increased over the last six months. The increase, in percentage terms, is most marked in Agriculture and Irrigation, almost certainly due to women becoming shareholders in the larger schemes such as Power Tillers and Deep Tube Wells.

9.1.4 Women on Staff

As noted in Section 8, the 1989 Appraisal made reference to the relatively low number of professional women within BRAC. Steps have been taken during the past year to address this issue, the most striking of which has been the emphasis on the recruitment of women to Programme Officer positions. 75% of all P.O. recruits in the first half of 1990 were women.

Over the past 12-18 months, the following changes have taken place:

- as a percentage of the total, the rate of appointment of women to all grades within BRAC has risen from 2.4% in 1987, to 28% in 1990;[1]
- in the important Level III-VI category as a whole, the number of women (confirmed and unconfirmed) has risen as a percentage of the total from 2.4% in 1989 to 10.2% at Oct. 30, 1990. In real terms, this is an increase from 32 women to 179, representing a growth factor of almost 6;
- within RDP the change is more striking: in July 1989 there were only two women at levels III-VI. At end October 1990, the number had increased to 113, or 17% of the total.

If the current rate of female recruitment continues, the staff imbalance in favour of men could be largely corrected within three or four years. Given the number of female P.O. appointments, BRAC should also be able to anticipate the appointment of the first female area managers within the next two years.

9.1.5 Observations

BRAC's efforts to improve the role of women in society are highly commendable. Progress made on a number of issues over the past 18 months has been excellent.

The Review Team is of the opinion that BRAC could consolidate many of the gains and build on them if it were to develop a professional Women's Advisory Unit at Head Office. Such a unit might have a dual mandate. Its first role would be to add a professional 'second opinion' on gender-related issues to all BRAC programming efforts.

For example, as noted in Section 7, a perceived problem with BRAC's gender specific savings and credit data is be that no one has asked a coherent question or set of questions on the subject of women as borrowers and savers. It is not sufficient to collect data with a gender dimension. One must have a hypothesis to test or at least an objective in mind. BRAC has not demonstrated or proved any particular theory as far as women as borrowers or savers are concerned.

While it may not be useful for outsiders to impose an issue or theory on BRAC, it would be useful if BRAC could develop its own gender issues with respect to savings and credit. A Women's Advisory Unit might work with the Research and Evaluation

Division, or the Monitoring Department to develop an appropriate set of indicators, or a study to answer such questions.

Similarly, as noted in Section 6, The Monitoring Department and RED should ensure that they have an ongoing complementary programme to monitor and assess the economic impact on women of different activities in different environments. The charge that BRAC and other NGOs exploit female labour in their income generating schemes is not uncommon. The facts should be known, published and widely disseminated.

A second role for the unit would be to advise senior management on gender-related issues within the management of BRAC. With the hiring of more professional women for important field positions, new problems and opportunities will arise, some of which will require care and sensitivity in their resolution. A women's advisory unit, with a senior management advisory mandate, could be of great assistance to managers as the role of women within BRAC evolves.

9.1.6 Recommendation

BRAC should consider the possibility of establishing a Women's Advisory Unit, with responsibility for advising senior management on gender-related issues in programming and management, and for providing professional support to female employees.

10. BUDGET

10.1 INTRODUCTION

During 1989, BRAC's original proposals to donors for funds for RDP II and RCP (then the BRAC Bank) were modified twice. First there was the Appraisal of April, 1989, which resulted in cuts - largely in the training and management development facilities- then later in the year, the withdrawal of SDC which led to cutbacks in RDP. The agreed RDP II and RCP budgets and the contributions from the present donor consortium were finalised in late 1989, the total combined budgets for the two programmes being US$ 49 million.

10.2 CURRENCY CHANGES AND REVISED BUDGET

Since the budget and donor commitments were finalized, there have been a number of significant changes in the relationship between donor currencies and the Bangladesh taka. If donor commitments are maintained in the currency of origin, this will result in a significant increase in the volume of takas available.

The following calculations are a somewhat conservative estimate of the changed taka value of donor commitments:

BRAC BUDGET PROPOSALS

	Original			New		
	RDP	RCP	Total	RDP	RCP	Total
1990	268	156	424	319	156	475
1991	167	260	427	279	260	539
1992	143	358	501	229	358	587
1993	RDP3	202	202	RDP3	202	202
Total	578	976	1554	827	976	1803

RCP; sustainability of the quality of social development; institution building; gender issues, both in respect of BRAC's staff and the target group; and improvements in the reporting and monitoring systems. The specific questions required to be addressed by the Review Team are set out in Annex 1.

The Review Team itself was selected in order to cover the objectives and areas described above. The team comprised:

Ann-lisbet Arn	-	Social & Institutional Issues
Doug Salloum	-	Financial and Banking Issues
Ian Smillie	-	Management and Organisation
David Wright (leader)	-	Economic Issues and Enterprise Development

2.2 PROGRAMME

It was planned that the whole Team should be in Bangladesh for the four weeks of November, 1990. Unfortunately this was not possible since, due to prior commitments, Ann-lisbet Arn had to be back in Denmark by November 19th. The time spent by the various Team members in Bangladesh was therefore as follows:

Ann-lisbet Arn	-	Oct.9th to Nov.16th
Doug Salloum)		
Ian Smillie)	-	Nov.4th to Nov 30th
David Wright)		

An initial meeting of the Team with the local represent-atives of the donor consortium was held at the Donor Liaison Office on Nov.6th. The primary purpose of this meeting was to review the terms of reference for the Team and discuss the Team's proposed programme.

A second meeting, together with senior BRAC staff, was held on Nov.15th for a presentation by Ann-lisbet Arn on her findings in respect of the social and institutional issues. A final meeting was held on Nov.27th, also attended by senior BRAC staff, for a presentation of the findings of the other three members of the Team. The complete report of the Team was presented to the Donor Liaison Office on November 30th for further consideration at the planned meeting of the donor consortium on December 5th.

The Team's time in Bangladesh was largely divided betweem BRAC's head office and visits to the field. The Donor Liaison Officer, Annika Magnusson, participated in a number of the field missions, visits being paid to the following Area and Branch Offices, and TARCs:

ESTIMATED DONOR FUNDS AVAILABLE

	1989 Commitment (US $ M)	Expressed In Donor Currency (Millions)	Nov. 1990 Exchange Rate	Taka Equivalent (Millions)
AKFC/CIDA	8.0	Can $ 10	30.30	303
DANIDA	4.5	-	35.34	160
EZE	2.6	DM 5	23.79	119
Ford Fdn.	0.4	US $0.4	35.59	14
NORAD	3.5	-	35.34	124
NOVIB	12.0	Dfl 25	20.4	510
ODA	12.0	UK £7.7	70.0	540
SIDA	6.0	-	35.34	213
Total				1983

Note: The Scandinavian commitments are still expressed in US dollars as their current contracts with BRAC do not cover the three year period of RDP. This conversion rate is, therefore, probably somewhat conservative.

What this means is that, should donors agree to maintain commitments in their own currencies, there would be Tk. 1,983 million available against the original budget of Tk. 1,554 million, and against a revised request from BRAC of Tk. 1,803 million.

10.3 MAJOR BUDGET CHANGES

The total revised funding requirement requested by BRAC for the three year term of RDP II (1990-1992) is now Tk. 827 million. This is a 43% increase over the existing RDP budget of Tk. 577.7 million. Of the total budget increase requested, by far the largest portion (38%) occurs in the years 1990 and 1991, as summarised below. [1]

[1] The requested additional funds are all for RDP II, not for RCP. RCP will be able to attain its original financial and operational objectives without additional donor funds.

	ORIGINAL 1990 BUDGET	REVISED 1990 BUDGET	ORIGINAL 1991 BUDGET	REVISED 1991 BUDGET
		(million Tk.)		
MAJOR BUDGETARY REVISIONS:				
Employment and Income Generation	13.4	19.9	17.8	30.9
NFPE	45.3	49.9	54.3	75.6
Capital Investment	31.5	37.2	4.4	19.6
Programme Infrastructure	11.5	35.1	22.3	67.5
Totals	101.7	142.1	98.8	193.6
OTHER BUDGETARY ITEMS:	166.7	176.5	67.3	85.8
TOTAL FUNDING REQUIREMENT:	268.4	318.6	166.1	279.4

10.4 EXPLANATION OF MAJOR BUDGETARY INCREASES REQUESTED FOR 1990-1991

Explanations and details of the increases are contained in the body of the report. For the major areas of increase, these are summarized below:

Employment and Income Generation: With the increased emphasis on loan activity in the areas of fisheries, irrigation and sericulture, among others, BRAC has identified a need for increased training and technical input.

NFPE: BRAC is proposing to increase the number of schools to be created under the NFPE programme - in all, 4,500 schools will be opened instead of 3,000 as originally planned. The new budget reflects both an increase in the forecast startup cost and an increase in the annual operating cost for a greater number of schools.

Capital investment: This refers to land, building and other start-up costs for new RDP branches. The increase in the budget is almost exclusively related to the opening of ten extra RDP branch offices each in 1991 and 1992.

Programme infrastructure: The increase in programme infrastructure costs is caused by BRAC's return to its original plan for the Management Development Programme and TARC expansion. The MDP will now have a rural as well as an urban facility; two TARCs will be constructed in 1990 and 1991, instead of one in 1992.

10.5 RECOMMENDATION

The Team considers that the increase in activities and budgets now proposed by BRAC are largely justified. As noted above, the greater part of the total increase in funds requested is in order to restore cuts proposed by the Appraisal Team in April, 1989, and those resulting from the withdrawal of SDC from the Donor Consortium.

Two particular points should be noted. The delay in the disbursement of donor funds to BRAC this year has resulted in: (a) having to deploy other funds on which RDP and RCP will have to pay interest; and (b) losing investment income, in total amounting to Tk. 10-20 million. Second, the requested additional funds are all for RDP II, not for RCP. Based on our analysis, RCP will be able to attain its original financial and operational objectives without additional donor funds to those already committed.

The Team also considers that BRAC has the capacity to carry out the activities in the revised budget. There are two areas of possible concern. The first relates to BRAC's capacity to carry out the significantly expanded programme of NFPE schools. The second relates to the new Women's Health and Development Programme, planned to start in January, 1991. The Team has not looked in any depth at this Programme and is not therefore in a position to make any assessment of its demands on BRAC's management capacity.

In our view, therefore, donors' endorsement of BRAC's request depends largely on whether the donors are willing to make the additional Taka funds available. As shown above, at present rates of exchange, the necessary funds are indeed likely to be available, with a margin to spare.

Subject to the reservations expressed above, we therefore recommend that the donors approve the requested budgets for 1990 and 1991. Approval for 1992 is not necessary at the present time and might perhaps be re-considered at the next donor meeting in mid-1991, in the light of BRAC's progress in implementing the revised plans and the relevant exchange rates at that time.

11. DONOR FOLLOW-UP

11.1 SPECIAL REVIEWS

11.1.1 Introduction

Throughout this review, the Team has received unstinting cooperation from BRAC staff. Senior and middle management in particular have given generously of their time in discussions and in assembling all the data we requested. Such time is time lost, at least in the short term, taking managers away from the programmes, departments, offices and staff for which they are directly responsible.

In considering any special reviews which might be commissioned, donors will be aware of the further burden such reviews will place on BRAC staff. The Team therefore feel that considerable care should be exercised in deciding what reviews are necessary, by whom they should be carried out (the learning curve for consultants on BRAC is a long one), and over what duration. This is not to suggest that nothing should be done, only that a discretion in commissioning external consultants on BRAC would be advisable.

We would also suggest two other points of principle. To the maximum extent possible, donors should seek to enhance and strengthen BRAC's own capacity to carry out monitoring, evaluation and impact studies. Second, if it is considered independent consultants are necessary, wherever possible Bangladeshi talent should be deployed. If that is not feasible or desirable, then individuals who have some knowledge of BRAC should be selected.

In this context, we suggest that over the next twelve months, the following assignments might be carried out:

11.1.2 Institutional Development

Further study into this area has already been proposed by the Donor Consortium for 1991, and this was discussed by the Review Team with local donor representatives. Because of the changes recently made in the structure of the VOs, the extension of the Para Legal Programme from its successful pilot phase into ten new areas, the establishment of the Village Study Project and other recent changes affecting institutional development, it is important that this study is not undertaken prematurely.

Should donors require suggestions for draft terms of reference, we propose that Ms. An-lisbet Arn be requested to make recommendations on her planned return to Bangladesh in January,

1991. In any event, we would suggest that this study not take place until the second or preferably third quarter of 1991. This would mean that the study would have that much more data, developments and social/institutional impact to assess. The timing would still allow the report to be available for the next Annual Review.

11.1.3 BRAC Bank

Considering that RCP at present seems to be on track towards financial viability, it would be useful for the donors to engage consultants to review other, non-financial issues, such as:

- the application and approval process (including estimated timing) required to have the bank incorporated;

- the minimum equity requirements and all other legal constraints and requirements of a commercial bank in Bangladesh (reserves, Maximum debt/equity ratio, etc);

In addition it would be advisable if consultants, in collaboration with BRAC, could make recommendations on:

- shareholder policies - ownership and sale of shares, a controlling shareholder block if required, borrower ownership, sale of BRAC's equity and dividend policies;

- structure of the Board of Directors, selection and control of Directors and borrower participation;

- investment policies for the Bank.

11.1.4 NFPE

The Non Formal Primary Education Programme has been extensively studied in recent years. The importance of primary education to poverty alleviation, and the value of an appropriate alternative for primary school dropouts are well documented in development literature generally, and for Bangladesh specifically. In addition to BRAC's own internal monitoring and evaluative material, a 1988 evaluation was done for the World Bank, and a further evaluation was conducted in 1989 on behalf of the Ministry of Education and UNICEF.

The Review Team is of the opinion that further study of the NFPE in the next year or so would not only be redundant, it would simply add to the burden of visitors on the programme.

An issue that the Review Team has been unable to comment upon, except in general terms, however, is BRAC's capacity to undertake the tremendous volume of training that accompanies existing and planned programmes, including the rather extensive expansion of NFPE. It is suggested, therefore, that donors may want to consider the possibility of a special review to examine BRAC's overall training capacity. Such a study, if undertaken in mid-1991, might also examine the Management Development Programme in relation to its resources and objectives.

11.1.5 Field Based Computer Loan Monitoring and Reporting System

As discussed in the financial analysis portion of this report, it might be useful for BRAC to develop and test a computerized loan monitoring and reporting system which could be operated in an Area Office. The number of transactions involved in the disbursements and repayments of BRAC's loans combined with the new requirements to keep track of the savings of members, both of which will grow significantly in the years to come, seems to argue for a computerized process. There is no other feasible way to calculate accurately the amount of interest earned and principal repaid in each loan installment.

The basic approach which could be taken is as follows:

- requirements with respect to data storage (name of borrower, name of VO, loan amount, loan repayment schedule, loan scheme, actual loan repayment record, etc.), manipulation of data (calculation of interest and principal required and received) and report generation must first be clearly outlined and understood. The data and report requirements of the field level management as well as the Regional and Head Offices must be included in the software specification;

- next, the program or software will have to be designed. All available software must be assessed against the requirements for data storage, manipulation, and report generation. It is possible that systems operating elsewhere in Bangladesh or in other countries with similar lending and savings activities may be able to form the basis of a system for BRAC. It is also quite possible and may be preferable for a system to be designed from the bottom up by Bangladeshi programmers in order to be able to provide follow up, manuals and modifications as required;

- once the software has been specified, the hardware can then be selected. One of the basic requirements of the equipment is for either an independent power supply or a sophisticated back up capability;

- the hardware and software will have to be field tested for a reasonable length of time to work out programming quirks as well as to determine whether or not the approach is practical.

11.1.6 Longer Term Possibilities

In addition to the above, the Team suggests that a few further studies might be carried at some appropriate time during 1992 and beyond, but not necessarily by outside consultants:

Three areas of study are recommended over the next few years:

- the impact of the Para-Legal Programme;
- experiences with federation structures - this as an input to a debate which will probably take place in the not too distant future;
- an analysis of the effects of BRAC's social service programme on the government structures. This study could partly be carried out based on secondary materials: evaluation and studies undertaken by BRAC in order to develop the correct strategies.

11.2 OTHER REVIEWS

The Team understands that in addition to any Special Reviews, three further assignments are planned or will be necessary:

Assignment	Indicative Timing
(A) 1991 Annual Review	Oct/Nov, 1991
(B) RCP Mid-Term Evaluation	Early 1992 (??)
(C) RDP III Appraisal	Early 1992 (??)

RDP II comes to an end December, 1992. We do not know what sums and over what period BRAC will be seeking funds from donors for RDP III. Doubtless, the total will be substantial and doubtless too, interested doors will require an independent RDP III Appraisal. Given the lead time donors require for approving substantial sums, this appraisal should be carried out by end March, 1992, so that funds can begin to be disbursed by January, 1993. If this is the case, then three major studies, each demanding extensive time and effort of BRAC management, will be undertaken all within the span of six months.

The Team therefore suggests donors might consider reducing or better eliminating the RCP Mid-Term Evaluation. RCP will be covered in the 1991 Annual Review and will also be the subject of two further inputs if the above proposals are accepted.

In terms of assessing the impact of RCP, this could and should largely be done by ongoing studies executed by RED, including the Village Studies Project that has already been initiated. Possible independent studies might be made by Bangladeshi organisations such as the Institute for Development Studies (BIDS) as well as the external auditors appointed by the donors.

11.3 DONOR LIAISON OFFICE

The DLO has unquestionably played an important role to date, both in service of the donors and of BRAC (not to mention the extensive and invaluable support provided to this Review Team). It is not the Review Team's place to comment, but in our view, the nature, extent and balance of the DLO's activities have been pitched correctly. A more substantial role could be counter-productive both in terms of BRAC's relationship with the donors and BRAC's ever expanding role as an independent agency at the cutting edge of development in its impact on the landless.

ANNEX 1

TERMS OF REFERENCE

SPECIFIC QUESTIONS TO BE ADDRESSED

1. Financial Analysis of BRAC Operations

The Review Team shall:

- analyze BRAC financial statements, analyze the RDP and RCP financial reporting and assess the accountancy control.
- analyze and assess the branches that were transformed from RDP to RCP during 1990.
- analyze monitoring and reporting systems and make recommendations for qualitative and quantitative improvements.
- incorporate into the reporting system, selected key indicators showing the progress of activities (such as increased loan portfolio, number of loanees, etc.) compared with plans.
- review loan recovery rates, methods of calculating repayment rate and analyze bad debts and late repayments.
- analyze the financial reporting and assess the accountancy control.
- find out if Bank branches have the basic conditions fulfilled of self-sustainability. Develop or review Profit and Loss statements and Balance sheets for 10 Bank branches, compare to model branch assumptions and determine if assumptions for Bank sustainability remains valid.
- monitor the implementation by BRAC of Auditor's recommendations.
- identify problems/bottlenecks in management/staffing/ training aspects of the Area-Office-co-Bank-Branch operations.
- analyze adequacy of BRAC's financial management, i.e. how investment decisions are made, money management, controls and protection of group members' savings.

2. Economic Analysis and Enterprise Activities

The Review Team shall:

- examine the portfolio of economic activities undertaken by BRAC and its borrowers under RDP/RCP and the Rural

Enterprise Programme (REP) and assess the profitability and viability of these activities.

- examine data on and means of assessing the economic impact for group members participating in REP group activities compared with individual loan activities under RDP and RCP.

- compare performance of men and women in all aspects of credit program: share of credit, loan purpose, recovery and average loan size.

- analyze the impact of RDP and REP on women groups and whether full-time employment for rural poor women has bee achieved by the programme.

- review the experimental projects undertaken by REP and the mechanism for transfer of technology and experience from REP to RDP.

- review TARC activities under RDP, RCP, technical training role and relationship to loan activity and development of new economic activities.

- analyze the staff situation within REP especially as regards to recruited women.

3. <u>Social Development Analysis</u>

The review team shall:

- look into achievements related to social, economic and institutional changes in the project areas.

- examine the group formation process and assess extent to which social mobilization and empowerment of the landless poor continues to be taken into consideration.

- assess the balance being struck between the pursuit of economic and social goal.

- examine the data and mean of assessing changes brought about by the project and changes generally occurring in the areas under the following description:

    1) poverty alleviation, dealing mainly with individuals and families.

    2) empowerment of the poor, dealing with village organizations, federations and interactions with government institutions and the local society in general.

    3) social changes, which might occur at all levels.

	Office	District	Type (Form.Yr)	Visitors
RDP				
	Atghoria	Pabna	Y4 ('80)	DS/IS
	Bera	Pabna	Y1 ('89)	DS/IS
	Boilore	Mymensingh	Y4 ('84)	IS/DW
	Boraigram-II	Natore	Y4 ('80)	DS/IS
	Gheor	Manikgonj	Y3 ('79)	AA
	Jamalpur-I	Jamalpur	Y3 ('87)	AA/AM
	Kotwali -II	Mymensingh	Y1 ('89)	IS/DW
	Manikganj	Manikganj	Y4 ('82)	DS
	Mirzapur	Tangail	Y4 ('82)	IS/DW
	Monirampur-I	Jessore	Y2 ('89)	AA
	Natore-I	Natore	Y2 ('87)	DS/IS
	Natore-II	Natore	Y2 ('89)	DS/IS
	Nonni	Sherpur	Y3 ('80)	AA/AM
	Putia	Natore	Y1 ('90)	DS/IS
	Syedpur	Nilphamari	Y2 ('89)	AM/DW
	Taragonj	Rangpur	Y2 ('89)	AM/DW
RCP				
	Chatmohor	Pabna	Y5 ('82)	DS/IS
	Darshona	Rangpur	Y5 ('86)	AM/DW
	Jhikargacha	Jessore	Y5 ('82)	AA [illegible]
	Nazirhat	Rangpur	Y5 ('86)	AM/DW
	Pabna	Pabna	Y5 ('80)	DS/IS
	Paglapir	Rangpur	Y5 ('86)	AM/DW
	Trishal	Trishal	Y5 ('83)	IS/DW
TARC				
	Jessore	Jessore		AA
	Pabna	Pabna		DS/IS
	Rangpur	Rangpur		AM/DW
	Rajendrapur	Gazipur		IS/DW

The Team therefore visited 17 RDP area offices out of the current total of 80, and 7 RCP branch offices out of the current 10, or 25% of all Offices. We also visited four out of the current six TARC, only missing Savar and Modhupur. Doug Salloum visited the Ayesha Abed Foundation Centre at Manikganj and one of its 24 sub-centres, that in the village of Betila.

The Team had access to an extensive array of reports, studies and other publications produced by BRAC, and also referred to other external source material - ref the Bibliography at Annex 2.

4) participation, position and status improvement for women.

- review the existing monitoring system for retrieving facts on social impact and point out the necessary indicators for analyses of processes, changes of attitudes and problem areas in the social change of the rural poor.

- assess the existing monitoring system for retrieving facts on social impact and point out the necessary indicators for analyses of processes, changes of attitudes and problem areas in the social change of the rural poor.

- assess the work performed by the Research and Evaluation Department, especially the introduction of the village monitoring form and planning and implementation of baseline and impact studies.

4. Management

The Review Team shall:

- analyze the management structure at field level and head office in respect to the rapid expansion in both staff and project activities.

- analyze management implications of any new projects planned or under discussion and BRAC's capacity.

- examine the decision-making policies and personnel policies, including performance review, promotions, staff development decisions and general points such as decentralization, delegation, participation, supervision, accountability.

- look at the Management Information System asking for assessment of BRAC's progress in gender sensitive personnel and career planning and particularly the possibilities for women to be promoted within the whole organization.

- monitor changes in staff composition, structure and turn over at all levels.

- review progress of the Management Development Programme (MDP) and TARC against proposed targets.

- examine if there is enough training capacity to serve all staff members and VO members.

- clarify the legal status of RCP as it functions today and when approved as a chartered Bank.

ANNEX 2

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Note:

The Team also studied a number of the social and economic reports from BRAC's Research and Evaluation Division but are not listed separately here.

ANNEX 3

BRAC PROGRAMMES, DEPARTMENTS, COMPANIES AND SENIOR STAFF

Reporting to the Executive Director, F.H. Abed, are the following staff, programmes, departments and companies:

: RURAL DEVELOPMENT PROGRAMME
(Programme Coordinator - Aminul Alam)

- Regional Managers (8)

- Sector Specialists
  (Md Abu Saleque - Poultry & Livestock)
  (Abdul Mannan - Agriculture & Irrigation)
  (Masood Rana - Fisheries)
  (Aminul Islam - Sericulture & Forestry)
  (Dilruba Shahana - Paralegal)

: RURAL CREDIT PROGRAMME
(Programme Coordinator - Sukhen Sarkar)

: RURAL ENTERPRISE PROGRAMME
(Programme Coordinator - Sukhen Sarkar)

: DIRECTOR PROGRAMMES
(Dr Salehuddin Ahmed)

- CHILD SURVIVAL (WOMEN AND HEALTH DEVELOPMENT) PROGRAMME
  (Programme Manager - M.Rahman Chowdury)

- TRAINING AND RESOURCE CENTRE
  (Programme Manager - Shabbir Ahmed Chowdury)

- MANAGEMENT DEVELOPMENT PROGRAMME
  (Programme Manager - O.Samdani Fakir)

- LOGISTICS & TRANSPORTATION)
  (Manager Logistics - Mahera Rahman)

- BRAC COMPUTER CENTRE
  (Consultant - K.K.Dutt)

- CONSTRUCTION
  (Senior Manager - A.Z.M.A.Awal)

- PUBLIC RELATIONS
  (Executive Assistant - Mahboob Hassan)

: DIRECTOR COMMERCIAL
(A.Q.Siddiqui)

- BRAC Cold Storage and Ice Plant
  (General Manager - Md.Majibur Rahman)

- Monitoring Department
  (Manager - Safiqul Islam)

- Audit Department
  (Manager - Projib Bhushan Datta)

: RESEARCH AND EVALUATION DEPARTMENT
(Department Head - Mushtaq Chowdury)
(Manager RED - Md.Gulam Sattar)
(Research Economist - Zafar Ahmed)

: NON FORMAL PRIMARY EDUCATION
(Programme Coordinator - Kanez Fatima)

: FINANCE AND ACCOUNTS
(Chief Accountant - A.K.M.Moinuddin)

: AARONG
(General Manager - Sayed Mohammed Sajid)

: BRAC PRINTERS
(Director - Moazzem Hasan)

NB In addition there are two further organisations associated with BRAC but of which Mr Abed is not the Executive Director, namely:

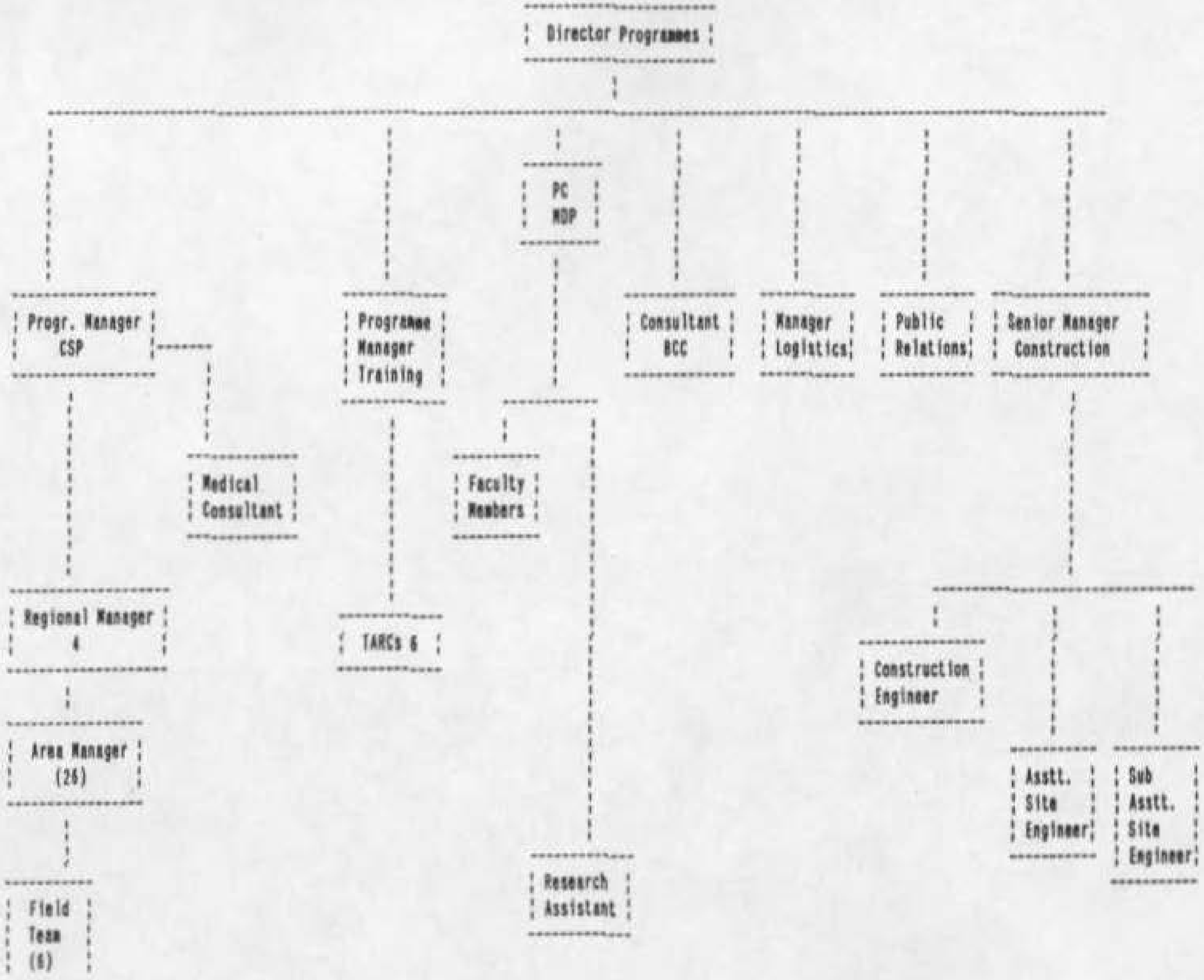
: BRAC INDUSTRIES LTD
(This is responsible for the two garment factories and IS 100% owned by BRAC. It has a Board of Directors, of which the Chairman is Mr Abed, and a General Manager who reports to the Board)

: AYESHA ABED FOUNDATION
(This is a charitable Trust legally separate from BRAC but working closely with RDP, notably in Manikganj. The Board of Trustees has an independent Chairman: the Executive Trustee is Mr Abed and the General Manager, Mr Halder)

ANNEX 4

BRAC - ORGANOGRAM (November 1990)

- EXECUTIVE DIRECTOR
  - Secretary
  - Personnel Section
  - DIRECTOR COMMERCIAL
    - Monitoring
    - Internal Audit
    - Cold Storage
    - Govt. Relation
  - DIRECTOR PROGRAMMES
    - CSP
    - Training
    - MDP
    - Public Relation & Communication
    - BCC
    - Construction
    - Logistics
  - DIRECTOR BRAC PRINTERS
  - PROGRAMME CO-ORDINATOR
    - NFPE
  - PROGRAMME CO-ORDINATOR
    - RCP
    - REP
  - PROGRAMME CO-ORDINATOR
    - RDP
    - Haor Development
    - IGVGDP
  - HEAD OF RED
  - CHIEF ACCOUNTANT
  - GENERAL MANAGER AARONG
  - MANAGER PUBLICATIONS


Director Programmes
PC
MDP
Progr. Manager
CSP
Programme
Manager
Training
Consultant
BCC
Manager
Logistics
Public
Relations
Senior Manager
Construction
Medical
Consultant
Faculty
Members
Regional Manager
4
TARCs 6
Construction
Engineer
Area Manager
(26)
Asstt.
Site
Engineer
Sub
Asstt.
Site
Engineer
Research
Assistant
Field
Team
(6)

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                         ------------------------
                         ¦ Director Commercial ¦
                         ------------------------
                                    ¦
       --------------------------------------------------------------
       ¦                            ¦                ¦               ¦
   ---------                ---------------   -------------   ------------
   ¦  DCA  ¦                ¦ ¦Manager     ¦  ¦ General    ¦  ¦Manager   ¦
   ---------                ¦Administration¦  ¦ Manager    ¦  ¦Monitoring¦
       ¦                    ---------------   ¦Cold Storage¦  ------------
  --------------                              -------------        ¦
  ¦             ¦                                                  ¦
-----------  -----------                                     -------------
¦ Senior  ¦  ¦ Auditor ¦                                     ¦  Staff     ¦
¦ Auditor ¦  ¦   (16)  ¦                                     ¦Economist(3)¦
¦   (1)   ¦  ¦         ¦                                     -------------
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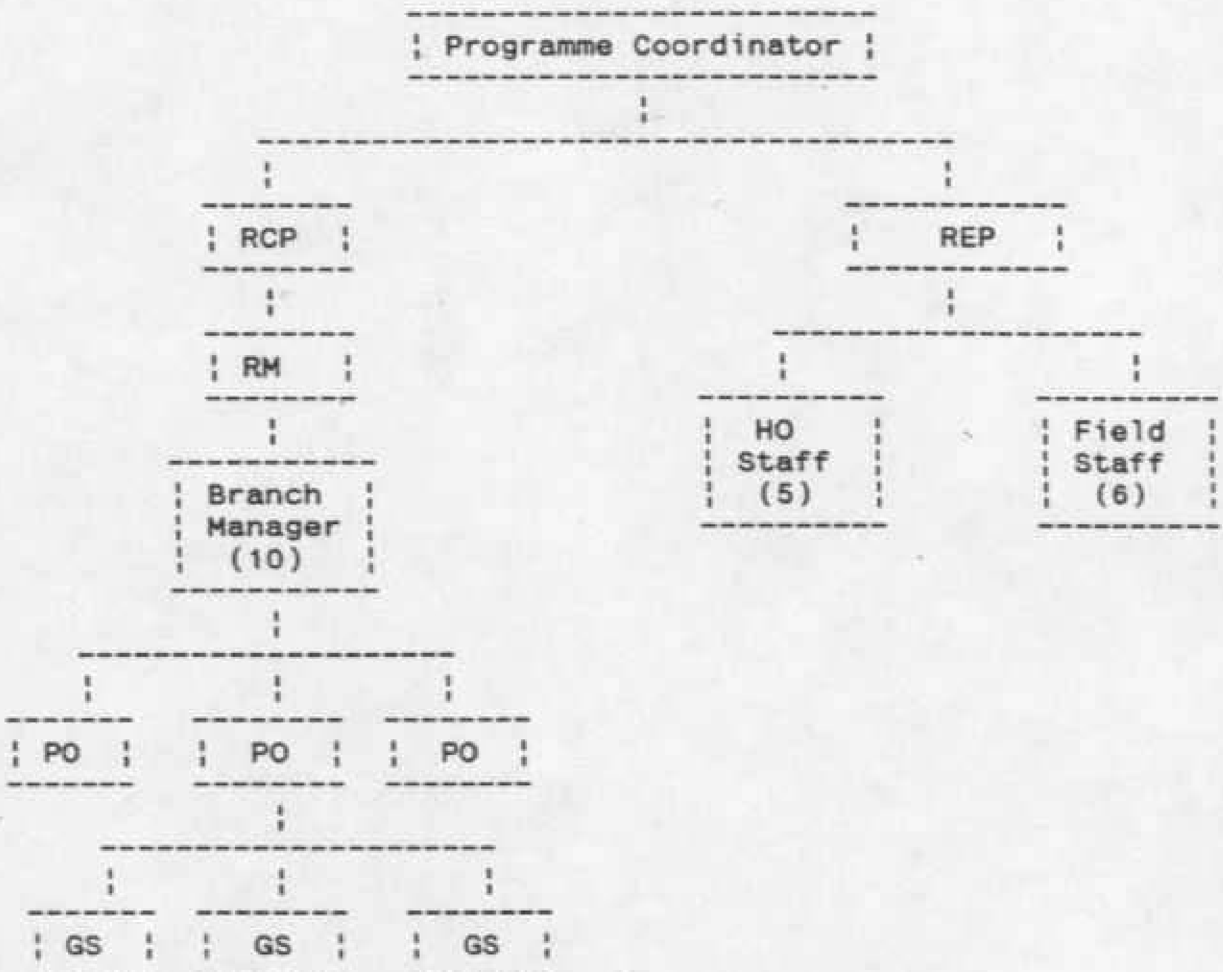
RDP

```
            --------------------------
            ¦ Programme Coordinator ¦
            --------------------------
                        ¦
             ------------------------
             ¦ Regional Manager (8)¦
             ------------------------
                        ¦
               ---------------------
               ¦ Area office (90) ¦
               ---------------------
               ¦ Area Manager (90)¦
               ---------------------
                        ¦
        ----------------------------------
        ¦            ¦         ¦        ¦
       P.O (NFPE)   P.O (G)   P.O (G)  P.O (G)
                                        ¦
                                        ¦
                               -----------------
                               ¦        ¦       ¦
                              G.S      G.S     G.S.
```

P.O = Programme Organiser
G.S = Gram Sebika/Sebok

- One Regional Manager looks after 10 Area Offices approx.

RCP/REP


Programme Coordinator
RCP
RM
Branch Manager (10)
PO
PO
PO
GS
GS
GS
REP
HO Staff (5)
Field Staff (6)

3. BRAC: THE ORGANIZATION AND FUNDING

3.1 OVERALL STRUCTURE

BRAC is a complex organisation with a number of different operations and interests. Annex 3 identifies the key programmes, departments and companies, together with the names of the staff responsible, and those reporting to the Executive Director. The legal status of BRAC Industries and the Ayesha Abed Foundation are defined (and also discussed further below). Annex 4 provides a series of organisation charts for the various programmes

3.2 SOURCES OF FUNDS

As outlined in Table 3.1, BRAC derived 62% of all funds received during 1989 directly from donors, and 59% of the funds received during the first nine months of 1990. BRAC has two other sources of cash which are becoming increasingly important in the financing of the organization - funds received from Village Organisation (VO) members and net proceeds earned by BRAC from its commercial operations and from services provided to outside organizations.

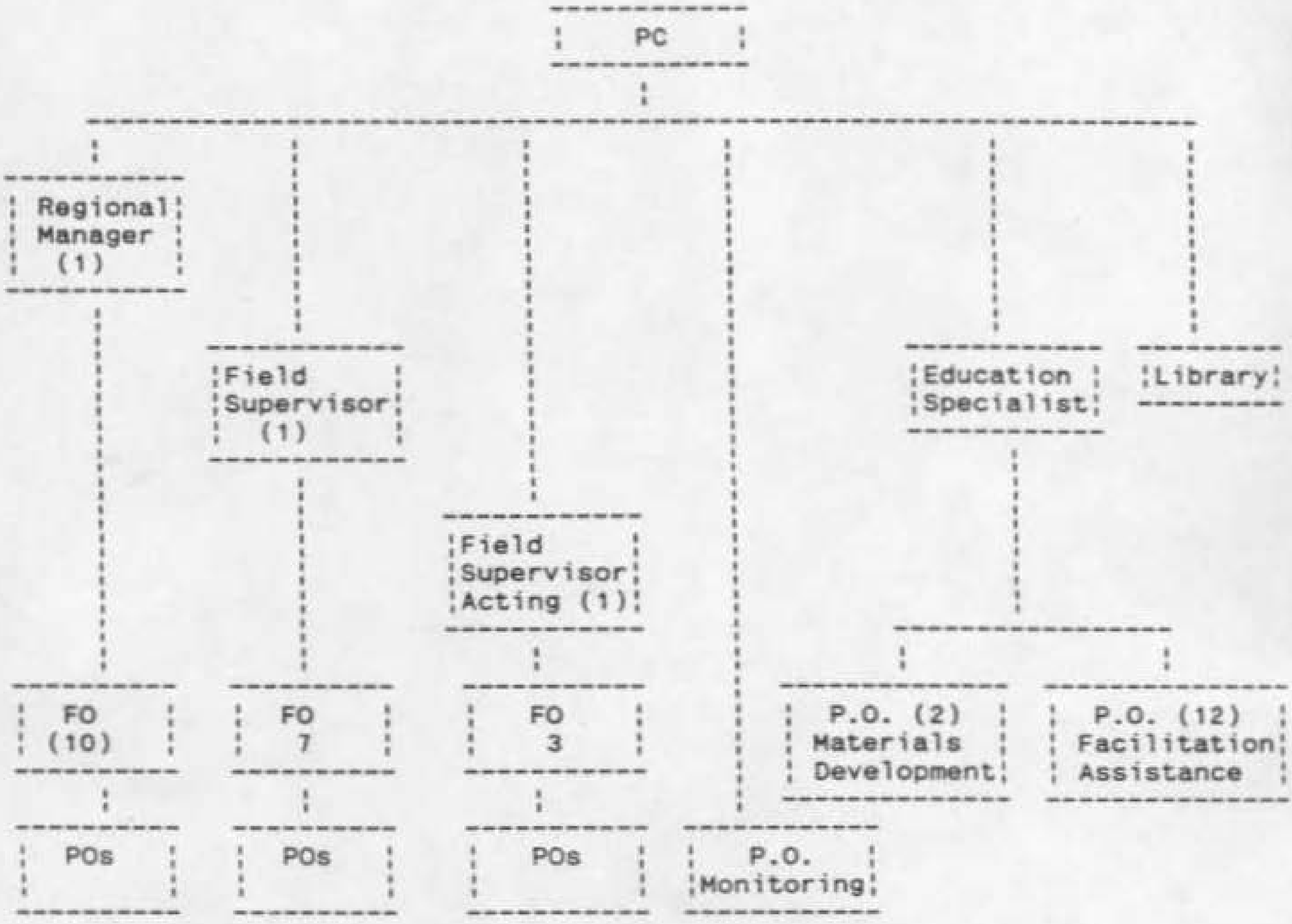
3.2.1 Members funds

Members funds are made up of individual savings, individual current accounts, group savings and insurance premiums. In 1989 BRAC received the transferred total of members funds which had been accumulating for years but which were previously held by the VOs. The amount received in 1989 was Tk 81.1 million - 15% of all sources of cash. This amount will continue to grow and will appear on BRAC's balance sheet in some manner every year. The amount shown as "cash available from previous year" for the first nine months of 1990 on Table 3.1 is mostly members' funds collected during 1989. The final cash balance shown on Table 3.2 is also largely funds belonging to members - approximately Tk 130 million of the balance figure of Tk 167 million.

3.2.2 Net proceeds from commercial activities

The earnings from BRAC's commercial operations - BRAC Printers, Aarong, and the cold storage facility - for the 21 month period January 1, 1989 to September 30, 1990 represent in overall terms only 2% of BRAC's sources of funds. Whereas this is a small number in relative terms BRAC should be commended for its independence and management ability at being able to make a positive contribution to its funding requirements through its own initiative. A significant portion of the cash position at January 1, 1989 is due to the success of Aarong, BRAC Printers, and the cold storage business.

NFPE


PC
Regional Manager (1)
Field Supervisor (1)
Field Supervisor Acting (1)
Education Specialist
Library
FO (10)
FO 7
FO 3
P.O. (2) Materials Development
P.O. (12) Facilitation Assistance
POs
POs
POs
P.O. Monitoring

ANNEX 5

A Discussion of the Restructuring of BRAC Village Organizations

In early 1989 new rules were adopted in order to make the village organizations under RDP and RCP more uniform and accountable vis-a-vis the more streamlined approach regarding services and credit to be provided under the new programmes.

A new approach[1] was needed as many of the older village organizations had run into the same sort of problems as those which have destroyed and are destroying other cooperative movements in Bangladesh. (For a thorough discussion of these, see the evaluation on IRDP carried out in 1974 by Mosharaf Hossain, Abu Abdullah and Richard Nations and A. Arn: "The Good Cooperation", CDR, 1989). To summarize the situation briefly: the Management Committees were not being reelected with new members as prescribed by the rules; leaders were becoming too dominant with the result that they did not care enough for everybody in the VOs but mainly cared for those members and activities close to them, loans were not distributed equally and there were problems with the loan repayment. This is not to say that the situation in any way had become alarming, but the symptoms were visible. The whole credit operation also had to be streamlined in order to facilitate the transfer to RCP.

The following measures were taken: VOs were divided into small subgroups consisting of ideally 5, but up to 7 members with an elected secretary. The subgroup operates as a peer (control) group regarding loan approval, utilization and repayment. The functions in the weekly meetings were divided between two regular meetings, a weekly and a monthly meeting. At the weekly morning meeting, before working hours, all savings and repayment of loans take place. All loans are now subdivided in weekly installments and an effective control system with books and ledgers has been introduced. The system allows for control checking and makes the loans an open and public affair; loans are disbursed in the area office and installments are repaid in a public meeting. There is no more temptation for leaders to hold loan monies for a few days to finance their own affairs.

The monthly meeting, in the afternoon for women and in the evening for men, has been introduced to deal with common issues: group schemes and social problems. These group meetings are consciousness raising, being attended by Project Organizers, whereas gram sheboks or shebikas manage the weekly meetings financial affairs.

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[1] As described in the appraisal and other documents BRAC has tried out different approaches in different areas over time.

Agendas regarding recent union federation meetings in Manikganj, where all VOs are federated, and send two members to a monthly federation meeting at union level, shows that the monthly meetings in VOs and in the federations largely deal with the same issues.

The leadership structure in the VOs is presently being changed. Instead of a Managing Committee which was to be reelected every year, but often was not, as the VOs anyway elected or reelected the same persons, the new Managing Committee will consist of half of the sub-groups secretaries one year, and the other half the following year; after a 2-year period with this form of rotating leadership the idea is to reorganize the small groups with new secretaries so that the leadership is genuinely rotated. RED has not made any recent studies of the leadership structure, but the older studies, as well as the previous study regarding "Who gets and who do not get credit ......" shows how easily leaders get entrenched and how influential they become. A rotating leadership system will have a higher level of participation amongst VO members, and this will in the long run undoubtedly contribute to the sustainability of the groups.

It will however also create additional pressure on the TARC's as new leaders will require leadership training (an equalizing and democratizing factor in the groups existence) and pros and cons of a strong leadership structure can be discussed. In the short run a strong leadership will be able to participate more actively in federation processes etc. and eventually the demands on BRAC staff will be reduced; in the long run a higher degree of leadership qualities will make the institution building operation more democratic and will allow a higher degree of participation by members in and outside the Village Organizations.

ANNEX 6

DEEP TUBE WELLS

1. Plans

BRAC has ambitious plans to assist VO members invest in a substantial number of additional Deep Tube Wells (DTW). This policy is largely stimulated by the Government's announced intention to phase out the existing heavy subsidy on the installation cost of DTWs. BADC has already increased the price charged to Tk 175,000 but this only applies to DTW against which a downpayment (of Tk 6,000) is made by end March, 1991. Thereafter the price is going up to Tk 350,000 and within two years to Tk 700,000.

Basically, the DTW which BRAC is assisting VO members to acquire fall into four different categories:

A) Units installed and owned by BADC, often a number of years ago, on which there are arrears of rental payment due from the previous operator. The basis on which BRAC is acquiring these units is that the VOs will become the responsible operator on a rental basis by: paying off the back rent due over a number of years (not more than five); and also paying an agreed nominal annual rental charge.

B) Units similar to the above but in this case the VOs will buy the DTW outright from BADC at an agreed price relating to the arrears of rent due and the current rental charge. In the last irrigation season (1990), this worked out at approx Tk 65,000 per DTW; in the coming season (1991), the price is being reduced to approx Tk 50,000.

C) Units, a very small number, formally acquired by BRDB, from BADC, which VO members will take over and rent

D) New units, not yet installed, which BRAC is buying from BADC at the current price of Tk 175,000.

BRAC's plans to acquire DTW in each of these categories as follows:

	Approx Number of Installed Wells		
Category	Jan.1990	Jan.1991	Jan.1992
A - Old Rental	25	20	10
B - Old Purchase	100	215	260
C - BRDR Rental	5	5	-
D - New Purchase	10	210	630
TOTAL	140	450	900

2. <u>Ownership</u>

Normally BRAC seeks to ensure that a single DTW is owned by the VO members from one village. However, experience has shown that it is advisable for BRAC itself to retain a 20% shareholding in a scheme in order to ensure effective management, and also ensure that the interests of the weaker, perhaps more naive or less vocal, individual shareholders are safeguarded.

On the basis of a capital cost (see below) of Tk 200,000, this would mean on average a 5 year loan of Tk 2,000 from 80 members and a BRAC equity contribution of Tk 40,000. Assuming a 16% interest rate, this requires each member to make a weekly payment of Tk 12/week (for 50 weeks/annum).

In addition there would be an annual operating loan of Tk 75,000 (see below), ie approx Tk 1,000 per shareholder repayable over one year (max). This would require Tk 22/week per member.

3. <u>Management and Operation</u>

The shareholders appoint a Scheme Management Committee of 8-12 members which in turn appoints a Scheme Operating Committee (SOC) of either 5 or 7 members. BRAC's interest on both committees, especially on the SOC, is represented by the General PO from the Area (or Branch) Office responsible for the village. In effect therefore, the PO is likely to have a decisive vote on the SOC, especially if there was to be fundamental disagreement between the women members' representatives and the men's.

The SOC appoints the driver/operator of the DTW and also one or two water linesmen as appropriate. All three would normally be expected to be VO members. In one village the Team visited, the driver and the linesmen were all being paid Tk 2,500 for the six months (Jan-June) of the 1990/91 irrigation season. This is apparently a low figure however, the more normal being nearer Tk 1,000/month for the season.

Technical support from BRAC is in two areas. In respect of the mechanical aspects, training for the DTW staff is provided by the Agriculture Engoneer PO, attached to the local Regional Office, and a BRAC mechanic (2 appointed for 50 DTW). The BRAC Mechanic charges each scheme for his services which include training for the driver. The latter in turn is expected to carry out basic preventative maintenance and repairs on the DTW.

In respect of agricultural advice, BRAC's Agriculture PO trains a number of specialist GS from the villages who in turn provide technical advisory inputs to farmers. Since many small and marginal farmers have never had any such agricultural extension service, there is considerable potential for raising yields from the land being irrigated by the DTW. A 50% increase from 40 to 60 mnd/acre would appear to be feasible.

4. Estimated Profitability

The profitability of an average new DTW has been estimated on the following approximate assumptions and calculations:

Command Area	-	70 acres
Capital Cost (Installed) (taken as loan repayable over 5 years)	-	Tk 200,000
Annual Costs:		
Operating Cost (Fuel, Wages, Lines)	-	Tk 75,000
Depreciation	-	Tk 20,000
Interest on Capital Loan	-	Tk 20,000
Interest on Op.Loan	-	Tk 7,500
BRAC Service Fee	-	Tk 7,500
Total		Tk 130,000
Annual Revenue		
Average Yield/Acre	-	47.5 Mnd/Acre
Total Production	-	3,325 Maunds
Water Share @ 27.5%	-	920 Maunds
Assumed Price of Rice	-	Tk 200/Mnd.
Gross Revenue	-	Tk 184,000
Net Profit for Distribution	-	Tk 54,000

In terms of simple financial return, this means a return of some Tk 75,000 on the investment of Tk 200,000, ie 37.5%.

The factors regarded as particularly critical are:

1) The price of fuel is expected to increase substantially due to the Gulf crisis, with the Operating Cost above going up by Tk 30-40,000 to perhaps Tk 110,000

2) However, the share of the crop due to the DTW owner/supplier is also expected to increase, probably to 33%. In this case, using the figures above, the gross revenue goes up to Tk 220,000, leaving the net profit virtually as before.

3) The price of rice (or the value imputed to it if members take their share of the crop share in kind) is considered by some to be the most critical factor. BRAC is seeking to encourage VO members not to sell their surplus at harvest time when obviously the price is lowest but to store it for two-three months by which time the price has increased siginicantly

5. Actual Results

BRAC's actual results achieved in 1989/90 when, as can be noted from the figures above, BRAC had taken on very new DTW, were as follows for the 137 units that were in operation:

Profitable: 106 units - Total Profit: Tk 2,600,000
(Av. Tk 24,500)
Unprofitable: 31 units - Total Loss: Tk 400,000
(Av. Tk 13,000)

The unprofitable DTW were generally units acquired two or three years previously with small command areas. With the new DTWs now being bought, the command areas are larger and the units more efficient.

6. Assessment

Independent assessment indicates that the projections above made by BRAC are reasonable. As noted above, the increased price of fuel is likely to be compensated for by an increase in the share crop to 33%.

Further, if BRAC's agricultural advisory/ extension eservice can indeed benefit the small farmers by increasing yields by 50%, there will be both direct and indirect gains to the DTW investors. Direct because their 25% or 33% crop share will be worth more; indirect because there will be more economic activity in the rural community at large, including opportunities for working on the land for which the DTW scheme are providing water.

Finally, the DTW schemes have a social dimension. With landless VO members in the community becoming responsible for the supply of water to the landed farmers, this will affect their social standing in the community.

ANNEX 7

Sl. No.	Name of the Project	REP's Successful Project: During Experiment by REP — No. of Units initiated	Initial Investment/Unit (Tk)	Participation pattern	No. of Share holders	Extension Programme through RDP or RCP — No. of Direct employee/worker	No. of Existing Units	No. of Participant: Male	Female
01.	Nursery Ponds	35	4,127	group	3	1 person, two hours/ day	162	491	101
02.	Rice Mill	1	95,000	group	100	3 full time workers	1	141	125
03.	Brick field	1	1,115,900	group (V.O)	4000	251 full time workers	2	939	3931
04.	Semi Intensive Nilotica Mono-culture	10	172	Indivi-dual	--	1 person, half an hour/day	282		
05.	Vegetable production	499 growers	250	Indivi-dual	--	Seasonal labour 2 hours/day	551	348	203
06.	Power Tiller	5	84,000	group (V.O)	84	2 employees	126	4761	5601
07.	Waste silk spinning	1	81,440	group	--	12 full time workers	1	--	--
08.	Social forestry	REP conducted a survey and based on survey result RDP went for extension.					100	--	--
09.	Fresh water, shrimp carp extension pond culture.	9	6,700	Indivi-dual & Group		1 person, one hour/ day	29	--	

ANNEX 8

SAMPLE LOAN REPAYMENT CALCULATIONS

BRAC calculates loan repayment installments such that the borrower pays an equal amount each week over the term of the loan. The sum of all installments is sufficient to repay the principal of the loan as well as the interest owed. The method used to determine the amount of the repayment is the following:

a) the amount of the loan is averaged over the term. This approximates the fact that the principal amount of the loan owed by the borrower declines from the full amount of the loan to zero over the term of the loan.

b) the interest due on the loan is calculated by multiplying the annual rate of interest times the average loan amount. This total interest due is then added to the principal amount of the loan. This sum equals the full amount which the borrower must repay.
c) the full amount which the borrower must repay is then divided by the number of weeks in the term of the loan to arrive at the loan repayment amount.

Example 1.

- a 1 year loan for Tk 1000

The average loan amount is Tk 500 and the interest due on the average loan is 16% per year times Tk 500 times 1 year equals Tk 80.

The amount which the borrower must repay is Tk 1000 plus Tk 80 for a total of Tk 1080.

The weekly repayment amount due from the borrower is Tk 1080 divided by 50 weeks. (For ease of calculation BRAC uses a 50 week year).

$$\frac{\text{Tk } 1080}{50 \text{ weeks}} = \text{Tk } 21.6$$

In this case BRAC would charge the borrower Tk 22/week.

Example 2.

- a 5 year loan for Tk 5000

The average loan amount is Tk 5000 and the interest due on the average loan is 16% per times Tk 2500 times 5 years equals Tk 2000.

The amount which the borrower must repay is Tk 5000 plus Tk 2000 for a total of Tk 7000.

The weekly repayment amount due from the borrower is Tk 7000 divided by 250 weeks.

$$\frac{\text{Tk } 7000}{250 \text{ weeks}} = \text{Tk } 28/\text{week}$$

TABLE 3.1

BRAC ACTIVITY SUMMARY
SOURCES OF CASH
(Tk million)

	1989	9month 1990
A. Cash available from previous year:	55.6	119.4
B. New funds received from donors:	327.6	313.8
C. Net interest income for RDP:	11.5	14.3
D. Net proceeds from services provided to outside individuals and agencies (net income from courses, etc.):	11.5	19.2
E. Net proceeds from commercial operations: (BRAC Printers, Aarong, Cold Storage, etc.):	9.2	8.6
F. Increase in Borrowers' Savings and Group Fund:	81.1	48.2
G. Increase in Bank Borrowing:	(12.8)	1.1
H. Increase in other Liabilities:	48.0	14.7
I. Other sources of Cash - operating surplus of RCP:	0.0	(3.0)
TOTAL SOURCES OF CASH	531.7	536.3

Notes:

Cash available from previous year includes funds provided by donors for specific projects which were not completely spent in the period. Also included is the accumulated balance of cash earned by BRAC from Aarong, Cold Storage, etc.

Other liabilities include funds from Government for relief and rehab. projects (Tk 18 million), members' current account deposits (Tk 13 million), and year end payables (Tk 9 million).

List of RDP Areas by Upazila, District and Year of Formation

ANNEX 9A

Sl. No.	Name of Area	Name of Upazila	Name of District	Year of Formation	Status of Area*
01	Alhadipur	Rajbari Sadar	Rajbari	1987	Y4
02	Amdia	Narsingdi Sadar	Narsingdi	1983	Y4
03	Atghoria	Atghoria	Pabna	1980	Y4
04	Balirtek	Manikgonj Sadar	Manikgonj	1976	Y3
05	Baliakandi	Baliakandi	Rajbari	1990	Y1
06	Baniachong-I	Baniachong	Hobigonj	1988	Y2
07	Baniachong-II	Baniachong	Hobigonj	1989	Y2
08	Bankra	Jhikargacha	Jessore	1980	Y4
09	Betila	Manikgonj Sadar	Manikgonj	1976	Y3
10	Bhayadanga	Sherpur Sadar	Sherpur	1980	Y3
11	Bholahat	Bholahat	Chapai-N-Gonj	1987	Y2
12	Boilore	Trishal	Mymensingh	1984	Y4
13	Bokshigonj-I	Bokshigonj	Jamalpur	1987	Y3
14	Bokshigonj-II (Kamalpur)	Bokshigonj	Jamalpur	1980	Y3
15	Boraigram-I	Boraigram	Natore	1980	Y4
16	Boraigram-II	Boraigram	Natore	1989	Y2
17	Bera	Bera	Pabna	1989	Y1
18	Boalmari	Boalmari	Faridpur	1990	Y1
19	Chapai-N-Gonj	Chapai-N-Gonj	Chapai-N-Gonj	1987	Y2
20	Chowddagram-I	Chowddagram	Comilla	1989	Y1
21	Chowddagram-II	Chowddagram	Comilla	1989	Y1
22	Chowhat	Dhamrai	Dhaka	1983	Y4
23	Dharagram	Saturia	Manikgonj	1984	Y4
24	Doulatpur	Doulatpur	Manikgonj	1981	Y4
25	Dhanshail	Jhinaigati	Sherpur	1980	Y3
26	Durgapur	Durgapur	Natore	1990	Y1
27	Fulbaria	Fulbaria	Mymensingh	1982	Y4
28	Faridpur	Faridpur Sadar	Faridpur	1990	Y1
29	Gaibandha	Gaibandha Sadar	Gaibandha	1984	Y3
30	Gheor	Gheor	Manikgonj	1979	Y3
31	Goalundo	Goalundo	Rajbari	1982	Y4
32	Gorpara	Manikgonj Sadar	Manikgonj	1976	Y3
33	Gozaria	Gozaria	Munshigonj	1980	Y3
34	Hobigonj-I	Hobigonj Sadar	Hobigonj	1988	Y2
35	Hobigonj-II	Hobigonj Sadar	Hobigonj	1989	Y2
36	Jamalpur-I	Jamalpur Sadar	Jamalpur	1987	Y3
37	Jamalpur-II	Jamalpur Sadar	Jamalpur	1988	Y2
38	Jamalpur-III	Jamalpur Sadar	Jamalpur	1988	Y2
39	Jessore	Jessore Sadar	Jessore	1989	Y1
40	Jhinaidah-I	Jhinaida Sadar	Jhinaidah	1989	Y1
41	Jhinaidah-II	Jhinaida Sadar	Jhinaidah	1989	Y1
42	Jhinaigati	Jhinaigati	Sherpur	1980	Y3
43	Kachikata	Monohardi	Narsingdhi	1983	Y4
44	Keshabpur	Keshabpur	Jessore	1990	Y1
45	Kalaroa	Kalaroa	Satkhira	1984	Y4

Sl. No.	Name of Area	Name of Upazila	Name of District	Year of Formation	Status of Area*
46	Kawnia	Kawnia	Rangpur	1984	Y4
47	Kazirhat	Kalaroa	Satkhira	1982	Y4
48	Kotwali-I	Kotwali	Mymensingh	1982	Y4
49	Kotwali-II	Kotwali	Mymensingh	1989	Y1
50	Krishnapur	Manikgonj Sadar	Manikgonj	1980	Y3
51	Kushtia-I	Kushtia Sadar	Kushtia	1989	Y1
52	Kushtia-II	Kushtia Sadar	Kushtia	1989	Y1
53	Laxmipur	Gaibandha Sadar	Gaibandha	1986	Y3
54	Manikgonj	Manikgonj Sadar	Manikgonj	1976	Y3
55	Mirzapur	Mirazpur	Tangail	1982	Y4
56	Mohera	Mirzapur	Tangail	1980	Y4
57	Monirampur-I	Monirampur	Jessore	1989	Y2
58	Monirampur-II	Monirampur	Jessore	1989	Y2
59	Magura	Magura	Magura	1990	Y1
60	Madhukhali	Madhukhali	Magura	1990	Y1
61	Moheshpur	Moheshpur	Jhinaidah	1990	Y1
62	Nalitabari	Nalitabari	Nalitabari	1980	Y3
63	Natore-I	Natore Sadar	Natore	1987	Y2
64	Natore-II	Natore Sadar	Natore	1989	Y2
65	Nilphamari	Nilphamari Sadar	Nilphamari	1989	Y2
66	Nokla	Nokla	Sherpur	1989	Y1
67	Nonni	Nalitabari	Sherpur	1980	Y3
68	Narshingdi	Narshingdi Sadar	Narshingdi	1980	Y3
69	Putia	Putia	Natore	1990	Y1
70	Rajbari	Rajbari Sadar	Rajbari	1987	Y2
71	Rangpur	Rangpur Sadar	Rangpur	1984	Y4
72	Santhia	Santhia	Pabna	1989	Y2
73	Satkhira	Satkhira Sadar	Satkhira	1987	Y2
74	Sherpur	Sherpur Sadar	Sherpur	1988	Y2
75	Shibpur	Shibpur	Narsingdhi	1979	Y3
76	Sreebordi	Sreebordi	Sherpur	1986	Y3
77	Syedpur	Syedpur	Nilphamari	1989	Y2
78	Taragonj	Taragonj	Rangpur	1989	Y2
79	Tinani	Sreebordi	Sherpur	1989	Y1
80	Warshi	Mirzapur	Tangail	1982	Y4

* In view of transfer to BRAC Bank Project (Rural Credit Project)

Y4 Areas will be transferred to BBP in 1991
Y3 " " in 1992
Y2 " " in 1993
Y1 " " in 1994

ANNEX 9B

List of RCP Areas by Upazila, District and Year of Formation

Sl. No.	Name of Area	Name of Upazila	Name of District	Year of Formation
01	Chatmohor	Chatmohor	Pabna	1982
02	Darshona	Rangpur Sadar	Rangpur	1986
03	Horgoz	Saturia	Manikganj	1980
04	Jhikargacha	Jhikargacha	Jessore	1982
05	Kawalipara	Dhamrai	Dhaka	1980
06	Navaron	Jhikargacha	Jessore	1980
07	Nazirhat	Rangpur Sadar	Rangpur	1986
08	Pabna	Pabna Sadar	Pabna	1980
09	Paglapir	Rangpur Sadar	Rangpur	1986
10	Trishal	Trishal	Mymensingh	1983

ANNEX 10

MANAGEMENT BY ACTIVITY

What follows is an example of how the Non Formal Primary Education Programme might be set up in a management-by-activity system:

1. Sample Work Breakdown Structure

The WBS can be as simple or as complex as is required. The following example uses a slightly reorganized version of the current BRAC breakdown:

1. NON FORMAL PRIMARY EDUCATION

1.100 TRAINING	1.200 MANAGEMENT	1.300 SCHOOLS	1.400 SUPPLIES
1.101 Teacher Training	1.201 Field Supervisor Salaries	1.301 Teachers' Salaries	1.401 Learners' Books, Charts
1.102 Teacher Refresher Courses	1.202 NFPE P.O. Salaries	1.302 School Rent & Maintenance	1.402 Teaching Aids & Equipment
1.103 Teachers' Workshops	1.203 Travel & Transportation	1.303 Open New Schools	
1.104 Staff Training	1.204 Office Travel & Accom.		
	1.205 E.O. Logistics & Mgmt.		

Because training is an activity common to many BRAC programmes, a WBS could be set up for all training programmes, broken down into training for each of the different programmes with provision for management, TARCs, supplies, and so on.

2. Sample Implementation Schedule

NON FORMAL PRIMARY EDUCATION

No.	ACTIVITY	1990 J F M A M J J A S O N D	1991 J F M A M J J A S O N D	1992 J F M A M J J A S O N D
1.100	TRAINING			
1.100	Teacher Training	___ ___	___ ___	___ ___
1.102	Refresher Courses	_ _	_ _	_ _
1.103	Teachers' Workshops	- -	- -	- -
1.104	Staff Training	_	_	_
1.200	MANAGEMENT			
1.201	P.S. Salaries	___________	___________	___________
1.202	P.O. Salaries	___________	___________	___________
1.203	Travel & Transportation	___________	___________	___________
1.204	Office Travel & Accom.	___________	___________	___________
1.205	R.O. Logistics & Mgmt	___________	___________	___________
300	SCHOOLS			
1.301	Teachers' Salaries	___________	___________	___________
1.302	School Rent & Maint.	___________	___________	___________
1.303	Open New Schools	- -	- -	- -
400	SUPPLIES			
1.401	Learners' Books/Charts	_ _	_ _	_ _
1.402	Teaching Aids & Equip.	_ _	_ _	_ _

3. Activity Schedule

The Implementation Schedule will be supported by Activity Schedules which will be used to construct the budget. The Activity Schedules will include targets, timing and estimated costs. The following example, Teachers' Workshops, is taken from the Work Breakdown Structure and Implementation Schedules, above:

SAMPLE ACTIVITY SCHEDULE

Programme: NFPE

Activity: Teachers' Workshops

Code: 1.103

Budget Year: 1990

Expected Output: 300 NFPE Teachers Trained; 150 in March, 150 in December.

DETAILS

Date	Activity/Equipment	No. of Units	Cost Per Unit	Budget
March	Teacher Training; 7 Days Each; 50 at Jessore, 50 at Pabna, 50 at Savar	150	Tk 120/ trainee/ day	Tk 126,000
December	" "	150	"	126,000
Total Estimated Cost				Tk 252,000

4. Budget

Ideally, the budget would be broken into quarters, at least for the current year:

BUDGET : NFPE
(Tk 000)

No.	ACTIVITY	1990 Quarters					1991	1992
		1st	2nd	3rd	4th	YR		
1.100	TRAINING	256	120	150	256	782	970	1050
1.100	Teacher Training	126	0	0	126	252	350	380
1.102	Refresher Courses	50	0	60	0	110	120	130
1.103	Teachers' Workshops	0	120	0	130	250	300	320
1.104	Staff Training	80	0	90	0	170	200	220
1.200	MANAGEMENT							
1.201	P.S. Salaries							
1.202	P.O. Salaries							
1.203	Travel & Transportation							
1.204	Office Travel & Accom.							
1.205	H.O. Logistics & Mgmt							
300	SCHOOLS							
1.301	Teachers' Salaries							
1.302	School Rent & Maint.							
1.303	Open New Schools							
400	SUPPLIES							
1.401	Learners' Books/Charts							
1.402	Teaching Aids & Equip.							
TOTAL								

5. Progress Reports

Progress Reports contain a narrative, with the following information:

- progress achieved against what was planned;
- variances from planned schedules and budget;
- problems encountered and action taken or recommended.

A quarterly activity report, with achievements against the targets contained in activity schedules, is compiled. Status reports, however, follow the original format:

<u>SAMPLE STATUS REPORT : NFPE</u>

For The Second Quarter, April 1 - June 30, 1990
(Tk 000)

No.	ACTIVITY	Budget Year	Budget Qtr	Actual Qtr	Cumulative Budget	Cumulative Actual	Variance	% Completed Activity	Time	Taka
1.100	<u>TRAINING</u>	782	120	180	376	258	118	47%	50%	33%
1.100	Teacher Training	252	0	40	126	40	86	10%	50%	15%
1.102	Refresher Courses	110	0	0	50	50	0	50%	50%	45%
1.103	Teachers' Workshops	250	120	140	120	140	(20)	75%	50%	56%
1.104	Staff Training	170	0	0	80	0	80	0	50%	0

Etc. Etc.

This report reveals several things:

- regarding teacher training, progress - both by activity and spending, is well behind schedule;
- there is an under-achievement in staff training
- teachers' workshops, 75% completed, but with only 56% of the budget spent, may have been over-budgeted;
- as a whole, the training budget may be high, as 47% of the activity has been completed but only 33% of the budget has been utilized.

ANNEX 11 BANGLADESH RURAL ADVANCEMENT COMMITTEE

PROCUREMENT PROCEDURE

1. Programme Materials/Office Supplies:

The bulk of the programme materials and office supplies are procured centrally by the Logistics Department on the basis of approved requisitions from the concerned consuming/user departments/programmes. Financial limits of the authorities competent to raise and approve requisitions as laid down in the personnel procedure are as follows :

Table of authority

(a) Requisition for supplies/materials within budget

Value	Originator (Employee level)	Approval of requisitions
Upto Tk.5,000	Level-V and above	Incharge/Departmental/ location head of level-VI and above.
Upto Tk.10,000	Level-VI and above	Incharge/Departmental/ location head of level-IX and above
Upto Tk.50,000	Level-VII and above	Incharge/Departmental/ location head of Level-X and above
Upto Tk.100,000	Program/Project/ Departmental head	Supervisor of Level-XII and above
Above Tk.100,000	Heads of Programs/ Projects/Departments	Executive Director

(b) Requisition for supplies/materials not allocated in budget

Upto Tk.5,000	Level-VII and above	Incharge/Departmental/ location Head of Level-X and above
Upto Tk.10,000	Level-VIII and above	Incharge/Departmental/ location head of Level-XI and above

Upto Tk.20,000	Level-VIII and above	Incharge/Departmental/ location head of Level-XII and above.
Above Tk.20,000	Level-IX and above	Executive Director

Procurement Procedure

Programme materials/office supplies can only be purchased on the basis of approved requisitions. No purchase can made without verification of the cost of the requisitioned items from atleast 3 bonafide suppliers. Too much emphasis need not be placed on obtaining written quotations from suppliers inasmuchas such a process gives rise to a tendency on the part of suppliers to quote higher prices. A better and effective approach would be to carry out on the spot survey of the commodities and prices.

If price of the materials/supplies exceed Tk.10,000, a statement incorporating particulars such as the name and address of suppliers, price quoted and other relevant matters must be submitted by the buyers to Manager Logistics approval and other procedure shall be as follows:

Amount/value involved	Buyers (Officials)	Bills approval
Unit cost upto Tk. 2,000 and total cost upto Tk. 10,000	1 official from Logistics Department and 1 official either from Accounts or Audit Department	Manager Logistics
Unit cost above Tk. 2,000 and total cost over Tk.10,000	- do -	Director Programs

For the following categories of materials spot verification is not required:

- Where the item is purchased from the manufacturer or sole agent.

TABLE 3.2

BRAC ACTIVITY SUMMARY
USES OF CASH
(Tk million)

	1989	9month 1990
A. RDP Core:		
- increase in loan fund	47.4	51.0
- operating expenses	61.1	62.3
- capital expenses	13.3	37.4
B. RDP Sectoral:		
- NFPE	28.3	38.3
- IGVGD	11.2	7.0
- MDP	0.0	4.0
C. RCP:	0.0	62.7
D. Housing for Rural Poor:	11.7	7.2
E. Emergency and Post Flood Rehab.:	62.9	0.0
F. CSP:	70.7	57.2
G. Increase in other Assets:	78.7	23.8
H. Other projects:	27.0	18.2
TOTAL USES OF CASH	412.3	369.1
Cash balance December 31, 1989:	119.4	
Cash balance September 30, 1990:*		167.2
	531.7	536.3

Notes:

The increase in other assets for 1989 includes advances against purchases and expenses (Tk 31 million), new premises and stock for Aarong (Tk 20 million) and new equipment for BRAC printers (Tk 12 million)

* BRAC's cash position must always at least equal its obligations to members for individual savings, group funds, etc. - approximately Tk 130 million at September 30, 1990.

- There is only one manufacturer or supplier of the item.

2. Construction Materials:

Construction materials against approved constructions are purchased by the Construction Department as per guidelines laid down in the personnel procedure which is as under:

Table of authority

a) Capital expenditure within budget

Amount/Value involved	Originator (Employee Level)	Approval
Upto Tk. 10,000	Level VII or above	Incharge/Supervisor of Level X and above
Upto Tk. 10,000	Do	Incharge/Supervisor of Level IX and above
Upto Tk. 25,000	Do	Incharge/Supervisor of Level XII and above
Above Tk.25,000	Do	Executive Director

b) Capital expenditure outside budget

Capital expenditure not allocated in the budget must be approved by the Executive Director. Once approval of the Executive Director is obtained it is deemed part of the budgeted expenditure and table of financial authority as applicable to budgeted expective applies.

Procurement Procedure

Construction materials against constructions allocated the budgets can be procured after obtaining quotations from a minimum of 3 (three) suppliers/manufacturers. There is no need to place to much emphasis on written quotations since such as process sometimes encourages suppliers to inflate prices of items quoted. A better approach is to be to undertake spot verification of prices of the items. If the unit price of the item(s) to be procured is above Tk. 2,000 or total value of items exceed Tk. 10,000 the buyers shall prepare a statement showing particulars such as the name and address of the suppliers, price, etc. and shall obtain approval from the Manager Construction. If the value of the items exceeds Tk. 50,000 prior approval of the Manager Construction jointly with either of the Chief Accountant or Deputy Chief Accountant or Chief Auditor has to be obtainted.

<u>Field Level Procurement</u>

Value	Buying of items	Approval of bills
Unit price upto Tk. 2,000 and total value upto Tk. 10,000	Site Engineers and PO (Accounts) or PO	Incharge/Head of in level VII and above
Unit price above Tk. 2,000 and total value above Tk. 10,000	Site Engineer/ PO (Accounts) or PO	Incharge/Head in level IX and above

<u>Head Office level procurement</u>

Unit price upto Tk. 2,000 and total value upto Tk. 10,000	1 (one) from Construction Department + 1 (one) from either Accounts Department or Audit Department	Manager Construction
Unit price above Tk. 2,000 and total value above Tk.10,000	- Do -	Director Administration

Spot verification of the items, prices etc. is not necessary in the following cases: -where the procurement is made directly from the manufacturer or the sole agent (approval of brand to be procured must be given by the Manager Construction).

- where the item is dealt with by only one supplier.

ANNEX 12: BRAC RDP 2 REVISED BUDGET

1990 - 1992

NOVEMBER, 25, 1990

BANGLADESH RURAL ADVANCEMENT COMMITTEE
RURAL DEVELOPMENT PROGRAM
BUDGET: 1990-92

File name: RDPBGTA2.WK1

	1990	1991	1992	TOTAL	ORIGINAL	Difference	% Increase (Decrease)
I. Common Program Cost							
A. Institution Building	13,180,400	15,081,440	17,255,084	45,498,924	35,820,033	9,678,891	27
B. Employment & Income Generation	6,700,100	8,096,110	9,704,321	24,500,531	24,354,714	145,817	1
II. Development of Human Resourses							
A. Non Formal Primary Education	49,907,008	75,802,400	75,024,054	200,533,483	152,141,087	48,392,398	32
B. Development of Rural Managers	1,694,382	3,596,665	6,960,052	12,251,100	10,820,397	1,430,703	13
III. Vulnerable Group Development Program	11,909,848	14,878,261	15,419,262	42,207,372	41,642,450	564,922	1
IV. Sector Program Cost (Employment & Income Generation)							
A. Fishery	1,555,950	1,722,435	1,906,658	5,185,043	2,242,856	2,942,187	131
B. Irrigation	3,099,800	4,441,910	5,856,400	13,398,110	1,825,725	11,572,385	634
C. Apiculture	55,000	60,500	66,550	182,050	200,255	(18,205)	(9)
D. Seri/Ericulture	7,213,900	14,175,084	15,165,753	36,554,737	18,659,267	17,895,470	96
E. Other Skills	1,175,570	2,404,754	2,645,229	6,225,553	3,000,800	3,224,753	107
V. Branch Operating Cost	49,090,080	53,999,088	59,398,997	162,488,165	137,460,946	25,027,219	18
VI. Regional Office Operating Cost	3,196,800	3,516,480	3,868,128	10,581,408	9,481,164	1,100,244	12
VII. Staff Training & Dev.	2,584,800	1,895,520	2,085,072	6,565,392	4,546,027	2,019,365	44
VIII. Loan Fund Requirement	109,040,000	9,140,000	0	118,180,000	85,480,000	32,700,000	38
IX. Capital Investment Requirement	37,160,000	19,585,500	19,190,600	75,936,100	35,727,670	40,208,430	113
X. Program Infrastructure	35,144,000	67,526,800	10,977,120	113,647,920	58,313,266	55,334,654	95
XI. Rural Enterprise Program	4,207,236	4,626,750	5,089,425	13,923,410	15,261,923	(1,338,513)	(9)
XII. Research & Evaluation	2,333,263	3,061,461	3,306,675	8,701,399	6,861,864	1,839,535	27
Total: Taka	339,228,137	303,411,158	253,919,380	896,558,675	643,840,424	252,718,251	39
Less Net Interest Income	20,647,200	23,993,600	24,513,600	69,174,400	66,139,200	3,035,200	5
Net Requirement	318,580,937	279,417,558	229,405,780	827,384,275	577,701,224	249,683,051	43

8. Employment & Income Generation

	1990	1991	1992	TOTAL
1.0 Poultry				
1.1 Poultry workers - Tk.30 per trainee per day for 5 days (30 & 20 Nos)	4,500	3,000		
1.2 Poultry worker supplies Tk.100 per trainess	3,000	2,000		
1.3 Rearers - Tk.30 per trainee per day for 3 days (200,400,400)	18,000	36,000	36,000	
2.0 Livestock				
2.1 Paravet - Tk.90 per trainee per day for 30 days (10 Nos)		27,000		
2.2 Refreshers Course - Tk.50 per trainee per day for 2 days (yr.2, 1 course, yr.3, 3 courses)		1,000	7,500	
2.3 Supplies - Tk.700 per trainee (10 Nos.)		7,000		
2.4 Cow rearing/Beef fattening - Tk.30 per trainee per day for 7 days (25,100 & 200)	5,250	21,000	42,000	
3.0 Horticulture & Crop				
3.1 Horticulture Nursery - Tk.90*7 days per trainne per course (5 nos, each in yr. 2 & 3)		3,150	3,150	
3.2 Crop production- Tk.50 per trainee per day for 4 day (100 Nos, each yr. 2 & 3)		20,000	20,000	
3.3 H.O. Logistics & Management Support - 10% of 1.1 to 3.2	3,075	12,015	10,865	
Cost per branch	33,825	132,165	119,515	
Yr. 1 Branch (20,20,20)	676,500	676,500	676,500	2,029,500
Yr. 2 Branch (20,20,20)	2,643,300	2,643,300	2,643,300	7,929,900
Yr. 3 Branch (20,20,20)	2,390,300	2,390,300	2,390,300	7,170,900
Total	5,710,100	5,710,100	5,710,100	17,130,300

4. Skill training support to 4 yr & above branches - Tk.30000 per Branch x 30,50,70	900,000	1,500,000	2,100,000	4,500,000
H.O. Logidstics & Management Support - 10% of Skill training support	90,000	150,000	210,000	450,000
Total	990,000	1,650,000	2,310,000	4,950,000
Inflation adjusted cost	8,700,100	8,098,110	9,704,321	24,500,531

II. DEVELOPMENT OF HUMAN RESOURCES

1. Non Formal Primary Education:	1st year School		2nd year School		3rd year School	
	Start up Cost	Variable Cost	Start up Cost	Variable Cost	Start up Cost	Variable Cost
A. Teaching cost & supplies						
A1. Teachers Training - Tk.120x15 days	1,800	0	0	0	0	0
A2. Teachers refresher course - Tk.120x7 days	0	0	0	840	0	840
A3. Teachers workshop - Tk.15 x 10, 10, 10	0	150	0	150	0	150
A4. Teachers salary - Tk.400x12 months	0	4,800	0	4,800	0	4,800
A5. Learners Books & Charts	1,418	0	1,138	0	1,347	0
A6. Teaching aids & equipments	2,684	0	1,288	0	1,288	0
B. School rent/maintenance - Tk.100 x 12 months	1,200	0	1,200	0	1,200	0
C. Organisation & Supervision						
C1. Staff salary						
C1.1 Field Supervisor - Tk. 22 x 12 months	0	264	0	264	0	264
C1.2 Program Organiser - Tk.175 x 12 months	0	2,100	0	2,100	0	2,100
C1.3 Travel & Transport - 35% of C1.1 & C1.2	0	827	0	827	0	827
C1.4 Office & Staff Accomodation	0	240	0	240	0	240
C1.5 Staff Training - 4% of C1.1 & C1.2	95	0	95	0	95	0
D. H.O.Logistics & Mgt. cost - 10% of Total cost	719	838	370	922	391	922
Total cost per school	7,914	9,220	4,088	10,144	4,301	10,144

Primary Education For Older Children:

	1st year School		2nd year School	
	Start up Cost	Variable Cost	Start up Cost	Variable Cost
A1. Teachers training - Tk.120 x 15 days	1,800	0	0	0
A2. Teacher refresher course - Tk.120 x 7 days	0	0	0	840
A3. Teachers workshop - Tk.15 x 10, 10	0	150	0	150
A4. Teachers salary - Tk.400 x 12 months	0	4,800	0	4,800
A5. Books & Supplies	2,552	0	1,347	0
A6. Teaching aids & equipment	2,684	0	2,238	0
B1. School rent/maintenance - Tk.100 x 12 months	1,200	0	1,200	0
C. Organisation & supervision				
C1. Staff salary				
C1.1 Field Supervisor - Tk.22 x 12 months	0	264	0	264
C1.2 Program Organiser - Tk.175 x 12 months	0	2,100	0	2,100
C1.3 Travel & transportation - 35% of C1.1 & C1.2	0	827	0	827
C1.4 Office & staff accomodation	0	240	0	240
C1.5 Staff training - 4% of C1.1 & C1.2	95	0	95	0
D. H.O.Logistics & Management Support - 10% of Total Cost	833	838	488	922
Total Cost Per School	9,164	9,220	5,368	10,144

Yearwise cost for Non Formal Primary Education Program	1990		1991		1992	
Opening new school	1,000		700		1,000	
April	984		700		1,000	
September	36		0		0	
1st year school	984x7914	984x9220x.75	700x7914	700x9220x.75	1000x7914	1000x9220x.75
	7,629,111	6,665,727	5,539,811	4,840,259	7,914,018	6,914,655
	36x7914	36x9220x.25				
	284,905	82,976				
2nd year school	909x14,212		1000x14212		700x14212	
	12,918,708		14,212,000		9,948,400	
3rd year school	0		909x14,444		1000x14,444	439x10144x.75
			13,129,596		14,444,000	3,339,781
						470x10144x.25
						1,191,886
Total	27,581,427		37,721,886		43,752,697	
Motor Cycle for PO and FS: Year 1 Tk.45,000 x 0 Nos.	0		6,255,000		225,000	
Year 2 Tk.45,000 x 139 nos.						
Year 3 Tk.45,000 x 5 Nos.						
Total	27,581,427		43,976,886		43,977,697	
Inflation adjusted cost	27,581,427		48,374,332		53,213,014	

Year wise cost for Primary Education for Older Children(Kishor/Kahori)	1990		1991		1992	
Opening new schools	1,004		300		500	
April	0		0		0	
September	1,004		300		500	
1st year school	1004x9184	1004x9220x.25	300x9184	300x9220x.25	500x9184	500x9220x.25
	9,200,270	2,314,105	2,749,085	691,466	4,581,808	1,152,443
2nd year school	697x15512		1004x15512	535x10144x.25	300x15512	1004x10144x.75
	10,811,208		15,573,100	1,356,698	4,653,317	7,638,086
				182x10144x.75		
				1,232,440		
Total	22,325,581		21,802,789		18,025,853	
Motor Cycle for PO and FS Year 1 Tk.45,000 x 0 Nos.	0		3,150,000		0	
Year 2 Tk.45,000 x 70 Nos.						
Year 3 Tk.45,000 x 0 Nos.						
TOTAL	22,325,581		24,752,789		18,025,653	
Inflation adjusted cost	22,325,581		27,228,068		21,811,040	
Grand Total	49,907,008		75,602,400		75,024,054	

2. Development of Rural Managers

A. Programme Personnel cost

a. Basic salary	1990	1991	1992	TOTAL
a.1 Faculty - Tk.16,000x12 months x (2,5,7)	384,000	960,000	1,344,000	2,688,000
a.2 Research asstts Tk.6500x12months x(3,6,6)	234,000	468,000	468,000	1,170,000
a.2 Secretaries - Tk.6500x12 months x 1,1 & 2 Nos.	78,000	78,000	156,000	312,000
a.3 Librarian - Tk. 5500x12 monthsx0,0,1 No	0	0	66,000	66,000
a.4 Administrator - Tk 5500x12 months x 0, 0, 1 Nos.	0	0	66,000	66,000
a.5 Accountant - Tk. 3700 x 12 months x 1,1,1 Nos	44,400	44,400	44,400	133,200
a.6 Assistant Accountant - Tk.3000 x 12 months x 0,0,1 Nos	0	0	36,000	36,000
a.7 Typist -Tk. 3,000x12 months x 1, 1 & 2 Nos.	36,000	36,000	72,000	144,000
b. Travel cost 15% of a1.to a2.	92,700	214,200	271,800	578,700
Travel cost - 5% of a3 to a6	6,120	6,120	18,420	30,660
Total	875,220	1,806,720	2,542,620	5,224,560

B. Maintenance and Service Staff

a. Basic salary:				
a.1 Gaurds - Tk.2,000x12 months x 2,2,4 Nos.	48,000	48,000	96,000	192,000
a.2 Drivers - Tk.3,000x12 months x 1,2,3	36,000	72,000	108,000	216,000
a.3 Logistic Manager Tk.5500x12monthsX0,0,1 no.	0	0	66,000	66,000
a.4 Canteen Manager - Tk.4800 x 12 months x 0,0,1 Nos.	0	0	57,600	57,600
a.5 Peons - Tk.2,000x12 months x 2,2 & 3 Nos.	48,000	48,000	72,000	168,000
a.6 Cooks - Tk.3700x12 months x 1,1 & 4 Nos.	44,400	44,400	177,600	266,400
a.7 Cleaner & house keepers -Tk. 2000 x 12 month x 1,1,4 Nos.	24,000	24,000	96,000	144,000
	0	0	0	0
Total	200,400	236,400	673,200	1,110,000

C. Recurring Expenses

a. General expenses:				
a.1. Stationery & Printing	50,000	100,000	200,000	350,000
a.2. Electricity	50,000	75,000	200,000	325,000
a.3. Telephones	50,000	50,000	100,000	200,000

3.2.3 Services to Outside Individuals and Agencies

As with the commercial operations of BRAC the net proceeds from services provided to outside interests - training courses primarily - do not represent a major source of funds (3% of the sources over the 21 month period of the Tables). This income represents rather creative use of existing resources and experience, and a business-like attitude to what BRAC is doing. This attitude which is consistently observed throughout all of BRAC's work augurs well for the long term viability of the organization and its programmes.

3.2.4 Accumulated Profits

BRAC has approximately Tk 15m accumulated profits. Of this some Tk 10m has been reinvested and Tk 5m is kept in bank deposits.

3.3 USES OF FUNDS

Table 3.2 summarizes how BRAC applies the funds it receives. Of all expenditures made between January 1, 1989 and September 30, 1990, 46% went to RDP II and only 8% went to RCP. The Child Survival Programme (CSP) is another major programme, using 16% of the funds available in the period of the Table.

3.4 AARONG AND AYESHA ABED FOUNDATION

Whereas Aarong appears in the consolidated audited financial statements of BRAC, the Ayesha Abed Foundation does not. The two organizations are linked operationally but financially they are independent. The Foundation receives its own funding directly from donors (principally from Oxfam and Appropriate Technology International in the past, and currently from NORAD) and prepares its own financial statements.

The purpose of the Foundation and its field centres and sub-centres is to provide services to associations made up of large numbers of women members of BRAC's VOs and to facilitate the sales by these organizations of crafts to Aarong. The two existing associations have some 3000 members and are centred in the Manikganj and Jamalpur areas. It is understood that four additional associations at new centres are planned.

The Foundation has provided short term financing to the women's associations as well as equipment (looms, block printing tables, etc.) work space and training. The associations are intended to run as profitable entities, paying the Foundation a fee equal to 5% of sales income and providing dividends as well as piece work salaries to the women who belong.

a.5. Transport running cost				
- Tk.6,000x12 months x 1,2 & 3 Nos.	72,000	144,000	216,000	432,000
a.6. Rent (Office/Training facilities)				
- Tk. 25000x12 months 1,1,1	300,000	300,000	300,000	900,000
Total	572,000	769,000	1,216,000	2,557,000
D. Teaching Materials Development	20,000	100,000	100,000	220,000
E. News letter/Journal	0	0	200,000	200,000
G. Professional staff trg.	600,000	1,300,000	2,000,000	3,900,000
H. H.O. Logistics & management support - 10% of A to G	226,782	421,212	673,162	1,321,156
Total	2,494,382	4,633,332	7,405,002	14,532,716
Inflational adjusted cost	2,494,382	5,096,665	8,960,052	16,551,100
Less Training Income	800,000	1,500,000	2,000,000	4,300,000
Total for Dev. of Rural Managers	1,694,382	3,596,665	6,960,052	12,251,100

III. VULNERABLE GROUP DEVELOPMENT PROGRAMME:

Facilitation for Income Generation	1990	1991	1992	TOTAL
A1. Salaries & benefits				
A1.1 Team Leaders - Tk.5000x12 months x 34,36,36	2,040,000	2,160,000	2,160,000	6,360,000
A1.2 Programme Organisers				
- Tk.2800 x 12 months x 102,108,108	3,427,200	3,628,800	3,628,800	10,684,800
A1.3 Accountants - Nill	0	0	0	0
A1.4 Field Coordnators - Tk.6500x12 months x 2 ,3,3 Nos.	156,000	234,000	234,000	624,000
A1.5 Travel & Transport - 35% of a1.1 to a.1.3	1,913,520	2,026,080	2,026,080	5,965,680
A1.6 Staff Training - 5% of A1.1 to A.3	273,360	289,440	289,440	852,240
A1.7 Service staff - Tk.1300x12 months x 34,36,36 nos	530,400	561,600	561,600	1,653,600
A2. Training supplies to VGD cardholders				
- Tk.50 per person (15000,17500,20000)	750,000	875,000	1,000,000	2,625,000
A3. Stationeries & supplies				
- Tk.500 x 12 months x 34,36,36 nos	204,000	216,000	216,000	636,000
A4. Rent & Utilities - Tk.3000 x 12 months x 34,36,36 nos	1,224,000	1,296,000	1,296,000	3,816,000
A5. General Exp. & Maintanence				
- Tk 400x12 months x 34,36,36 nos	183,200	172,800	172,800	508,800

A6. Capital Expenditure				
A6.1 Furniture & Fixture - Hill	160,000	0	0	160,000
A6.2 Motorcycle - 16 Nos. x Tk.45,000 in Year 2	0	720,000	0	720,000
A7.1 Incubator Rearing house	0	200,000	0	200,000
	0	0	0	0
A8 H.O. Logistics & Management support - Tk.10% of A1 to A5	1,068,168	1,145,972	1,158,472	3,372,612
Total	11,909,848	13,525,892	12,743,192	38,178,732
Inflation adjusted cost	11,909,848	14,878,261	15,419,282	42,207,372

IV. SECTOR PROGRAMME COST

	1990	1991	1992	TOTAL
A. Fishery				
A1 Salaries and allowance of PO -Tk. 4500 x 12 month x 15 Nos.	810,000	810,000	810,000	2,430,000
A4 Travelling and transportation 35 % of A1	283,500	283,500	283,500	850,500
A5. Fish Nursery - Tk.90 per trainee per day for 15 days (200,200,200)	270,000	270,000	270,000	810,000
A.5 Fish Culture - Tk.15 per trainee per day for 5 days (500,500,500)	37,500	37,500	37,500	112,500
A.6 Refreshers course - Tk.15 per trainee per day for 3 days (300,500,700)	13,500	22,500	31,500	67,500
A.7 H.O. Logistics and Management Support - 10% of A.1 to A.6	141,450	142,350	143,250	427,050
Total	1,555,950	1,565,850	1,575,750	4,697,550
Inflation adjusted cost	1,555,950	1,722,435	1,906,658	5,185,043
B. Irrigation				
B.1 Salaries and allowance of PO - Tk. 4500x12 months x 30, 40,50 nos	1,620,000	2,160,000	2,700,000	6,480,000
B.2 Travelling & transportation - 35 % of B.1	567,000	756,000	945,000	2,268,000
B.3 Mechanics - Tk.40 per trainee per day for 75 days (25,75,75)	75,000	225,000	225,000	525,000

B.4 Irrigation Management-Tk.40x7 daysx200,1000,1000,nil	56,000	280,000	280,000	616,000
B.5Supplies & equipment	500,000	250,000	250,000	1,000,000
B.6 H.O.Logistics and Management Support - 10% of b.1.to b.5.	281,800	367,100	440,000	988,900
Total	3,099,800	4,038,100	4,840,000	11,977,900
Inflation adjusted cost	3,099,800	4,441,910	5,856,400	13,398,110
C. Apiculture - Tk.50 per trainee per day for 5 days (200,200,200)	50,000	50,000	50,000	150,000
C.1 H.O. Logistics and Management Support - 10% of C	5,000	5,000	5,000	15,000
Total	55,000	55,000	55,000	165,000
Inflation adjusted cost	55,000	60,500	66,550	182,050
D. Seri/Eri Culture				
D.1 Sapling - Tk.2x1600000,3000000,3000000 nos.	3,200,000	6,000,000	6,000,000	15,200,000
D.2 Chawki Centres - Tk.10000x46,154,150 centres	460,000	1,540,000	1,500,000	3,500,000
D.3 Reeling Machines - Tk.250000 x 4,4,4	1,000,000	1,000,000	1,000,000	3,000,000
D.4 SALARY AND ALLOWANCES:				
D.4.1 Program Incharge - Tk.6500x12	78,000	78,000	78,000	234,000
D.4.2 P.O.(Sericulture)-Tk.3700x12x8,16,16, Nos.	355,200	710,400	710,400	1,776,000
D.4.3 Sericulture asstt.-Tk.1500x12x40,70,80 Nos.	720,000	1,260,000	1,440,000	3,420,000
D.5 TRAINING				
D.5.1 S.A. - Tk.50x30 days x40,30,10nos	60,000	45,000	15,000	120,000
D.5.2 P.O Tk.90X30days X8,8,0	21,600	21,600	0	43,200
D.5.2 Rearers - Tk.15x20 days x 700,1000,1000 Nos.	210,000	300,000	300,000	810,000
D.5.3 Training Supplies - Tk.100 x 700,1000,1000 Nos.	70,000	100,000	100,000	270,000
D.6 TRANSPORT & TRAVELLING				
D.6.1 Motorcycle - Tk.45000 x 6,10,0 Nos.	270,000	450,000	0	720,000
D.6.2 Travelling &Transport - 35% of D.4.1 & D.4.2	151,620	275,940	275,940	703,500
D.6.3 H.O. Logistics & Management Support-10% of D.1 to D.5	617,480	1,105,500	1,114,340	2,837,320
Total	7,213,900	12,886,440	12,533,680	32,634,020
Inflation adjusted cost	7,213,900	14,175,084	15,165,753	36,554,737

E. OTHER SKILLS TRAINING

E.1.	Other skills training - Tk.500 per trainee per course (1200,1200,1200)	600,000	600,000	600,000	1,800,000
E.2	Salaries & allowance Tk. 4500 x 12 x 3,6,6 Nos.	162,000	324,000	324,000	810,000
E.3	Travelling and transportation 35 % of E.1	56,700	113,400	113,400	283,500
E.4	Production Centre Construction Tk.30,000 x 0,20,20	0	600,000	600,000	1,200,000
E.5	Supplies - Tk.500 per trainee (500,700,1000)	250,000	350,000	350,000	950,000
E.6	H.O. Logistics and Management Support - 10% of E.1 to E.5	106,870	198,740	198,740	504,350
	Total:	1,175,570	2,186,140	2,186,140	5,547,850
	Inflation adjusted cost	1,175,570	2,404,754	2,645,229	6,225,553

V. BRANCH OPERATING COST

	Per month	Per Year
1 Manager	6,000	72,000
3 Program Organiser	3,700	133,200
1 Accountant	2,800	33,600
1 Cashier	2,800	33,600
9 Gs	1,300	140,400
Travelling & Transportation 35% Salary of Manager &PO	3,395	71,820
15% Salary of Accountant	420	5,040
Other costs	5,000	60,000
H.O. Logistics and Management support (10%)		54,966
TOTAL		604,626

	1990	1991	1992	TOTAL
1990 cost	604,626	604,626	604,626	1,813,878
No. of branch	80	80	80	
Old branch New branch	48,370,080	48,370,080	48,370,080	145,110,240
Year 1990 70 20 (6 months)= 10 branch				
Year 1991 70 20 (6 months)= 10 branch				
Year 1992 70 20 (6 months)= 10 branch				
Rent for (20,20,20 branches)	720,000	720,000	720,000	2,160,000
Total	49,090,080	49,090,080	49,090,080	147,270,240
Inflation adjusted cost	49,090,080	53,999,088	59,398,997	162,488,165

VI REGIONAL OFFICE OPERATING COST

Regional Manager	10,000				
Monitor	5,000				
Service staff	1,300				
Rent	6,000				
Transportation	6,000				
Other Cost	5,000				
Total/month	33,300				
Total for 8 region		3,196,800	3,196,800	3,196,800	9,590,400
Inflation adjusted cost		3,196,800	3,516,480	3,868,128	10,581,408

VII. STAFF TRAINING AND DEVELOPMENT

7.5% of salary in year 1
5% of Salary in year 2

Manager	72,000				
P.O	133,200				
Accountant	33,600				
Cashier	33,600				
G.S	140,400				
	412,800	412,800	412,800	412,800	
		80	80	80	
		33,024,000	33,024,000	33,024,000	
Regional Manager	120,000				
Monitor	60,000				
	180,000	180,000	180,000	180,000	
		8	8	8	
		1,440,000	1,440,000	1,440,000	
Total Salary		34,464,000	34,464,000	34,464,000	103,392,000
7.5% in year 1 & 5% in year 2&3.		2,584,800	1,723,200	1,723,200	6,031,200
Inflation adjusted cost		2,584,800	1,895,520	2,085,072	6,565,392

VIII. LOAN FUND REQUIREMENT:

Proposed outstanding at year end:

Ist yr. branch 612,000 x 20,20,20	12,240,000	12,240,000	12,240,000	36,720,000
2nd yr. branch 1,858,000 x 20,20,20	37,160,000	37,160,000	37,160,000	111,480,000
3rd yr. branch 3,832,000 x 20, 20, 20	76,640,000	76,640,000	76,840,000	229,920,000
4th yr. branch 6000000x20	120,000,000	129,140,000	129,140,000	378,280,000
4th yr. branch 6,457,000x20				
4th yr. branch 6,457,000 x 20				
Total	246,040,000	255,180,000	255,180,000	756,400,000

Expected outstanding at year beginning	96,000,000	126,040,000	126,040,000	348,080,000
Requirement	150,040,000	129,140,000	129,140,000	408,320,000
Less : Sale Proceeds from Bank	41,000,000	120,000,000	129,140,000	290,140,000
Net Requirement	109,040,000	9,140,000	0	118,180,000

IX. CAPITAL INVESTMENT

		1990 Yr. 1	1991 Yr. 2	1992 Yr. 3	
Cost per branch					
Land 150000					
Building 1000000					
Furniture 50000					
Fridge & Flask 20000					
Others 20000					
Total 1240000					
1990 cost		1,240,000	1,240,000	1,240,000	
No. of branches		20	20	20	
Sub Total		24,800,000	24,800,000	24,800,000	74,400,000
Motor Cycle for POs Tk.45,000 x 280,121,80		12,600,000	5,445,000	3,600,000	21,645,000
		0	0	0	0
Total		37,400,000	30,245,000	28,400,000	96,045,000
Less:Sale proceeds to bank-Tk.750000x10,20,20 branches		7,500,000	15,000,000	15,000,000	37,500,000
Net requirement for branch		29,900,000	15,245,000	13,400,000	58,545,000
Regional Office:					
Furniture	50,000				
Motor cycle	45,000				
Total	95,000	95,000	95,000	95,000	
No of Regions		8	8	8	
Total for Region		760,000	760,000	760,000	2,280,000
Head office cost:					
Furniture & Fixture		2,000,000	500,000	500,000	3,000,000
Computer extension		3,500,000	300,000	200,000	4,000,000
Telephone installation		1,000,000	1,000,000	1,000,000	3,000,000
Total for H.O.		6,500,000	1,800,000	1,700,000	10,000,000
Grand Total		37,160,000	17,805,000	15,880,000	70,825,000
Inflation adjusted cost		37,160,000	19,585,500	19,190,600	75,936,100

X. PROGRAM INFRASTRUCTURE:

1. Principal Management Training Centre:

	1990	1991	1992	TOTAL
a. Land & Land development	4,000,000			4,000,000
b. Building (Tk.900x20,000 sft.)	0	18,000,000		18,000,000
c. Furniture & Fixture	844,000	1,688,000	1,688,000	4,220,000
d. Training & office equipment	100,000	100,000	1,384,000	1,584,000
e. Vehicles (1st year 1 No. car 2nd year 1 No.jeep & 3rd year 1 No. Bus).	1,000,000	1,000,000	1,000,000	3,000,000
Total	5,944,000	20,788,000	4,072,000	30,804,000
Inflation adjusted cost	5,944,000	22,866,800	4,927,120	33,737,920

3. Training and Resource Centre 3 centres

	1990	1991	1992	TOTAL
Land and Land Development	3,000,000	6,000,000	0	9,000,000
Building	18,000,000	24,000,000	0	42,000,000
Furniture and Fixture	2,000,000	2,000,000	0	4,000,000
Training and Office Equipment	1,000,000	1,200,000	0	2,200,000
Vehicle	1,200,000	2,400,000	0	3,600,000
Total	25,200,000	35,600,000	0	60,800,000
Inflation Adjustement	25,200,000	39,160,000	0	64,360,000
4. Expansion of existing TARCs	4,000,000	5,000,000	5,000,000	14,000,000
Total	4,000,000	5,000,000	5,000,000	14,000,000
Inflation adjusted cost	4,000,000	5,500,000	6,050,000	15,550,000
Grand Total	35,144,000	67,526,800	10,977,120	113,647,920

XI. Rural Enterprise Programme:	1990	1991	1992	TOTAL
A. Program personnel cost				
a. Salaries and benefits				
a.1 Economists Tk. 9,000 x 12 months x 2 Nos.	216,000	216,000	216,000	648,000
a.2 Senior Programme Organisers Tk. 6,500 x 12 months x 6 No	468,000	468,000	468,000	1,404,000
a.3 Junior Program Organiser Tk.5,000 x 12 months x 6 Nos.	360,000	360,000	360,000	1,080,000
a.4 Program Organiser (Female) Tk.4200 x 12 months x 4 Nos.	201,600	201,600	201,600	604,800
a.5 Accountant Tk. 5,000 x 12 months x 1 Nos.	60,000	60,000	60,000	180,000
a.6 Driver Tk.3,000 x 12 months x 2 Nos.	72,000	72,000	72,000	216,000
a.7 Typist Tk.4,200 x 12 months x 1 No.	50,400	50,400	50,400	151,200
a.8 Office Assistant Tk. 4,200 x 12 months x 1 No.	50,400	50,400	50,400	151,200
a.9 Travel & transport 35% of a.1 to a.5	456,960	456,960	456,960	1,370,880
Total	1,935,360	1,935,360	1,935,360	5,806,080
B. Programme Expenses				
Trainers				
a.1 Local trainers Tk.25,000 x 12 months x 1 No.	300,000	300,000	300,000	900,000
a.2 Foreign consultants Tk. 90,000 x 6 months x 1 No.	540,000	540,000	540,000	1,620,000
a.3 Trainers travel, Housing	192,000	192,000	192,000	576,000
a.4 Experimental Project Materials	100,000	100,000	100,000	300,000
a.5 Extension materials	30,000	30,000	30,000	90,000
a.6 Pilot project fund	300,000	300,000	300,000	900,000
a.7 Foreign travel cost	120,000	120,000	120,000	360,000
a.8 Staff training	257,000	256,000	256,000	769,000
Total	1,839,000	1,838,000	1,838,000	5,515,000
C. Recurring Expenses:				
a1. Office rent Tk.2000 x 12 months	24,000	24,000	24,000	72,000
a2. Utilities & maintenance - Tk.1400 x12 months	16,800	16,800	16,800	50,400
a3. Office Supplies - Tk.800 x 12 months	9,600	9,600	9,600	28,800
TOTAL	50,400	50,400	50,400	151,200
H.O.Logistics & Administrative Expenses -10% of A to C	382,476	382,376	382,376	1,147,226
Total Rural Enterprise Programme:	4,207,236	4,206,136	4,206,136	12,619,508
Inflation adjusted cost	4,207,236	4,626,730	5,089,425	13,923,410

LOAN FUND INTEREST INCOME

Outstanding at year begining	96,000,000	126,040,000	126,040,000	
Outstanding at yearend	246,040,000	255,180,000	255,180,000	
Total	342,040,000	381,220,000	381,220,000	
16% Interest Income on average outstanding	27,363,200	30,497,600	30,497,600	88,358,400
Less Loan Loss Provision				
(2% of total disbursement)	6,696,000	6,504,000	5,984,000	19,184,000
	20,667,200	23,993,600	24,513,600	69,174,400
NET INTERST INCOME	20,667,200	23,993,600	24,513,600	69,174,400

calculation sheet for loan loss provision	1990	1991	1992
1st year branch 960,000x20,10,10	19,200,000	9,600,000	9,600,000
2nd year branch 2,600,000 x 20 ,20, 10	52,000,000	52,000,000	26,000,000
3rd year branch 5,040,000x20,20,20	100,800,000	100,800,000	100,800,000
4th year branch 8,140,000x20,20,20	162,800,000	162,800,000	162,800,000
total	334,800,000	325,200,000	299,200,000
2% of Disbursement	6,696,000	6,504,000	5,984,000

The only direct support provided by BRAC to the Foundation is a training allowance that RDP pays to women who are learning a skill such as weaving or block printing.

3.5 AUDITORS REPORTS FOR BRAC

BRAC's auditor is currently ACNABIN & Co. This company prepared the audited statement for BRAC's financial year ending December 31, 1989, and will also be preparing the report for 1990. ACNABIN has also prepared specific quarterly reports for the donors to RDP II and RCP which provided valuable information and insight to the Review Team.

TABLE 4.1

RDP SOURCES AND USES OF CASH
9 MONTH 1990
(Tk million)

	Project Budget 1990	Estimated 9 month Budget	9 month Actual	Variance
Sources of Cash:				
- Donors	268.4	201.3	157.0	44.3
- Net int. inc.	20.6	15.4	12.7	2.7
- Other	-	-	30.3	(30.3)
Total	289.0	216.7	200.0	16.7
Uses of Cash:				
- Core Program	218.5	164.6	150.7	13.9
- Sectoral	69.5	52.1	49.3	2.8
Total	289.0	216.7	200.0	16.7

Notes:

- The 9 month estimated budget was calculated assuming that the proposed annual budget would be spent evenly over the project year. This is not necessarily true but will suffice for the purposes of this analysis and does not significantly alter the conclusions.

TABLE 4.2

RCP SOURCES AND USES OF CASH
9 MONTH 1990
(Tk million)

	Project Budget 1990	Estimated 9 month Budget	9 month Actual	Variance
Sources of Cash:				
- Borrowers' funds rec'd Jan.1/90	22.4	22.4	14.4	8.0
- Increase in borrowers' savings	10.5	7.9	10.1	(2.2)
- Donors' funds	156.0	117.0	59.5	57.5
- Other liab.	0.0	0.0	3.1	(3.1)
- Cash from operations	2.2	0.7	(0.7)	1.4
Total sources:	191.1	148.0	86.4	61.6
Uses of Cash:				
- Increase in cash on hand	1.9	(8.0)	7.9	(15.9)
- Investments	98.1	73.6	0.0	73.6
- Increase in gross loans outstanding	26.0	19.5	23.7	(4.2)
- Increase in fixed assets	9.0	6.8	3.3	3.5
- Other assets	0.0	0.0	2.6	(2.6)
- Purchase 10 branches from RDP (Jan1/90)	56.1	56.1	48.9	7.2
Total uses:	191.1	148.0	86.4	61.6
Note:				
re: Purchase 10 branches from RDP (Jan1/90)				
loans	50.0	50.0	41.1	8.9
fixed assets	6.1	6.1	7.8	(1.7)
	56.1	56.1	48.9	(7.2)

4. RDP II AND RCP FINANCIAL OVERVIEW

4.1 RDP FUNDING

Tables 4.1 and 4.2 provide an overall summary of RDP and RCP's actual expenditure to 30th September, 1990, in comparison with the originally agreed budgets. They reveal:

4.1.1 Funding Shortfall

BRAC's total funding for RDP II and RCP was Tk 78.3 million short of forecast.

a) Total funds available during the period for RDP II and RCP activities equalled Tk 286.4 million vs. Tk 364.7 million forecast.

b) The shortfall in donor funding was Tk 101.8 million. This shortfall was partly offset by the use by BRAC of "other" funds of Tk 30.3 million.

4.1.2. Activities Under Target

The activities carried out by BRAC necessarily fell short of the overall spending objectives by the same Tk 78.3 million.

a) With respect to RCP II, expenditures were Tk 13.9 million less for Core activities and Tk 2.8 million less for Sectoral programs than anticipated.

b) With respect to RCP the project underspent by Tk 71.2 million. The major variance relates to the investments that were supposed to have been made but due to lack of funds were not.

4.2 RDP EXPENDITURE

A review of Table 4.3 reveals that whereas there was a net under-expenditure for RDP II there were, in fact, some positive and some negative variances. The most significant are;

4.2.1. Activities Over Spent

		Tk m
- Construction of new TARCs	-	11.4
- NFPE	-	4.3
- Employment and income generation activity	-	3.0
- Expansion of existing TARCs	-	1.4

4.2.2. Activities Under Spent

		Tk m
- RDP revolving loan fund	-	24.6
- MDP	-	4.9
- IGVDG	-	2.2
- Institution Building	-	2.0
- REP	-	1.7

As indicated in Table 4.3, each of areas of activity for RDP II is discussed in specific sections of this Review Mission.

Also, as can be seen in the RDP Activity Summary, Branch, Regional and Head Office costs (operating and capital expenditures) were more or less on target and consequently will not be reviewed in detail in this analysis except as they relate to the issues of management capacity discussed in Section 8.2.1.

4.3 PERFORMANCE OF RCP

Tables 4.4 and 4.5 (also presented in Section 7 as Tables 7.1 and 7.2), RCP's balance sheet and income statement, provide additional summary information with respect to the performance of RCP. As discussed in Section 7.3 below, despite the slow start-up, problems with the transfer of the 10 designated RDP Area Offices to become RCP Branch Offices, and various factors such as the absence of any investments, the actual result achieved in terms of net operating profit was almost exactly on target.

4.4 CONCLUSION

The full implications of these figures are discussed in Section 7 below. In this context, it is relevant to note that the funds which might be available from donors in Taka terms for RDP II and RCP in 1990 and the following years could be considerably greater than those originally budgeted. This is entirely on the basis of currency changes since the budget was approved.

As the figures in Section 11 below indicate, the total budget for RDP II and RCP was Tk 1554m. The funds now possibly available taking into account only the difference in the US dollar to Taka rate (Tk 35.5 compared to Tk 31.7 = US$1), could be Tk 1,740m. Also taking into account the currently higher rates for the European currencies, the sum could be as much as Tk 1,995m. This report may be useful to donors in making decisions related to the increase requested by BRAC.

TABLE 4.3

RDP ACTIVITY SUMMARY
9 MONTH 1990

	Estimated 9 month Budget	Actual 9 month expense	Variance	For discussion of Target vs. Actual results please see following sections of this report
1. CORE PROGRAM		(Tk million)		
A. Institution Building	9.2	7.2	2.0	Section 5
B. Employment & Income Gener.	10.0	13.0	(3.0)	Section 6
C. Branch & R.O. oper. exp.	39.4	39.2	0.2	Section 8
D. Branch, R.O. & H.O. cap. invest.	23.6	22.9	0.7	Section 8
E. Revolving loan fund	75.8	51.0	24.6	Section 7
F.1 Expansion of existing TARC's	1.7	3.1	(1.4)	Section 8
F.2 Construction of new TARC's	-	11.4	(11.4)	Section 8
F.3 REP	3.5	1.8	1.7	Section 6
F.4 RED	1.6	1.1	0.5	Section 5
Totals:	164.6	150.7	13.9	
2. SECTORAL PROGRAMS				
A. NFPE	34.0	38.3	(4.3)	
B. MDP	8.9	4.0	4.9	
C. IGVGD	9.2	7.0	2.2	
Totals:	52.1	49.3	2.8	
Less: net interest income	15.4	12.7	2.7	
Total Funding Required	201.3	187.3	14.0	
- received from Donors		157.0		
- other sources		30.3		
		187.3		

TABLE 4.4

RCP BALANCE SHEET
AS OF SEPT.30, 1990
(Tk million)

ASSETS:	Estimated position at Sept. 30/90	Actual position at Sept. 30/90	Variance
Cash	(8.0)	7.9	15.9
Current assets	0.0	2.6	2.6
Investments	73.6	0.0	(73.6)
Net loans	68.6	63.7	(4.9)
Net fixed assets	11.1	10.8	(0.3)
Total assets	145.3	85.0	(60.3)
LIABILITIES:			
Members' funds	30.3	24.5	(5.8)
Current liabilities	0.0	3.1	3.1
BRAC loan	117.0	59.5	(57.5)
Total liab.	147.3	87.1	(60.2)
EQUITY:			
Paid in equity	0.0	0.0	0.0
Retained earnings - profit	(2.2)	(2.1)	0.1
Total equity plus liab.	145.1	85.0	(60.1)

TABLE 4.5

RCP INCOME STATEMENT
9 MONTHS TO SEPT.30, 1990
(Tk million)

	Estimated position at Sept. 30/90	Actual position at Sept. 30/90	Variance
INCOME:			
Investment income	3.3	0.0	(3.3)
Interest income	7.2	6.6	(0.9)
Total int. inc.	10.5	6.6	(4.2)
Interest on deposits	1.8	1.3	(0.5)
Net int. inc.	8.7	5.3	(3.7)
OPERATING EXPENSES:			
Branch operating exp.	5.7	4.9	(0.8)
Regional operat. exp.	0.4	0.4	0.0
H.O. operating exp.	1.7	0.6	(1.1)
Depreciation	1.5	0.3	(1.2)
Loan loss provision	1.4	1.1	(0.3)
Staff training	0.2	0.1	(0.1)
Total oper. exp.	10.9	7.4	(3.5)
NET OPERATING PROFIT	(2.2)	(2.1)	(0.1)

Explanations for and the implications of the variances in RCP's performance are discussed in Section 7.

5. SOCIAL AND INSTITUTIONAL DEVELOPMENT

5.1 INTRODUCTION

5.1.1 Changes in the BRAC Approach

The institution-building process is the foundation for participation and for the reception of credit and services. Sector Programmes in education, health service and income generating activities for vulnerable groups provide services to RDP and RCP, but also to groups in areas outside these programme areas. These programmes have separate organizational structures which operate in consort with RDP and RCP, and which build on a strategy of cooperation with government institutions.

BRAC's long term strategy usually starts with health interventions, includes non formal education, then leads to the formation of Rural Development Programme activities and to RCP. Throughout the process, the sector programmes work in cooperation with government service delivery systems, rather than as parallel operations, partly in order to help villagers take advantages of government services that some have not known were available.

Important changes were made during 1989 in the institution-building approach of RDP in order to enable Village Organizations to operate more uniformly and with greater accountability, especially within the framework of a credit programme. These proved more problematic than expected. New rules and regulations, meant to enhance the accountability and internal democracy in the VOs, caused a number of members to leave and some VOs, especially older ones, to close. A full discussion of the restructuring and its effects is included in Annex 5.

Important effects of this restructuring were that

- male VOs and male membership declined somewhat, and women now constitute roughly two thirds of the membership;
- a bottleneck was created regarding disbursement of credit linked to obligatory awareness training; this problem should, however, be solved by the first quarter of 1991;
- younger branches perform better than Year 4 branches;[1]
- the village federation process has not advanced, a policy discussion regarding federation strategies still has to be conducted.

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[1] BRAC Branches are categorized as Year, Year 2, Year 3 and Year 4. Year 4 branches may be as much as ten years old. The poor performance discussed here usually relates to older Year 4 branches. See also Annex 9.

5.1.2 Inputs and Achievements

As noted above, the introduction of new rules and regulations for VOs in early 1989 created problems for the older VOs. Branches with VOs formed after 1988 have had an unproblematic restructuring, whereas Year 4 branches are found to bear the major responsibility for under-achievement of membership targets. The same applies to the RCP branches where male members have actually declined in real figures and the number of VOs is now 6% lower than at the time of transfer from RDP to RCP. The actual number of female members and female VOs have increased, however.

The increase in RDP members also stands slightly below target (96% of plan), whereas the increase in VOs is 107% of target.

Numerically, achievements against targets are as follows:

	RCP	RDP
Membership, Women	35,556	221,028
" Men	22,417	128,798
Total	57,973	349,826
Target	64,773	366,000
Village Org. Women	603	3,718
" " Men	436	2,619
Total	1,039	6,337
Total Transfer/Target	1,012	5,900

In December, 1988, women constituted 58% of the total membership. In June, 1990, women in RDP represented 72% of the total, and in RCP the figure was approximately 60%.

The positive achievements registered for savings and group funds are an indicator of the relative success of the restructuring process. These are discussed at length in Section 7 of this report.

There has been no reporting concerning the Union and Upazila level federations. The federations are still in operation in the RDP areas where they were previously set-up, but no new developments have taken place. The issue is presently not regarded as a priority, for very understandable reasons. Until the restructured VOs are functioning and BRAC's interrelationship with the government service system via the social sector programmes have brought about more experience, the time does not seem right to reconsider the strategies of federation.

5.2. NON FORMAL PRIMARY EDUCATION

5.2.1 Introduction

The following sections of the report describe progress and changes in BRAC's various training and human development programmes. Some of these activities are elements within other, broader programmes. For example social awareness training is a key element in preparing villagers in RCP and RDP for loans, while training in deep tubewell management is part of RDP. The Non Formal Primary Education Programme and the Management Development Programme relate to other elements of BRAC's work, but are essentially stand-alone programmes from a management and budgetary point of view.

All of these human resource development programmes have been combined in this section of the report, however, because many are closely allied to one another and because, described together, there may be greater consistency for the reader.

5.2.2 Non Formal Primary Education: Background

The NFPE Programme, which offers one type of appropriate education for 8-10 year olds (NFPE) and another for 10-16 year olds (PEOC, or Primary Education for Older Children[2]) will be the subject of an independent review during 1991, and is not a major focus of this report. The following progress, however, can be reported against the plan and budget for 1990:

	Schools		1990	Expenditure
	Plan	Actual	Budget	To Sept. 30
Ongoing NFPE	880	880	Tk 45.3 m	Tk 38.3 m
Ongoing PEOC	726	726		
New NFPE	500	1000		
NEW PEOC	500	1204[3]		

[2] The PEOC Schools are also known as Kishor Kishoree.

[3] Of these, 200 are funded by UNICEF, outside the RDP Plan and Budget.

The target has been exceeded by 100%, while expenditure is Tk 4.4 million ahead of budget (85% spent at the end of the third quarter).

BRAC's explanation for the increase in school openings has partly to do with need, partly with opportunity. There is no doubt that the programme fills a large vacuum at village level and that it is popular with parents. The clamour for an NFPE school in villages where BRAC operates is strong. The validity of the programme has been borne out in a variety of independent evaluations.[4]

From an opportunity point of view, the infrastructure required to double the target was basically in place. The large programme increase without a concomitant jump, so far, in 1990 spending is explained by the timing of school opening. Of the new PEOC schools, 100 opened in April and 1104 in September. 964 NFPE schools opened in April, and 36 in September. The budget, however, anticipated 1000 new schools operating for a full twelve months - from January 1.[5]

The budget provided a total amount of Tk 19.4 million for the new schools - an all-inclusive average of Tk 19,400 per school or approximately Tk 1616 per school month. The budget to the end of September had to cover a maximum of only 7,324 school months, rather than the 12,000 budgeted, and will probably not have to cover more than 13,300 school months by the end of 1990. This will run to an estimated Tk 21.5 million, or about Tk 2 million over budget for the year.[6]

Although overall NFPE costs are likely to run over budget by only 10% in 1990, there are financial implications of the change for future years. The budgets for 1991 and 1992 have therefore been recast to cover the expenses related to the extra 1990 openings, and to take into account new plans for future years (with appropriate provision for school opening dates).

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[4] For example, Kamrunessa et al for World Bank, Dec. 1988; Muhammad Nazmul Haq for Ministry of Education/UNICEF, January, 1990.

[5] Thus, within the budget there is an apparent over-expenditure (using pro-rated monthly figures) of Tk 7.9 million for NFPE schools, and a Tk 3.57 million under-expenditure for PEOC schools.

[6] In fact the actual deficit will be higher because the cost of training teachers and the printing and provision of books and other materials requires a heavy front-end investment.

5.2.3 Future Plans

BRAC's original plan was to open 1000 new schools each in 1990, 1991, 1992. The new plan calls for 1000 in 1991,[7] and 1500 in 1992. In other words, there will be a total of 4500 new schools during the plan period, instead of the 3000 planned.

The effect of the increase on the budget is as follows:

1990 Original Budget	Tk 45.3 m
1990 Revised Budget	49.9 m
Variance	Tk 4.6 m

This represents a 100% increase in target and a 10% increase in budget.

1991 Original Budget	Tk 54.4 m
1991 Revised Budget	75.6 m
Variance	Tk 21.2 m

This represents no increase in target, and a 39% increase in budget, mainly to accommodate the on-going costs of the 1990 additions.

1992 Original Budget	Tk 52.5 m
1992 Revised Budget	75.0 m
Variance	Tk 22.5 m

This represents a 50% increase in the 1992 target, with a 40% increase in the budget.

Overall, the number of school openings will have increased by 50% during the three year period, while the budget will have increased by 32%.

5.2.4 Conclusions

The Review Team is of the opinion that, given adequate financial resources, the new projections are within BRAC's capabilities. This observation, however, assumes that the expanded training capacity, discussed in Section 5.5 below, is available.

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[7] An additional 1000 schools are planned for 1991 under the WHDP programme; these will be funded outside the existing RDP budget.

5.3 TARCS AND FIELD-BASED TRAINING

Over the years, training has become an increasingly important part of the BRAC approach to rural development, and an increasingly large part of the BRAC budget.[5] Training is broken into two basic components: the human development aspects of institution building (social awareness, consciousness raising, functional education, leadership development), and skill training in various sectoral areas (poultry, livestock, irrigation, sericulture, fisheries, etc.). The RDP technical support structure through which skill training is provided, is described in Section 6.

Training is provided at Training and Research Centres (TARCs), at Area Offices, and at the village level. At the beginning of 1990, BRAC operated five TARCs with a residential Fish Hatchery and Training Centre at Rajendrapur/Joydepur. These were supported by a non-residential TARC unit in Dhaka. Facilities included:

Savar/Dhaka:	16 trainers; residential accommodation for 100; 4 classrooms; 17 acre dairy farm; fish farm;
Modhupur/Tangail:	7 trainers; accommodation for 38;
Pabna:	5 trainers; accommodation for 54; small-scale agricultural activities;
Rangpur:	6 trainers; accommodation for 50; small-scale agricultural activities;
Jessore:	6 trainers; accommodation for 66; fish farm and small-scale agriculture activities;
Rajendrapur:	1 permanent trainer; accommodation for 30; 14 fish ponds covering 5.29 acres of water; small-scale agricultural activities.

TARC-based trainers are all drawn from Programme Officer ranks, and all have good field experience (the five Pabna trainers, for example, have a combined BRAC experience of 28 years). Training of Trainers is done within BRAC and through outside courses at BARD, the Bangladesh Management Development Centre and other institutions. Before becoming a full-fledged trainer, an individual must apprentice for 6 months and participate in a variety of field-based training programmes. On-going exposure to

[5] Excluding the Non Formal Primary Education Programme, which alone represents 19% of the 1990 RDP budget, adult training programmes account for approximately 10% of the total.

field activities and field-based training keeps trainers in touch with ground-level activities.

The level of professionalism and commitment at the TARCs appears to be high, and the turnover rate among TARC staff is very low (no departures in the past year).

TARC-based trainers focus on human development and management training. RDP sectoral officers and POs provide the skill development training, using TARC facilities as well as area offices and field locations.

The quality of programmes is maintained through monthly TARC meetings and regular inter-TARC conferences, where curriculum and course development are discussed and debated, sometimes with outside consultants. Pedagogical concerns in sectoral skill training are handled by ensuring that two or three of the RDP specialists in each sector have received appropriate teacher training.

A prospectus and course outline on each of the nine courses offered for landless group members and the 30-odd courses for BRAC staff and other organization workers offered by the TARCs is prepared annually, along with an annual plan for each TARC. Although the plan is detailed and comprehensive, it is not rigid; should demands or needs change - as in the case of functional education as a pre-condition for village lending - the plan will be altered. Examination by the Review Team of TARC plans and records at Pabna and Jessore revealed regular adjustments during the plan period to meet changing needs and conditions.

5.4 HUMAN DEVELOPMENT TRAINING

5.4.1 Performance

Since the plan and budget were prepared, a number of significant changes have taken place in BRAC's approach to human development training. The major change has been the institution of compulsory 'awareness building' prior to the granting of a loan. Adult literacy programmes have been temporarily sacrificed to the need for greater social awareness building.

For the training of senior VO members, shortage of space at the Training and Research Centres (TARCs) has slowed performance in this area, and in some cases training programmes have had to be shifted to temporary accommodation erected at Area Offices.

The following courses are normally offered at the TARC for leaders of village organizations:

	1990 Plan	Actual to June 30
Social Awareness	1000	1187[9]
Cons. Raising/Leadership	2000	1474
Planning & Mgmt.	4400	242
Basic Accounting	4400	Added to Planning & Mgmt.
Refreshers	4400	n.a.

The Planning and Management courses are significantly behind schedule because of a lack of space at the TARCs (discussed in Section 5.5.2). Refresher courses, although detailed in the budget, are subsumed within the Area Office budgets where the activity takes place.

5.4.2 Expenditure

Actual expenditure to Sept. 30 is basically on target, despite an apparent under-achievement in activity targets. This is, in part, because of an expansion in the number of days allocated for some courses. In addition, the Accounting and Refresher Courses were budgeted under Area Offices, rather than under Institution Building. It is expected that expenditure for 1990 will be slightly over budget, and that the overall three year expenditure will be roughly 12% higher than planned.

5.4.3 Conclusions

It was extremely difficult for the Review Team to relate the planned activities for Institutional Building/Human Development Training to those that have actually taken place. The same was true of skill training (described below). It would be difficult, short of a detailed audit, to tie expenditure to actual activities. The problem is a reflection of the general nature of activity targets in the original budget, and of changes made since the plan was finalized.

It was also difficult to understand the differentiation between social awareness and consciousness raising.

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[9] This figure covers the period Jan. 1 - Oct. 30, 1990.

Recommendation

In future reports, it would be useful to have better definitions of training courses, a breakdown of courses by location (TARC, AO, village), and by type of trainee (staff, VO leaders, VO members). It would also be useful to have a gender-related breakdown for training programmes.

Recommendations are made in the Management Information Section (Section 8, below) to rectify the problem of relating activities more directly to expenditure.

5.5 SKILL TRAINING

5.5.1 Performance

	1990 Plan	Actual To Sept. 30
Poultry Workers	1000	374
Poultry Rearers	20,000	14,326
Livestock		
Para Vets	200	223
Cow Rearers	4,500	13,031
Irrigation Mechanics	25 }	
Irrigation Management	100 }	1,646
Apiculture	200	-
Sericulture		
Worker	20 }	
Rearer	700 }	450
Centre Operators	46 }	
Horticulture		
Nursery	200	265
Village Horticulturist	4,000	4,478
Fisheries		
Village Fish Nurseries	200 }	
Village Fish Farmers	500 }	896
Para Legal Training	-	150
Social Forestry	-	15
Miscellaneous Skills	500 }	1,200
Total	32,191	37,252

Some of the numbers above have been aggregated, as course descriptions have changed and course types have expanded since the budget was prepared. The large over-achievements in cow rearers and irrigation represent changes in the approach to cow loans (every borrower must undergo a three day course), and irrigation (a significant increase in the planned number of deep tubewell investments).

BRAC's current targets of 820 paravets (against 560 now); 16,500 cow rearers, 4000 poultry workers/egg collectors and 56,000 model and key rearers (against 51,574 at end June 1990), would appear to be within reach in 1990 or early 1991.

5.5.2 Performance to Budget

	1990 Budget	Actual To Sept. 30	Balance
Poultry, Livestock, Crops & Horticulture (incl. HO)	7,409,314	5,297,163	2,130,151
Fishery	677,600	1,006,282	(328,682)
Irrigation	364,650	3,455,062	(3,090,412)
Apiculture	60,500	29,117	31,383
Seri/Ericulture	4,213,440	2,652,793	1,560,647
Other	605,000	584,707	20,293
Total	13,330,504	13,025,124	305,380

5.5.3 Conclusions

Five thousand more people received training in the first nine months of the year than the total planned for the entire year. Over 97% of the budget for the year was spent by the end of September. The over-expenditure has been caused almost entirely by the large increase in training for tubewell management, although the apparent balance within the poultry and livestock category disguises overspending in livestock at the expense of horticulture.[10]

It is difficult to relate the planned cost of skill training to the actual achievements, however, as courses range in cost from Tk 30 to Tk 90 per participant, per day. Because of changes in course type and duration, the details of the actual training and costs are different from the details in the plan and budget.

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[10] Horticulture training reports a 10% over-achievement for the period ending Sept. 30. This is apparently results from an indeterminate amount of miscoding: because of lack of space at the TARCs, horticulture courses - which are normally given by sericulture foresters during the summer - were given at Area Offices and charged to the sericulture programme. Sericulture remains underspent at Sept. 30, nevertheless, because heaviest spending begins in the fourth quarter after the end of the monsoon.

The Review Team concludes that the development and delivery of courses for skill training is handled in a professional and appropriate manner, and that activity targets have been exceeded. Spending for the year and for the plan period will be significantly over budget. In the opinion of the Review Team, the new targets and budgets are justified. A rationale for this view is contained in Section 6.

Recommendations are made in Section 8 on refining the management information systems in order to provide more informative reports in future.

5.6 STAFF INDUCTION TRAINING AND IN-SERVICE TRAINING

5.6.1 Performance

	1990 Plan		Actual To Sept 30
AO Managers Induction	25 }		
PO Induction Training	130 }	180	474
Accounts PO Induction	25 }		
AO In-Service Trg.	25 }		
PO In-Service Trg.	150 }	200	467
Accounts In-Service	25 }		

5.6.2 Performance to Budget

	1990 Plan	Actual to Sept. 30 (Taka)	Over-Expenditure
Induction Training	494,430	692,386	198,046
In-Service Training	808,500	1,069,969	261,469
Total	1,302,930	1,762,355	459,515

5.6.3 Conclusions

Numbers trained to September are approximately 150% more than planned, while expenditure is 35% over the total budget for the year. The numbers of staff trained in the plan and the actuals may not be strictly comparable, as some of the 'PO Training' provided at TARCs, and possibly included in the reports, is conducted for external agencies. Nevertheless, targets have been exceeded, and the greater staff training requirements necessitated by the expansion of RDP in 1990 are being covered. In the view of the Review Team, the over-achievement of target and the over-spending of budget is more than justified.

5.7 TRAINING CAPACITY

5.7.1 The Demand

The demand for training, which determines capacity requirements is, of course, determined entirely by BRAC's view of the need. The volume and complexity of training has increased steadily over the years; for example BRAC provided human development and management training to 5,908 individuals in 1985, and to 13,224 in 1989.[11] The 1990-92 RDP plan estimated training 16,200 annually in this category alone. With the expansion of RDP and NFPE, and with the development of the WHDP, the demand for training is very much on the increase.

The need for additional trainers appears not to be problematic. The TARC at Savar has 16 trainers, ten of whom have been groomed for deployment to other TARCs as soon as accommodation is available. It is estimated that another ten will be required, but as these are drawn from the ranks of POs and Area Managers, this should not prove difficult.

5.7.2 The TARCs

One of BRAC's biggest training handicaps is a shortage of space. In 1989, capacity utilization of the TARCs was 90% (79,846 participant days against a capacity of 88,022), added to field-based programmes representing 102,416 participant days. The Three Year RDP Plan envisaged an expansion of existing TARCs over the three year period, and the construction of one entirely new TARC. Because of the pressure on existing capacity, and because of anticipated increases in donor funds derived from currency exchange rate gains (discussed in Section 10) BRAC has advanced and expanded its plans for capacity development.

The Rajendrapur Fish Hatchery and Training Centre has been upgraded into a full-fledged TARC in 1990, with accommodation facilities for 40. The Rangpur and Modhupur TARCs have been expanded from 50 and 38 beds respectively, to 68 and 58, with added classroom facilities as well.

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[11] Roughly 11% of the training is provided to outside organizations; this proportion has remained steady over the past five years, although it has probably declined in 1990 because of lack of TARC space.

The following changes are planned for 1991 and 1992:

Pabna: Increase accommodation from 54 to 100; construction to start in 1991;

Rangpur: Increase accommodation from 68 to 100; construction to start in 1991;

Jessore: Increase accommodation from 66 to 100; construction to start in 1991;

Rajendrapur: Increase accommodation from 40 to 50; expansion of fish ponds from 5.53 acres to 7 acres; construction to be completed in 1991 (in conjunction with the construction of the Management Development Programme Rajendrapur Facility [see below], which will have an additional 90 beds);

Faridpur: Construction of new TARC with accommodation for 100; starting in 1991;

Comilla: Construction of new TARC with accommodation for 100; starting late in 1991;

It is anticipated that total capacity, Including TARCs and MDP will increase from 218 beds to 640, or 193% between January 1990 and the end of the Plan period.

The effect on the budget of the changes in planned TARC development are discussed in Section 5.8, on the Management Development Programme, below.

5.7.3 Conclusions

In the opinion of the Review Team, the expansion of TARCs and the Management Development Programme are justified by the physical need and by the strategic importance of training, which underlies the effectiveness of almost everything BRAC does. Although the Review Team's opinion on the expansion of TARCs and MDP was not based on a precise calculation of training projections, space requirements or accommodation needs (as detailed projects were not available at the time of our visit), a number of indicators of need were obvious:

- capacity utilization of TARCs, at 90% in 1989, is high;
- training to Sept. 30 has outstripped targets for the entire year, which were already set 16% higher than 1989;
- the targets have been exceeded by moving some training courses from TARCs to temporary sheds and godowns at Area Offices. Evidence of this was obvious to Team Members during

field visits. This necessary improvisation dilutes the effectiveness of trainers who must spend time and effort travelling about the countryside.

Recommendation

It is recommended that BRAC expand on its request to donors for additional TARC and MDP expansion, with details on projected programmes and numbers of trainees envisaged for 1991 and 1992. Within the context of the overall revision of the RDP and RCP Plan and Budget, and given a satisfactory justification from BRAC, the expansion is recommended by the Review Team to donors for acceptance.

5.8 MANAGEMENT DEVELOPMENT PROGRAMME

5.8.1 Background and Progress

The MDP is a new programme, established in 1990, dedicated to enabling BRAC, government and other development agencies to manage their resources more productively, equitably and sustainably. The basic purpose of the MDP is to strengthen management capability by providing management training to BRAC and non-BRAC workers through five basic programme elements:

- research, documentation and learning materials development;
- experimental field laboratories;
- in-service education;
- field follow-up and experience sharing;
- consultative services to other organizations.

Essentially, the activities of the Management Development Programme are going ahead as planned, although implementation is slower than anticipated. A rented facility with classrooms and residential accommodation for 27 has been established in Dhaka. In addition to the Programme Coordinator, two faculty members have been appointed (both are currently abroad for training, one at Harvard and one at the Asian Institute of Management - AIM), and four research assistants have been hired.

Following exposure to the AIM case-study method and a case-study workshop, the MDP has embarked on the development of several cases for use in future training programmes. In consultation with other professional institutions, preliminary training modules have been developed and tested (for Government Health and Family Planning Managers, BRAC's WHDP Managers, IGVGD Upazila Programme Organizers, and others). By the end of June, seven courses had been given for BRAC staff and three for government. Subsequent Courses have been given on behalf of GTZ and CCDB. Courses range from two to four weeks.

The courses emphasize an interactive, non-lecture approach and give equal attention to areas of technical competency, behavioral competency and conceptual competency. Follow-up is done, in part, through the assignment of specific exercises which can be checked at different intervals. Trainers are drawn from existing BRAC staff and from external bodies such as the Institute of Business Administration, Dhaka University, and the Bangladesh Management Development Centre. These and others such as the International Centre for Diarrhoeal Diseases Research and the National Institute of Preventive and social Medicine also serve on an MDP Consultative Committee.

Future faculty development is an area of concern within BRAC. Getting and keeping good individuals will be important to the MDP's success. The plan, which calls for three new faculty in 1990, two in 1991 and three in 1992, is somewhat behind schedule in that two of the currently appointed faculty members will be abroad on studies for some months to come. To partially offset this shortfall, the MDP has appointed four research assistants, rather than the planned two. In addition, in order to develop a professional audio visual unit, the MDP has made an arrangement with Queen's University in Canada for the training of three staff.

5.8.2 Performance to Budget

	Budget	Actual to Sept 30 (Taka)	Balance
Recurrent	3,532,232	877,718	2,654,514
Less Training Income	1,000,000	735,321	264,659
Net Recurrent	2,532,232	142,379	2,389,835
Equipment & Vehicle	2,509,100	126,836	2,382,264

Underspending is a reflection of lower salary costs and a slower startup than anticipated. Some costs have been miscoded to H.O.[12] and will be redirected before year-end. It is expected that the recurrent budget will be approximately 50% underspent in 1990, but that over the three year period, there will be a justifiable increase in spending over the original budget, of approximately 13%. Equipment and vehicle costs will rise during the final

[12] For example the training costs for an MDP faculty member at AIM.

quarter of 1990, mainly as the result of the purchase of a micro bus in November.

For ease of comparison, the capital budgets of the Management Development Programme and the Training and Resource Centres are discussed together here.

The April 1989 Appraisal, and the 1990 Swiss Development Corporation withdrawal from the donor consortium, resulted in several reductions in the original BRAC plan. Among the changes were:

- elimination of a planned rural campus at Rajendrapur for the MDP;
- reduction of new Training and Resource Centres from two to one;
- construction of the single new TARC in 1992, instead of 1990.

Because of the urgent need for expanded training facilities, and because of the increased value of donor currencies, BRAC has altered its plans to reincorporate the Rajendrapur facility and a second TARC. Construction of the Rajendrapur facility began in 1990, with completion anticipated early in 1991. Plans have moved ahead for two new TARCs (at Faridpur and Comilla), and construction is expected to be completed in 1991, if donor funding is approved. This has changed the projected budget as follows:

Original Budget
(Tk 000)

	1990	1991	1992	Total
MDP				
Land	4,000	-	-	4,000
Building	2,200	10,800	-	13,000
Furniture & Equip.	2,281	3,607	2,316	8,204
Inflation Adjusted Cost	9,329	17,432	3,093	29,844
TARCs				
Land	-	-	1,800	1,800
Building	-	-	8,000	8,000
Furniture & Equip.	-	-	2,300	2,300
Inflation Adjusted Cost	-	-	16,105	16,105
Expansion of Existing TARCs (Infln. Adjusted)	2,200	4,840	5,324	12,364
Total (Infl. Adjusted)	11,529	22,272	24,511	58,313

Revised Budget
(Tk 000)

	1990	1991	1992	Total
MDP				
Land	4,000	-	-	4,000
Building	18,000	18,000	-	36,000
Furniture & Equip.	1,944	2,788	4,072	8,804
Inflation Adjusted Cost	23,944	20,788	4,072	48,804
TARCs				
Land	3,000	6,000	-	9,000
Building	-	24,000	-	24,000
Furniture & Equip.	4,200	5,600	-	9,800
Inflation Adjusted Cost	7,300	35,600	-	42,800
Expansion of Existing TARCs (Infln. Adjusted)	4,200	5,500	6,050	15,550
Total (Infl. Adjusted)	35,144	67,527	10,977	113,648[13]

5.8.3 Conclusions

Despite a slow startup, the MDP appears to be off to a very good start. The need for it is perhaps more obvious than ever, both within BRAC and outside, and the enthusiasm for it within BRAC is infectious.

As will be noted from previous sections of this report and those that follow, the demand for training at TARC level is growing at an enormous rate. In the view of the Review Team, the expansion of BRAC's training capacity at the level and speed projected (which represents a growth of 95% on the original budget) is more than justified if the increase in funds projected from exchange gains, is made available by the donors. As noted below, this investment will result in an expansion of residential training facilities in BRAC of 193%

[13] Budget heads as presented by BRAC have been aggregated and reorganized here for clarity of presentation.

5.9 PARA-LEGAL PROGRAMME

5.9.1 Background

The Para-Legal Programme, conducted on an experimental basis for several years but not covered in the 1989 Appraisal, was expanded into ten districts in 1990. This is a typical example of BRAC's process-oriented planning approach. As the experimental phase proved itself successful, a more structural programme was worked out and introduced in new areas.

Using BRAC-developed materials, seven Project Organizers are presently responsible for training approximately 100 para-legal sheboks (teachers) in 10 RDP/RCP areas. A further 47 para-legal sheboks are presently conducting classes for Village Organizations. The sheboks, employed on the same terms as gram sheboks in other programmes, are selected from VOs and are 19-40 years old; 40% are men and 60% women.

VO members pay Tk 10 for a course of 28 classes. There are about 25 members per class, predominantly women. The course comprises 8 classes on family law, 9 on inheritance law, 5 classes on constitutional rights and 6 on land laws.

Payment by participants in the para-legal classes can be seen as a first experiment in making payment for training obligatory - a long term goal for RCP. Classes are well attended. By August 1990, 4209 persons had received para-legal awareness training in five areas under Manikganj district : Manikganj, Betila, Balirtek, Garpara and Krishnapur.

5.9.2 Conclusions

The Para Legal Programme seems to be a most successful way of securing a much needed "empowerment" of Village Organizations and their members, as well as a very useful protection of the interests and dignity of landless men and women. Legal education is also a strong empowerment tool which allows individuals and groups to acknowledge, obtain and defend their own rights.

The impression of the Review Mission regarding the impact of the Para Legal Programme is very positive.

Recommendation

It is recommended that a registration system at VO and branch level regarding measurable impacts be developed. Quantitative results regarding training of teachers and the number of members trained should be included in the next quarterly report.

5.10 RESEARCH AND EVALUATION

5.10.1 General

The Research and Evaluation Division has a staff of 17 professional researchers and a total strength of 80, of whom about 50 are deployed in the field. The primary responsibility of the division is to provide the necessary research support to BRAC's multifaceted and expanding interventions. RED also helps other organizations in evaluating their programmes. The scope and dimension of RED has increased over the years, along with the growth of BRAC's programmes.

RED has been internationally recognized for some time.[14] It conducts various types of research, which can be classified under four broad headings:

a. baseline or benchmark studies;
b. monitoring studies;
c. diagnostic studies;
d. policy-oriented studies.

The studies are divided into health studies (5 volumes compiled), economic studies (5 volumes) and social studies (3 volumes). A total of 165 reports had been written by 1989, 37 during that year alone.

A multi-disciplinary team approach is used in the studies, and according to Vaughan, there seems to be a good and pragmatic balance between rapid and in-depth evaluation studies, and between quantitative research approaches. RED's contribution to the research capacity of Bangladesh should also be recognized. The capacity is being further developed by having RED staff trained abroad in internationally recognized research and educational institutions. New, young researchers are continually being recruited and trained.

The following observations and recommendations are made with a view to strengthening the division:

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[14] Robert Chambers, in Rural Development: Putting the Last First, uses one of RED's methodological approaches as an example of how research can support poverty-oriented development interventions. Prof. Patrick Vaughan, Head of the Evaluation and Planning Centre at the London School of Hygiene and Tropical Medicine, in a comment on RED in 1988, describes it as 'a very active and productive Division that has undertaken some extremely good work and produced professional and readable reports, papers and proposals'.

The present size and composition of RED may call for a division of responsibility between project supervision and the finalization of reports for publication.

This suggestion is based on the observation that 1) research in health and health-related subjects seems to have taken the greatest part of the resources and effort during recent years. Research in this area has reached an international standard, while social and economic studies seem to have lagged behind; and 2) not only are relatively fewer economic and social studies carried out, they also seem to be less analytical than earlier studies, and fewer of them are brought to a publishable standard (See also Sections 6.4.3 and 6.4.4).

From the RED 1989 Annual Report, it can be seen that the division operates a detailed planning process in which studies are divided into either health or social studies, and priorities are then established. It is observed, however, that personnel are not assigned by priority. It could be a first step in reorganization to make study areas and priorities more visible by assigning manpower and timeframes to them. This could also inform BRAC management on the RED capacity and on the timeframe for individual studies.

RED suffers from a common ailment in the research community-too much data collected, compared with reports published. The plans presented in the 1989 Annual Report seem very ambitious, unless clarifications are made regarding how many years some of the studies are expected to take, or on the quality anticipated (i.e. is a study an internal management report, or will it be used for external purposes?)

It is therefore recommended that the target audience for BRAC studies be classified. Some topics and studies are of interest to BRAC alone; others will be of interest to the donor community, and others deserve wider Bangladesh and/or international circulation. It is the opinion of the Review Team that RED would be able to bring out better analyzed reports if more effort went into the planning process, especially in planning the final stages of analysis and write-up.

5.10.2 <u>The Village Study Project</u>

The VSP was started in 1989, initially for a period of five years. The purpose of the study is 1) to learn more about the processes of change, and 2) to operate a laboratory area for more difficult new project inputs. Ten villages in two different social, cultural and ecological areas (Manirampur in Jessore District, and Jamalpur) have been selected for an ongoing study which contains information on ecology, demography, economy, politics, technology and ideology, studied with a combination of quantitative and qualitative methods.

One village in each area covered by BRAC, and a control village outside the project area, will be studied intensively, and three villages will be covered less intensively, serving as a laboratory to test new inputs and to provide additional data when a larger sample is needed.

The study is expected to meet a long-felt need in BRAC for getting in-depth information about the impact of programmes and strategies. By having built-in controls in the same areas, far greater credibility can be attached to the results obtained by the VSP, than to other time-bound studies. All evaluation studies suffer from a lack of knowledge about what might have happened without the project inputs. VSP should be able to overcome this problem, and will also be able to describe the process of change, in addition to the results.

Two questions arise regarding VSP: 1) how representative is it? and 2) will it add to the huge amount of unanalyzed data, or will it be possible to synthesize what is being learned?

Regarding the question of representativeness, the first thing to note is that no fully representative study has been done so far. Bangladesh village micro cosmoses are so varied that exceptions always exist. Data from VSP will be treated accordingly but will, without doubt, be more accurate than a one-shot study carried out in randomly chosen areas for a specific purpose. The more randomly chosen villages for 'normal' evaluation/impact studies might use one or two indicators in the selection process and then not be aware of other variables. In any case, variables tend to become invisible when data are neatly presented in tables. VSP is certainly to be seen as a major improvement in methodology.

Regarding the amassment of data, two things require consideration. One is that VSP will supply a data bank which should make it possible to carry out many types of analysis much faster, and with much more accurate data than what one can normally expect from studies looking into a few variables only. VSP should be able to provide data for a large number of studies undertaken by RED, provided that data are pre-processed in an appropriate manner. Sufficient time and manpower should be made available to analyze VSP data at regular intervals.

BRAC might attract external assistance for the analytical work by offering access to the data to other Bangladeshi and foreign scholars who want to work on problems of rural development in Bangladesh.

The donor consortium could explore the possibility of exchange programmes in education and research with institutions in their own countries. This could serve as a tool for increasing capacity within BRAC, by creating more possibilities for further education abroad for RED staff. Programmes in development studies in participating donor countries would also benefit.

5.11 MONITORING SOCIAL & INSTITUTIONAL DEVELOPMENT

BRAC's Monitoring Cell, established in 1988, was upgraded to departmental status in 1990, and has already proven its worth as a valuable information and management tool.

Its work in developing and improving management information systems is discussed in Section 8 of this report. Its work in developing a monitoring system for institution building and social impact is also of particular importance. A set of 25 indicators was recently developed and tested, using a participatory methodology, in two RDP areas. The indicators were then refined and increased in number (to 30) before further testing in three fourth-year branches.

The results showed that of 246 VOs, only 6% were 'satisfactory', and the balance were either poor or bad. The negative results are less important from an immediate management point of view than the fact that BRAC has developed a system which can uncover weaknesses.

The apparent shortcomings in the test villages could result from a variety of things: the weighting used, the villages selected for appraisal, or the subjective judgement - 'satisfactory'/ 'unsatisfactory' - attached to a numerical value. While there is value in setting long-term goals that exceed short term targets, it is important that the ideal not have a negative impact on the possible. Judgmental terminology, if consistently negative, could have a demoralizing effect on Area Managers and POs

Regardless of these issues, all of which can be adjusted if necessary, from a management point of view, the system will offer a useful basis for standard comparison, by village, by activity and output. The system is being further refined, and will be introduced this year on a system-wide, quarterly basis.

5.12 INTERACTION WITH GOVERNMENT

For many years, BRAC has carried out activities that are supplementary to those one would expect of government. BRAC's social service programmes cover areas of health, health education, primary and youth education, attempts at activating government educational services, and skill training for women who are holders of cards entitling them to relief Food For Work wheat.

There are two reasons for the BRAC approach. The first and most important is to deliver services which are felt needs of BRAC's target group, services which would not otherwise be delivered. The other is to prove that it is possible to deliver or to improve such services in an appropriate and cost-effective manner, and thus, to set an example for government.

In the field of education, BRAC's NFPE programme has become so popular that the demand for BRAC schools is spreading beyond BRAC areas, to the point where BRAC can no longer keep up with demand.[15] This has led to the development of a new programme-Facilitation Assistance Programme on Education (FAPE) - aimed at checking dropout rates and encouraging community participation in the formal education sector.

In the health sector, BRAC approaches have evolved from simple, one-dimensional programmes of education in diarrhea treatment and immunization into much more complex and integrated programmes for children and women.

The short term purpose of these programmes is to serve BRAC's target group. In the longer term, models are being developed which can be adapted or adopted by government. In the interim, BRAC also serves as a facilitator, a 'go-between' in linking people with services to which they are entitled - either through information, or through the use of group pressure for simple demands such as the introduction of a government satellite clinic, or a requirement that a teacher perform his prescribed duties.

5.13 SUMMARY OBSERVATIONS AND CONCLUSIONS

Both before and after the 1989 Appraisal, some donors expressed concern that the advent of the Rural Credit Programme might divert BRAC away from its emphasis on social and human development. The Review Team has seen no evidence that this is true. In fact, with the increase in the number of NFPE schools, the evolution of the Child Survival Programme into a more holistic women's health programme, with greater emphasis on value-based training, and other examples both large and small, the opposite is probably the case.

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[15] Some observers have suggested that BRAC is running a parallel primary education system. This is not the case. BRAC schools provide education for children who are no longer eligible for schooling in the formal government system. In fact BRAC carefully schedules its school opening dates so that children will not be drawn away from the formal system.

As for credit, the latest Bangladesh studies dealing with poverty alleviation in economic terms measure increases in annual incomes for target group households and compare them with control households without coverage. Some studies compare results obtained in areas covered by BRAC activities with areas covered by other NGOs.[16] Increases in employment opportunities and in asset ownership have also been shown.[17]

The importance of credit for poverty alleviation has been sufficiently proven in these and other studies and there does not, at present, seem to be any reason to reexamine this issue.[18] In other words, credit works.

The newly introduced BRAC monitoring system, however, does not contain data directly relevant for impact monitoring of poverty alleviation unless a proxy can be worked out to translate loan utilization, repayment performance or savings into "improved standard of living".

In order to refine its impact on different categories of target group people a more detailed understanding might be helpful. When sufficient data are available from the Village Study Project, it would be useful to do a comparison of the impact of credit on men's and women's incomes, assets and employment opportunities.

Three further areas of study are recommended over the next few years:

- the impact of the Para-Legal Programme;
- experiences with federation structures - this as an input to a debate which will probably take place in the not too distant future;
- an analysis of the effects of BRAC's social service programme on the government structures. This study could partly be carried out based on secondary materials:

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[16] Sen, B: "NGOs in Bangladesh Agriculture: an exploratory study." in, Bangladesh Agriculture Sector Review, Vol.V UNDP, Dhaka. CIDA: Rural Development Study, Vol.1 Dhaka Ahmed,Z: "The Role of NGO's in Agriculture Credit and Rural Development. RED; BRAC, 1989.

[17] A.M.R. Chowdhury and M. Mahmood: Impact of Credit for the Rural Poor: second draft. 1988, BRAC. and Z. Ahmed et. al.:. "Economic Empowerment of the Rural Poor: changes in household income, employment and resources". RED (in preparation). The study by Chowdhury and Mahmood mentions that women in credit-receiving households had an additional 43% employment as compared with women in control households.

[18] See for example the evaluation study of Grameen Bank, undertaken by BIDS in 1984-85. Mahbub Hossain: "Credit for the Rural Poor", BIDS, Dhaka, 1984, and other reports in mimeo.

evaluation and studies undertaken by BRAC in order to develop the correct strategies.

A combination of the latter two could also be attempted. One hypothesis would be that some of the successful actions previously carried out by federations have been systematized and incorporated in the sector programmes; if this hypothesis can be proven, a demarcation of areas to be covered by sector programmes and areas of action to be covered by federations could be a useful input to a further development of policy strategies.

6. ECONOMIC ACTIVITIES

6.1 RDP AND RCP CURRENT PORTFOLIO

6.1.1 Sectoral Summary

The current income generating activities carried out by VO members are now broken down into ten sectors with 131 identified types of activities . This compares with 130 separate activities broken down into eight sectors in December, 1989: no earlier data giving comparable information is available.

The quarterly statistical reports provide detailed data about the loans made in each sector by individual activities but only on a cumulative basis - see below for further comment. The two six-monthly narrative reports which have been produced (December, 1989, and June, 1990) provide excellent information about developments that have occurred in each sector and give some indication of future plans. In neither report, however, is there any comment on the actual training that has taken place in each sector during the period in comparison with the expenditures on 'Employment and Income Generation' as shown in the Quarterly Financial Report. (For a discussion on this see Section 5. above).

In respect of the loans made in each of the ten sectors, it is not possible to make any comparisons between forecast and actuals since no quantitative forecasts were given in the project documents for RDP II and RCP. Using the figures for cumulative disbursements, however, it is possible to compare such changes as have occurred in the ten sectors in the last six months:

Loan Cumulative Principal Disbursement

	December, 1989 (81 Area Offices)		June, 1990 (80 Area & 10 Branch Offices)	
	Tkm	%	Tkm	%
Agriculture	45	10	54	9
Irrigation	34	7	44	7
Fisheries	5	1	6	1
Livestock	82	18	130	21
Rural Indust.	26	6	35	6
Rural Trans.	15	3	26	4
Rural Trading	180	39	237	39
Food Process.	73	16	81	13
Health	-	-	-	-
Misc.	-	-	-	-
TOTAL	460	100	613	100

Such changes as are evident from these figures are not in themselves particularly significant. There is the continuing dominance of Rural Trading. The most significant changes are the growth in the percentage of loans for Livestock and the decrease for Food Processing.

The above table does however draw attention to one important issue, namely the method of reporting. The practice of presenting only cumulative loan data for each sector does not serve to provide any meaningful sense of recent changes in the nature of the loans being given. At present it is only possible to do this by subtracting the earlier set of figures from the later:

Loan Principal Disbursement
January - June, 1990
(80 RDP Area & 10 RCP Branch Offices)

	Tkm	%
Agriculture	10	6
Irrigation	10	7
Fisheries	1	1
Livestock	48	31
Rural Indust.	9	6
Rural Trans.	11	7
Rural Trading	57	37
Food Process.	8	5
Health	-	-
Misc.	(1)	-
TOTAL	153	100

The Review Team certainly therefore endorses the recent initiative to extend the reporting system to assess the monthly progress regarding the number of new borrowers and disbursements (ref pages 50/51 in the June, 1990, narrative report). This data can and should be presented in the future quarterly statistical reports.

The new Monthly Report, with the further data about the sums repaid by borrowers during each month, will enable another important need to be met. At present, there is no data on the current portfolio, ie the loans outstanding, by sector. The quarterly Statistical Reports only show the total value of the current portfolios of RDP and RCP for all sectors:

	Total Value of Current Portfolio*		
	RDP	RCP (Tkm)	Total
December, 1989	158	49	207
June, 1990	168	54	222

* The figures include payments that are both late and overdue and possibly therefore a proportion that will be bad debts. See also Section 7.5.2 below.

From the present data, it is not possible to determine the current loan portfolio of each sector, let alone of each activity. The former is important not just for general interest but also to assess whether the targets for each sector are being realised - as discussed further below.

6.1.2 Collective Loans

Analysis of the data on collective loans shows no striking changes. At December, 1989, loans to collective schemes as a proportion of total cumulative disbursements was 9%. During the first six months of 1990, total new loans to collective schemes (RDP and RCP) amounted to Tk 54m or 6.5% of total disbursements during the same period. Of the latter, as might be expected irrigation schemes accounted for the largest element - some 60%.

6.2 SECTOR DEVELOPMENTS

6.2.1 Overview

Analysis of BRAC's reports and discussions both in Head Office and in the field indicate that a number of significant developments in various sectors are taking place. These have important implications, in: the likely requirements for loans; changes in the nature of RDP's and RCP's loan portfolios, eg towards longer term asset loans such as collective Deep Tube Well (DTW) loans and individual loans for livestock; the need for more effective supervision of collective schemes; and the need for more technical support, notably additional technical POs.

The technical and management support BRAC provides to members' economic activities in the ten sectors is often crucial. The basic elements required, either from BRAC directly or from other sources, include the following;

- identification, development and proving of improved or new activities (both in the sense of software, ie organisation, and hardware, ie technology)

- planning and dissemination of proven activities

- technical, or skills, training

- provision of inputs, ie raw materials, spares

- operational, technical, advice

- operational, management, advice - including supervision of individual collective schemes

- marketing of outputs from activities or schemes

- monitoring, to ensure an activity is indeed generating profits to group members

- evaluation, to assess the economic, and social, impact of an activity on group members

As presently organised, the responsibility for the provision of most of these inputs come from within RDP: on the technical side primarily from the sectoral specialists; and on the management side from the General POs and Area Managers. Increasingly, however, other Programmes and Departments are and/or need to be involved, including the Rural Enterprise Programme, the Monitoring Department, Research and Evaluation Department and, obviously of increasing significance, the Rural Credit Programme.

6.2.2 Sectoral Support Teams

The key technical support roles for the great majority of income generating activities are played by the sectoral specialists, presently under the overall direction of RDP's Programme Coordinator. In order to assess the changes that have taken place, and the further changes which might be required, it is necessary to be clear about the complex structure BRAC has created.

Currently, only four out of the ten sectors in which BRAC's income generating activities are grouped have technical support 'teams'. Each of these support teams operate at a number of levels and over the years have developed into highly effective units.

At the apex are the full time professional specialists. Apart from five staff currently based at Head Office, these are attached to one of RDP's eight Regional Offices (at present RCP has no technical specialists of its own) and physically located either at that Regional Office or at an RDP Area, or RCP Branch

Office as felt to be most appropriate. The present staff, as at November, 1990, are shown below:

Region	Agriculture +Irrigation	Livestock	Fisheries	Sericulture & Forestry
1 (Shibpur)	8	3	2	2
2 (Jhenaidah)	6	2	3	3
3 (to be sited)	2	1	2	1
4 (Sherpur)	4	3	0	3
5 (Natore)	2	2	1	1
6 (Manikganj)	4	4	2	2
7 (Hobiganj)	2	2	1	1
8 (Rajbari)	2	1	1	1
Head Office	1	2	1	1
TOTAL	31	20	13	15

All these staff are graduates and in some cases also have higher degrees, for example, the 20 Livestock POs (Programme Organisers) are all Doctors of Veterinary Medicine. Almost all the costs for these staff are met out of the training budgets for the relevant sectors.

The other levels of technical personnel broadly fall into three groups:

- full time staff, paid by BRAC, usually at Area or Branch Office level

- para-professionals drawn from VO members based at ward or village level who provide technical support services to other members

  (The costs of both these groups of personnel are met either out of the RDP sectoral training budgets or charges to VO members for the services rendered)

- VO member 'role models' who are intended to demonstrate to other members how best to carry out an activity. They derive their income for the model role they play, the capital for the activity being provided by BRAC on normal loan terms.

The particular success of BRAC is not only in the development of these complex and effective technical support mechanisms (of which examples are given below). Even more it is in the various ways of self-financing the ongoing inputs to VO members once the technical support teams have been put in place under RDP.

6.2.3 Irrigation

The Irrigation sector has already seen significant growth. Further major expansion is in train over the next 18 months, largely in Deep Tube Wells (DTW), and this has substantial resource implications. Annex 6 describes the ingenious system BRAC has developed to enable VO members to invest in DTW, how the key issues of ownership and management are handled and the attractive level of profits expected (and experienced to date).

Deep Tube Wells

In terms of numbers of DTW, the proposed expansion is indeed ambitious as shown by the approximate numbers given below (which include both RDP and RCP Offices):

	Approx Date of Operation		
	Jan.1990	Jan.1991	Jan.1992
Existing Units	130	240	270
New Purchases	10	210	630
Total	140	450	900

In terms of investment, a rough estimate can be made of the funds required. The purchase of existing units requires a capital investment of Tk 50,000 on average, and for the new units approx Tk 200,000. In each case BRAC seeks to induce both the VOs (male and female) in a single village to take the loans required to finance the investment, usually in the order of Tk 2,000 per man or woman for the new units and Tk 500-1,000 for the existing units, in both cases the loans being 'long term' repayable over five years.

Between June, 1990 and January, 1992, a period of 18 months, in terms of the long term loans alone, BRAC will be looking to make available some Tk 130m - compared with the Tk 10m disbursed in the first six months of 1990 in the Irrigation sector. But this is not all.

Every year each DTW scheme also takes a short term operational loan to meet the ongoing costs of fuel, wages, service, etc between December and July. In the last (1990) irrigation season, the average loan was some Tk 75,000/DTW. However, in the coming season, with the increase in the price of fuel, this is likely to rise to Tk 100-120,000. Consequently, the short term loan funds required just by the DTW in 1992 will approximately be a further Tk 100m.

The requirement for loan funds is not the only resource implication. The 'standard' technical support team for five Area Offices with a maximum of 50 DTWs now comprises:

1 Agricultural PO 1 Agricultural Engineer PO	) both full time BRAC professionals attached to one of the Regional Offices
2 Mechanics	- attached to an Area Office and paid by BRAC from training and service fees charged to DTW schemes
1 Agric.Gram Shebok for every 5 DTWs	- village based agricultural extension workers similarly paid from training and service fees to farmers
1 Driver and 1-2 Water Linesmen per DTW	- village members whose wages are paid as part of DTW operating cost

Each team supports the DTW schemes in two ways. The Agric. Engineer PO and Mechanics provides training to the drivers in DTW operation, service, maintenance, and repair. The Agricultural PO and the Gram Sheboks advise the farmers how to increase the production from their land, thereby of course increasing the revenue to the DTW scheme if, as is customary, payment is made as a share of the crop.

With a planned total of 900 DTW installed and operational, it is evident that the requirement for additional technical staff will be substantial. Recruitment should not be a problem but the training requirement, eg for 150 Agricultural GS, 500-600 new Drivers, etc not to mention the training for the management and operational committees for each additional DTW is formidable.

As noted in Annex 6, review of BRAC data on the profitability of individual schemes show encouraging results in the 1989/90 season. Out of a total of 137 DTW in operation, three quarters of them made a profit averaging Tk 24,500 (after payment of interest and depreciation): and 31 made a loss averaging Tk 13,000. Since all but 10 of these were old units, with modest command areas, it is reasonable to suppose that the new DTW with larger areas should indeed do well.

During field visits, however, the Team saw figures in one Area Office which suggested that loan repayments from certain VO groups have been somewhat erratic. Indeed there were some individuals who appeared not to have kept up with their required weekly payments but nonetheless received their due share of the profits from the scheme when these were distributed at the end of the season. This matter is further discussed in Section 6.8 below but the new arrangement for DTW whereby BRAC takes a 20% shareholding in each collective scheme should help to ensure both proper management and regular loan repayment by shareholders.

6.2.4 Livestock

Livestock is another sector which is continuing to expand rapidly. As shown above, 31% of all loans disbursed in the first half of 1990 were to this sector and cow/buffalo rearing was the third most popular single activity in terms of RDP loan disbursement during this period.

As discussed in Section 5.5, the training of technical personnel for the larger animals has been proceeding apace. As at November, 1990, there are now 560 paravets out of an RDP target of 820, the plan being that 700 of these will be women. Similarly there is a new target for model cow rearers, the plan being for 5 female VO members per village, each with between one and three cows. These women receive 3 days basic training in livestock care and act as models for 'general rearers' in the village.

The latest proposal is that in each RDP Area of 50 villages two paravets will be upgraded to AI (artificial insemination) workers. Part of their training is provided by government. There was a total 34 AI workers in place by the end of June: a further 34 have just been recruited.

The poultry sub-sector also continues to expand rapidly. Of all the technical support teams, it has the most complex and numerous structure now consisting of:

Livestock PO	-	Approx 2 per Regional Office
Poultry PO	-	Approx 1 per 2 Area Office
Chick Rearing Unit	-	20 for every 1000 rearers (obtaining improved day old chicks from Govt, selling to rearers after two months)
Poultry Worker	-	1 female VO member for every village

Model Rearer	-	Minimum 1 for every village, each with 25 birds (3 cocks and 22 hens) providing eggs for hatching
Key Rearer	-	15-20 per village each with 1 cock and 10 hens producing eggs for sale and consumption
Egg Collector	-	1 per village

The egg collector is the latest member of the support team to be created by BRAC. Often the village poultry worker, her role is to buy all rearers' eggs that are surplus to local requirements and take them to nearby town(s) for sale. To finance this operation, she qualifies for a short term loan of Tk 500.

Assuming a total of 80 Area Offices, the numbers of individuals in the poultry technical support 'team' for RDP alone are substantial, for example:

	Planned	June,1990
Chick Rearing Units	800	644
Poultry Workers/Egg Collectors	4,000	2,925
Model & Key Rearers	56,000	51,574

6.2.5 Fisheries

Whilst still presently the smallest productive sector - 1% of total current loan disbursements - Fisheries is also seen as an area for major expansion. For example, production of spawn from the Rajendrapur fish hatchery is planned to increase from the 1989/90 actual of 99 kg (target 96 kg) to 125 kg in 1990/91 and possibly 150 kg in the following year. Seven different species are currently produced for sale to VO members, and other markets.

Also, as reported in the June, 1990, narrative report, BRAC is becoming involved in three major fisheries programmes, including the joint "Beel and Baor Fisheries Development and Management Programme". In one of the other special programmes, of pond excavation and re-excavation, BRAC is receiving assistance from WFP which provides wheat as payment for the work of excavation.

Within BRAC's Fisheries Programme as a whole, it is planned that the number of ponds to be managed by VO members will increase to 9,065 (968 acres) in 1991 and 11,042 (1250 acres) in 1992. Each scheme is planned in considerable detail and a pro-forma summary produced. In one such scheme, in the first years the expected annual gross income from 95 decimals is Tk 37,000 against a total cost of inputs (other than the pond excavation) of Tk 15,000 - an attractive return for the 80 VO members to be to be involved.

These programmes will require an increase in the number of BRAC's professional fisheries staff, as well as loans for VO members. Indeed, all BRAC's Fisheries POs gathered together on Nov 23/24th in Dhaka with RDP senior management in order to put together, for the first time, a considered plan for the expansion of the sector (in part as indicated above), including determining what additional staff and other resources will be required.

Recommendation

Assessment of activities within the Fisheries sector would be considerably easier if the activities were more precisely or clearly defined. The descriptive terms used, for example, in the June, 1990, narrative report; the June, 1990 statistical report, and the reports of REP (see below) are confusing.

6.2.6 Sericulture

Sericulture is another area for which there are major expansion plans. The planned programme is fully described in the June 1990 RDP narrative report but some of the key numbers are worth noting. It is planned that by the end of 1992, no less than 7.6m mulberry saplings will have been planted and the support structure will have been built up to the following:

Senior PO	12
Sericulture PO	16
Sericulture Asst.	80
Chawki Centres	150
Key Rearers	1,000
Reeling Centres	4

On the basis of a 70% survival rate for the saplings and 100 trees supporting one General Rearer, after three years BRAC estimates that the total jobs created will be 60,000 including those employed in the Chawki (egg rearer) and Reeling Centres.

The economic impact should be substantial. The estimated income earned is expected to be Tk 2,000 for every three month cycle or approx Tk 22/day for work that can be done on a part time basis. On the basis of the revised 1990-92 budget, which requests total funds from donors to establish this programme at Tk 37m, the approximate cost per (self-sustaining) job created is therefore Tk 620 or US$16/head.

6.2.7 Other Sectors

It is notable that all of the sectors described above: are concerned with the production of natural resources; benefit from considerable technical input from BRAC staff within RDP; and are seen as areas of expansion. Historically, the four sectors have accounted for slightly more than a third of cumulative loan disbursements. In the first six months of this year, however, they accounted for 45% of total disbursements and would seem to set to expand further.

The position of the other four major sectors is strikingly different. Historically, Rural Trade, Rural Transport, Rural Industries and Food Processing have accounted for some two thirds of cumulative disbursements. This figure has now fallen to just over half of disbursements but this may well be related to the fact that they enjoy minimal technical support.

6.3 IGVGD

Income Generation for Vulnerable Group Development (IGVGD) is a collaborative programme between four bodies: World Food Programme; the Government's Directorate of Relief and Rehabilitation (DRR) and the Department of Livestock (DOL); and BRAC. The objective is to improve the income earning potentials of destitute women who are VGD card holders by providing training and credit for poultry and egg production in exactly the same way as BRAC's regular poultry programme operates (described above).

IGVGD is logically part of the Livestock (Poultry) sector, and managed as such. However, as noted above, it has a particular target group and is being implemented in many areas where RDP II is not operating. It is therefore budgeted as one of the three special sectoral programmes of RDP II, with a 1990 budget of over Tk 12m. Hence the reason for this separate section in the Team's report.

As from July of this year, IGVGD has been further expanded into 36 Upazilas with the target of reaching 75% of the estimated 80,000 cardholders in those Upazilas over two years. BRAC's leading role is clearly described in the RDP June 1990 narrative report.

As invariably seems to be the case with BRAC, the programme continues to be improved. In addition to creating the role of egg collector as described above, a further recent addition to the operation is the establishment of feed centres at Union level- approx 8-10 centres per Upazila with each serving 20-25 villages. Formerly there used to be only a single centre at Upazila level for mixing and selling feed to rearers but there were problems in distribution to the women in the villages

Another improvement introduced has been four monthly computer printouts showing data on: vaccinations; credit; performance of the chick rearing units; and the training of and savings by the card holders. A careful check can therefore be, and is, maintained, on all the key indicators, to monitor how actual performance is meeting the planned target. On the basis of the record of the previous two year phase of the programme, this programme will either get very close to meeting if not to exceed its targets over the two years.

Examination of the 30th September, 1990, summary financial report for IGVGD shows an actual expenditure of Tk 7.0m for the nine months against a pro-rata budget of Tk 9.2m. The reason for this was starting up problems for the new phase of the programme as it began operations in the new Upazilas.

6.4 RURAL ENTERPRISE PROGRAMME

6.4.1. Background

The Rural Enterprise Programme (REP) was set up in 1985 and funded by the Ford Foundation until 1989. Since January, 1990, REP has been funded by the donor consortium (under RDP II Core). The present REP manager is also responsible for the Rural Credit Programme. However, with the planned expansion of RCP, it is anticipated a new REP manager - reporting, as now, directly to BRAC's Executive Director - will be required and possibly in place early in 1991.

Three recent reports on progress and achievements have been produced by REP covering the periods:

- October 1985 to June 1989
- July 1989 to December, 1989
- January 1990 to June 1990

In addition, there was an evaluation of REP in late 1988 and extensive comment on REP in the April, 1989, report of the Appraisal Team. Neither the Research & Evaluation Division nor the Monitoring Department have looked at any of REP's projects in any depth.

The first report above states the rationale for REP. It was that the "slow growth of employment opportunities and involvement in traditional economic activities using traditional technology and management procedures are some of the major causes of rural poverty especially among BRAC landless groups. A need was felt to bring changes in terms of diversity of enterprises, improvement of technology and management procedures to enhance productivity and profitability by increasing efficiency and effectiveness of enterprises". Despite a modest budget - in BRAC's current terms- REP is or was therefore seen as a key element in BRAC's goal of increasing the incomes of the landless.

6.4.2 Performance to Budget

The figures for the first nine months of 1990 show that actual expenditure is running well below budget. Tk 1.8m has been spent to end September, just half the pro rate figure of Tk 3.5m out of an annual budget of Tk 4.6m. There are two reasons.

First, only 14 of the planned total staff complement of 19 have been recruited. Further only eight technical programme officers/trainers have been appointed out of the sixteen planned. Part of the reason for this is that a number of the technologies have either been abandoned, eg mushroom culture, or taken over by or remained with RDP, eg sericulture and building materials at Manikganj, or not yet taken up, eg textiles. It was further planned that four out of these sixteen officers would be women: in fact there are none. On the other hand, the economics/business management staff resources of REP have been strengthened. The number of economists has been increased and of the three now in post, two are women. Two MBAs have also been recruited.

For REP in general, there does appear to be a problem in recruiting appropriately qualified staff, and even more in retaining them. Of the total staff of 14 now in place, at Head Office 5 out of the 7 staff are still in their probationary year; the two MBAs will be particularly difficult to keep. Of the staff in the field, 2 of the 7 are in their initial year. Given the nature of REP's work, stability of staff is especially desirable

Second, the financial expenditure on staff training, foreign travel, deployment of local trainers and use of foreign consultants has been minimal. These are a direct reflection of the limited extent of REP activities, especially the dissemination of successful technologies to RDP/RCP members - see below.

6.4.3 Performance on Projects

Summary information about the project performance of REP has been provided to the Review Team. This can be summarised as follows:

	Number
A: Successful projects handed over to RDP	9
B: Failures and abandoned projects	8
C: Completed projects - profile in preparation	2
D: Ongoing experimental (ie high risk) projects	14
E: Ongoing pilot projects	11

Consideration of REP's performance is complicated by the fact that: the individual projects do not have a single reference number which is used in all the different reports; and a number of the projects have the same or very similar titles. For example, "Improved Block Printing" and "HYV Sugar Cane Project" are both cited in List B as failures but "Block Printing Development" and "HYV Sugar Cane" also appear in List E.

Recommendation

Each REP project should be given a unique reference number/code which is used throughout its 'life'.

6.4.4. Successful Projects

Examination of the list of successful projects that have been passed on to RDP, and including the completed projects, indicates that REP has enjoyed few substantive successes (see Annex 7) - in the sense of having a positive impact on the incomes of large numbers of the landless. In the case of two of the projects, rice mill and waste silk spinning, there is still only the original pilot unit. Vegetable cultivation has been taken up by some 550 growers but 500 of these were initially financed by REP itself and the average loan per grower is less than Tk 1,000. Social forestry is too recent an initiative either to judge its success or its impact.

Of the five fisheries projects, only the carp nursery ponds and semi intensive nilotica mono-culture can claim any impact. The numbers of members involved, however, and their investment is very modest. In the former case, the average loan for the carp nursery ponds is less than Tk 800; and in the latter case, the activity does not even appear in the list for the fisheries sector. In the case of shrimp/carp culture, the June 1990 narrative report indicates that 29 ponds have been established, hardly a substantial number.

The foray into brickfields was a brave initiative but has not been widely replicated. The large experimental field at Manikganj was largely funded by REP but 4,000 VO members each invested Tk 100 apiece. The VOs involved have continued to manage the field as a cooperative venture, with ongoing assistance from REP and RDP, and 250 workers are employed during the production season. However, it is understood that the field has not been an outstanding financial success. There is only the one other brickfield, also near Manikganj town. This is wholly owned by women VOs (approx 1,000 shareholders) and provides valuable employment for 600 women during Nov-May.

Power Tiller

The most successful project, at least in terms of widespread dissemination has been the power tiller (PT). No less than 126 machines were sold to collective schemes owned and managed by VO members. The results however have not been satisfactory and BRAC is now faced with a number of major policy decisions as to what action should be taken. The whole initiative of testing the tillers, the process of transferring them to RDPs and the efforts of VOs to operate them profitably has been a useful experience from which much can be learnt.

Not least significant, from the point of view of donors and this Review, is that BRAC is quite open about the problems that have occurred. Two studies have been carried out by REP. The first assessed what had happened to the 126 PTs distributed to RDP Offices, the summary findings being given below. The second was a survey of alternative uses of the tillers, in the perception of Area Managers and POs. Whilst of general interest, the study is unfortunately of little practical use as there is no attempt at any quantitative assessment of the demand for, or economic viability of, the suggested alternative uses, notably to provide power for: road transport, rice mill, mechanical boat or irrigation pump.

Initially, REP carried out intensive trials of 5 PTs over 2/3 years in different areas. A detailed 'Business Profile' was produced indicating that on a total investment of Tk 110,000- with the capital cost of the tiller itself at Tk 80,000 - a net profit of Tk 29,000 pa should be be made (after interest and depreciation). This figure assumed that the PT would be used to plough over a total of 135 days and also to carry goods 100 days in the year.

The key findings of the first study referred to above, in respect of the 113 machines for which information could be obtained, were that only 23 units made a profit, the primary reasons being that:

- the actual acreage cultivated was generally less than expected, in part due to less than anticipated demand from local farmers who acquired their own machines. Capacity utilisation was therefore significantly less than estimated

- low capacity utilisation was also caused by poor management and machine breakdown

- the latter in turn was caused in part by misuse of the PTs and lack of proper maintenance and repair

The Review Team suggests that BRAC's experience with the PTs raises a number of important questions (and also offers a number of lessons in respect of the intrinsic difficulties of introducing unfamiliar 'hardware' technologies) notably:

- what should happen to the PTs now, eg should they be sold off or redeployed only into those areas where there is an agreed minimum acreage available to be cultivated?

- what are the lessons to be learnt and the action to be taken in respect of management of PTs by VO members? Would it be advisable for BRAC to retain a 20% shareholding as with the Deep Tube Wells?

- what happens to the loans VO members took out to buy the PTs? Are they to be treated as entirely the responsibility of the loanees?

- surely REP has some responsibility for failing to carry out proper extensive field trials and RDP for inducing members to make investments that have turned out to be unsound?

- in those areas where the tillers have made a profit, what has been their social and economic impact, especially on the demand for manual labour?

6.4.5. Current Activities

As noted above, there are currently 25 experimental and pilot projects in progress. These very largely fall into the fisheries, horticulture and livestock sectors, reflecting the interests of the seven technical staff presently engaged by REP. The Team had limited discussions with a number of these staff about a few of the projects and a visit was made to the experimental engineering workshop at Mirzapur (primarily set up to provide technical back up to the Deep Tube Wells being installed in the area).

6.4.6 Conclusions

The Team's general impression of REP is that it lacks a clear sense of direction and an ability to focus attention and resources where REP may be able to have substantive impact. Whilst a number of the individual current projects may have some limited potential, too much attention is paid to the technological, ie hardware, aspects of innovation. Too little attention, on the other hand, is paid to the problems of organisation and management, indeed to identify and pursue areas, such as traditional weaving, where better organisation is likely to have as great an impact on VO members as any technological innovation.

Recommendation

In the following Section 6.5.1, the Team suggests important changes in respect of REP both in terms of its policy and position in the organisation.

6.5 IMPROVEMENT v INNOVATION

6.5.1 Lessons from RDP and REP

The experiences of RDP and REP in recent years offer a number of lessons. REP has had the responsibility of increasing the range of economic activities to provide more and better 'technological' opportunities for VO members to improve their incomes. Such 'technologies' - within BRAC's environment - have to be considered not just in the context of the novelty of the 'hardware' but in three other dimensions critical to their take-up in the field and likely success, ie profitability and impact:

Novelty of Hardware	-	familiar
	-	improved
	-	unfamiliar (to VO members)
	-	new (to Bangladesh)
Vulnerability*	-	robust
	-	average
	-	delicate
'Software'**	-	existing
	-	improved
	-	unfamiliar
Ownership	-	individual/household

- small group
- large groups
- VOs

* technologies vary considerably in respect of their vulnerability to their environment, eg disease, dust, and to the people using them, ie do they need delicate handling

** the system for the delivery of inputs, the training of staff & personnel, and/or marketing of the outputs

The following examples will help to illustrate what the above terms are intended to mean:

Example	Hardware	V'bility	Software	Ownership
HYV Poultry	improved	average	improved	individual
Rice mill	familiar	delicate*	existing	large groups
Mushrooms	new	delicate	unfamiliar	individual
Power Tiller	unfamiliar	delicate	improved	VOs
Brickfield	familiar	robust	improved	VOs
AVL Loom	New	delicate	unfamiliar	household
Deep Tubewell	familiar	robust	unfamiliar	VOs

* At first glance a rice mill is a familiar, robust technology in that the production process is well known, simple and easy to operate. The direct value added in that process is therefore small. The 'trick' in running a profitable commercial rice mill lies much more in the ability to buy and sell at the right time, hence the 'delicate' category

REP, in seeking to carry out its objective, has tended to address its efforts to perceived opportunities which represent one or more 'jumps' in two or more of the dimensions identified above, with particular emphasis on the 'hardware' element. For example, the AVL Loom was three jumps in the hardware dimension, two in terms of vulnerability and two in organisation. The Power Tiller represented two jumps on the hardware scale, two in respect of vulnerability, one in software and three in terms of the ownership.

RDP on the other hand, and unwittingly rather than as an explicit policy, has adopted a different approach. First, it has not sought, overtly at least, to be a engine of innovation in

BRAC's operations at all. Instead it has been largely driven by needs identified from/by VO members themselves. Second, the jumps it has, successfully, made have been much less related to the two hardware dimensions than the software, ie organisation and ownership.

Third, because of its close day to day contact with VOs and borrowers, in the process of introducing an innovation, it has recognised the need constantly to make adaptations to suit unforeseen nuances in practical operation. An interesting example is the DTW schemes which involved three jumps on the ownership scale. When the management of the schemes showed up as a problematic area, RDP decided that BRAC itself should take a 20% share in the DTW, with the General PO, as BRAC's representative, having an effective casting vote on the scheme management and operational committees.

This analysis leads to two complementary conclusions and recommendations, one relating to policy, the other to the BRAC's organisation structure. The RDP approach as described above has clearly worked - in the sense of having beneficial economic impact on large numbers of people (reference, for example, the latest plans developed by RDP for the Sericulture Programme which it is foreseen will create some 60,000 new jobs for women in three years). The REP approach on the other hand has not had such impact and shows no sign of doing so - due rather to an ineffective strategy rather than any defects in management as such.

Recommendation

The policy recommendation therefore is that BRAC should recognise the important innovatory role that is played by the technical support teams in RDP and explicitly seek to extend the RDP methodology to all sectors and activities. We would further suggest that:

- particular attention is given to those activities where RDP has not previously been very active, such as in Food Processing and Rural Industry & Trading;
- the REP-type of project (but see below) should be limited to less than half a dozen carefully selected initiatives
- in such projects, even during the experimental stage, much greater and more sustained attention should be given to the later organisational, ownership and management aspects
- it must be recognised that the dissemination of any REP-type technologies is an iterative process, to be carried out along the same lines which RDP has successfully followed

Recommendation

The second recommendation has three elements. We suggest: that consideration is given to merging REP with the technical support teams presently working as an integral part of RDP into a combined single programme, to be called, perhaps, the Development Support Programme (DSP); that DSP serves both RDP and RCP, including the provision of technical training to the newer VO members under the RDP Area Offices; and that DSP staff, like the present technical support teams of RDP, whilst responsible to the Regional Managers, are located as much as possible in Area Offices and at village level.

This change would have a number of advantages and implications which should briefly be mentioned. There are three economists and two MBAs within REP whose services would then be available to the technical support teams in RDP within the overall context of DSP. These would not only be a valuable resource in providing guidance on new initiatives such as the Sericulture programme but also in providing advice to general and technical POs in specific project feasibility studies and the management of ongoing schemes.

As RCP expands in terms of the number of Branch Offices, so will its requirements for technical support. The nature of such support will be different to that required by the new RDP Area Offices, whose members needs will continue primarily to be for training, but even a brief assessment of the planned expansions in various sectors clearly shows the needs for technical advice and further training in RCP VOs will be considerable. The proposed DSP will be in the best position to provide the best support to both RDP and RCP VO members.

6.5.2 <u>Financing Technical Support</u>

From the financial perspective, the creation of a Development Support Programme would not immediately mean any significant change, at least not in the resources available. DSP's funds would continue to come from four sources: the sector training budgets for Y1, Y2 and Y3 Area Offices, financed by donors within RDP II; donor grant funds formerly allocated to REP; donor grant funds to meet the costs of technical support to Y4 RDP Offices and all RCP Offices, also within the RDP II budget; and, of growing importance, from fees earned by DSP from services rendered, whether in technical extension, services, or training, by DSP staff to RCP VO members.

In this connection, it is important that donors should be aware of one significant change BRAC has made in the calculations of the latest (Nov.1990) revised RDP budget for 1990-1992. Previously, the costs of BRAC's technical POs were not specified but generally embodied in the training costs charged (to donors) for the individual training courses, eg fish nursery, irrigation mechanics, etc. In the latest budget, such costs are handled somewhat differently.

For example, taking the Fishery sector, all technical support costs were calculated on the basis of a Tk 'fee' per trainee for the three different courses offered. In the original approved budget, the total cost for the Fishery sector was Tk 2.24m for the three years. In the revised budget, however, the full costs of 15 Fishery POs are now shown as a separate budget line whilst the 'fee' per trainee per course is reduced. However the total budget the sector has more than doubled, to Tk 5.19m, even though the total number of trainee days for each course is exactly the same.

There is also a similar change in the Irrigation sector where the total budget increases from Tk 1.8m to Tk 13.4m. The costs of the POs - no less than 50 by 1992 - are now separately itemised, their total costs being Tk 10.8m for the three years. In this case, however, there is a substantial increase in the level of activity, for example the number of weeks training in irrigation management is increased from 500 to 2,200.

The fundamental point at issue is not the increase in budget per se. This is largely justified by the planned increase in the levels of activity in the various sectors, both in RDP and RCP Offices. It is in the basic principle that RCP Branch Offices are intended to be self-financing in all respects, including inputs in respect of training and other forms of technical support. In theory, if an VO member in RCP needs to have any training or other technical advice from BRAC staff, the cost should either be capitalised in his/her loan or a direct (service) charge should be made. If this is not being done, and in the Team's discussions with BRAC the matter was not clarified, there would be a significant element of cross subsidy from the RDP II budget to RCP.

Recommendation

BRAC should abide by the principle that RCP must be self-financing. In particular, it must identify, and apply, appropriate ways of charging RCP VO members with the full cost of the inputs they receive not only from the general POs in the Branch Offices but also from the technical POs and support staff.

6.6 SECTOR PLANNING

6.6.1 Need for Targets

As noted in Section 6.1 above and as discussed in Section 7 below, both RDP and RCP set financial targets for the expansion of the loan portfolios. These are set according to the maturity of each Area or Branch Office and the anticipated ability of VO members to take loans of a carefully calculated average size and term based on past and estimated future performance.

No explicit consideration is given, however, as to how the loan portfolio targets are going to be met in terms of the growth of the ten primary sectors or specific economic activities within those sectors. Further, although it is fully recognised that different Offices will have a different mix of sectoral portfolios, eg Fisheries is likely to be more prominent in Jessore and Mymensingh than elsewhere, little consideration is given - in terms of forward planning - to the resource implications of such different loan portfolios.

With the continuing growth in RDP and RCP, the Team believes that the time has come for explicit planning for the growth of all the individual sectors. As noted above, BRAC is already beginning to do this, for example in:

- the Irrigation sector with the massive expansion of Deep Tube Wells from 140 in 1989/90 to 900 in 1991/92,
- the Fisheries sector with the very recent (24/11/90) development of a plan to increase the pond area 'farmed' by VO members from 330 in 1990 to 1250 by the end of 1992
- the Sericulture programme with the new plan also just developed to plant a total of 7.6m mulberry saplings by the end of 1992, which it is estimated this will lead to the creation of some 60,000 jobs for women in silk production

Such sectoral planning will also facilitate more effective planning in respect of: the nature and level of the technical support structures required from DSP and in what geographical areas; the training requirements for the different levels of technical personnel and of village members - with implications for training facilities such as that for the Fisheries sector at Rajendrapur; and of course the financial requirements in terms of the loans likely to be required by members, groups and VO collective schemes - how much, when and in which Areas/Branches.

Recommendation

Three year forward plans should be developed for all ten sectors for which BRAC provides loan funds, especially for those activities where extensive technical support is required. Such plans should primarily be based on sensitive assessment of local demand and resources, but also on the careful identification of areas where BRAC can make the most constructive and productive interventions.

6.6.2 New Areas of Technical Support

As noted in Section 6.2.6 above, it is significant that the technical support teams created by RDP have been confined to a limited number of sectors. Little attention has been paid, at least in terms of introducing more productive systems and thereby enhanced income generation opportunities to members, to the 71 activities in Rural Industries, Transport and Trading and Food Processing which accounted for 55% of total loan disbursements in the first half of 1990.

Recommendation

Greater attention should be given to the above four sectors, specifically to activities within them such as weaving where large numbers of members, or potential landless members, are involved.

6.7. PROJECT FEASIBILITY, OWNERSHIP AND MANAGEMENT

The profitability of economic activities, and individual schemes, is obviously crucial to realising BRAC's objective of improving members' incomes. In this respect, there are four key issues: (A) the prior assessment of a project's or scheme's feasibility, profitability and the level of investment required or allowable; (B) the ownership and management of the larger schemes; (C) the repayment of loans by those members who have invested in such schemes and the relationship, if any, with whether the scheme is currently profitable once in operation; and (D) monitoring the actual profitability of activities in comparison with the initial feasibility.

6.7.1 Feasibility

Given the variety of different schemes in which VO members are now investing, it is inevitable and desirable that there are different ways of dealing with (A). At one end of the spectrum, there are the more complex larger schemes, such as fish ponds and DTW where there may be considerable variation between one scheme and another. These naturally require a detailed feasibility study before approval and investment. Our understanding is that such a study is indeed carried out in all cases.

At the other end of the spectrum, there are a number of activities where a standard investment figure has been agreed at Head Office, eg many of the livestock projects such as rearing a buffalo or an activity such as egg collection. In these cases, no feasibility as such is carried out. All that is required is the normal procedure whereby agreement to the loan is sought from the member's group and VO, and approval given by the PO or Area Manager depending on the actual level of investment.

We did not have the time to look into this procedure in any detail. However, we were led to understand that in a number of cases the currently approved levels of investment are now somewhat unrealistic due to the effects of inflation. If this is so they should obviously be revised.

At the same time, however, we would also suggest that the theoretical profitability of each activity is reviewed- logically by the DSP if established as proposed above since it would have the economists formerly with REP. It is by no means impossible that certain activities have either become actually unprofitable or offer so little return on either capital or labour that members should be dissuaded from doing them and advised to invest in some other activity.

6.7.2 <u>Ownership and Management</u>

It is widely recognised that collective ownership and cooperative management of a single productive activity or scheme, such as a Power Tiller or Deep Tube Well, can be a nightmare if not a disaster. BRAC appears to have come up with a most ingenious solution, as exampled (and already described) in the DTW schemes, of retaining a 20% share of the equity in each scheme.

Under the mechanism now in place, this 20% shareholding offers a number of benefits and should solve some common problems. The Area Office general PO who represents BRAC's interest on the 'Scheme Management Committee' and the 'Scheme Operational Committee' effectively has a deciding vote (the latter Committee is required to consist of 5 <u>or</u> 7 persons drawn equally from the men's and women's VOs). This should help to ensure that there is effective management of the scheme, that the profits are thereby maximised and also that they are rationally and fairly distributed.

The PO also has a further role to play. As noted above and in detail in Annex 6 the profitability of new DTWs is potentially high. There will obviously be occasions when certain investors may wish to sell their 'shares' in a scheme, and have every right to do so. However the Team understands that what is now beginning to happen is that naive shareholders are selling their shares to other members at prices not reflecting their real value. Consequently, the future financial benefits from, and significantly the control of certain schemes could pass into the hands of a new class of rural 'petty elite'. The role of the PO therefore becomes even more significant, at the very least to ensure that the innocent shareholder receives a fair price if he/she really wants or has to sell.

This initiative in the irrigation sector of BRAC taking an equity stake in large communal projects may well be an important model for other sectors, eg the large fish ponds, baors, etc. Certainly it would appear to offer a creative intermediate solution: on the one hand to the well known hazards, and frequent failures, of such large projects which are wholly owned and managed by communities or cooperatives; and on the other to the course Grameen Bank has adopted of taking direct ownership and management responsibility.

BRAC's investment in DTWs, whatever the source of funds actually used whether BRAC's own resources or those of RCP, may well provide a much better (and possibly safer) return than putting the money in the bank at 12% pa. In addition, should BRAC decide that at a later stage, VO members no longer required BRAC's presence, it could relinquish its presence on the Scheme Management Committee. This would not only release funds for other initiatives but also possibly yield a useful capital profit, thereby perhaps creating the equity needed for the BRAC Bank.

Recommendation

The practical aspects and effectiveness of the methodology BRAC has recently adopted in terms of the ownership of large VO schemes such as DTWs should be closely monitored, including their extension to other large schemes. At an appropriate time, when there is sufficient data, the social and economic impact of such schemes on the individual shareholders should be evaluated.

6.8 LOAN REPAYMENT AND PROFITABILITY

6.8.1 Non-Payment of Loans

During discussions at Head Office and in the Area Offices, a number of potentially problematic issues came to light. It is quite possible that the cases we noted are exceptional or that there was a communications failure. We feel however that two examples are worth quoting:

- examination of the ledgers for individual schemes showed that there were cases where 10-25 members had invested in DTW schemes, regular payment of the installments due had been initiated by everyone, but then for some reason a number of members had at various intervals ceased paying their dues. Despite this, the local staff advised us that such non-payers had received their due proportion of the crop share from the scheme when distributed, without any deductions for payments due but not paid

- similarly, there was a Power Tiller scheme examined by the Team where all the members from the both male and female VOs who had taken loans had stopped making their instalment payments at almost exactly the same time, after many weeks of regular installments. Without being able to go into the details as to why, it would seem likely that the PT had either broken down and not been repaired, or the VO members had decided that the scheme was basically not going to be viable. Whatever the reason, no action appeared to have been taken by the Area Office either to help get the machine back into operation or dispose of it.

Whose responsibility is it to take action on such matters between the various concerned staff at Regional and Area Office level? Three different personnel may be involved: the general PO and/or GS responsible for ensuring the repayment of loans against a particular scheme; the general PO representing BRAC on the management operational committee of that scheme; and the Agric. Engineer PO and/or Mechanic responsible for ensuring the necessary maintenance and repairs are carried out.

Recommendation

There should be close coordination between those BRAC staff responsible for supervising the management of a scheme, those responsible for its maintenance and repair, and those responsible for ensuring loan repayment by borrowers who have invested in a scheme. Regional and Area Managers should ensure that there is necessary coordination and appropriate action taken when and as required.

6.8.2 Actual v Theoretical Profitability

Discussions with staff, notably the Monitoring Dept, indicated that there was inadequate monitoring being carried out on the actual levels of profit being made on different activities and schemes. Except in high profile cases such as the PTs and DTWs, where specific investigations had been carried out, there would appear to be little hard quantitative information about current levels of profitability of many different activities. This is disturbing - as well as potentially damaging to loanee members.

This is not to say that there has not been some analysis. It is however very limited. For example, from 1979 to date, RED has published some 45 studies in total on all the economic aspects of BRAC's work (compared to almost double that number of health studies). Of these economic studies, perhaps five (at the most) look in any depth into the profitability of specific activities, eg Mallick's 1989 study "An assessment of economic profitability of rearing high yielding variety chicks and its comparability with other other varieties".

The Review Team were therefore considerably reassured to learn that the Monitoring Department are now proposing to play an active role in this arena. As from the start of 1991, it is understood that every year the Dept will monitor the actual profitability of a 20-25 separate activities, taking an appropriate number of individual projects or schemes in different areas. This exercise should provide much useful data, not least in subsequently being able to give guidance to Area Managers and POs as to which activities should be more, or less, encouraged and some of the key technical or other factors to be watched.

6.9. ECONOMIC IMPACT

6.9.1 Extent of Impact

The economic impact of BRAC's income generating activities is much more than just whether they are profitable. As far as the borrower or worker is concerned, it may involve any of the following factors to which different individual will give different weight:

- return on labour, eg actual income earned per day
- security of employment
- seasonality, ie not clashing with existing commitments
- flexibility, ie when it can be done
- impact on indebtedness
- impact on accumulation of assets
- access to credit from other, formal, institutions

In addition, there are two other important aspects of any type of activity, employment or investment scheme.

6.9.2 Impact on Women

Since it is BRAC's intention to give particular attention to the need of women, special consideration should be given to factors which uniquely affect them. Essentially, loans to women can enhance their incomes in four ways:

- by increasing the income earned from an existing activity by increasing productivity or yield of that activity

- by increasing the income from an existing activity either by reducing the cost of inputs or increasing the price received for outputs

- by enabling them to undertake a new or additional activity in such time as they have available

- by providing them with an opportunity for a profitable investment which will yield an income (dividend) but requires none or very little of their time

For example, the second Manikganj brickfield which is owned and managed by women's VOs offers a possible double benefit in that it not only provides 600 women with out of season employment but also the potential (at least) for income from the loans they have taken to invest in the scheme.

Similarly, the Sericulture programme offers women the opportunity to undertake gainful employment in an activity which is flexible in its demands on their time. Provided the income is as projected, some Tk 600/month, it will indeed provide economic benefit to tens of thousands. It has the particular advantage that the work can be done at home.

In contrast, most of the employment opportunities offered by the textile programme of the Ayesha Abed Foundation require the women to work at the centres or sub-centres. As pointed out by the recent RED Betila sub-centre study this can be a problem as husbands may not be willing to allow their wives to work outside the homestead, even at a location where all the workers are female. Another problem noted in the same study is that the income a woman may be able to earn may be affected adversely, not because of the piece rate offered, but shortage of raw materials and therefore the opportunity to work. One statistic of the report was "that 47% of the total workers were hardly able to buy one seer of rice with their daily wage".

Recommendation

The Monitoring Department and RED should ensure that they have an ongoing complementary programme to monitor and assess the economic impact on women of different activities in different environments. The charge that BRAC, and other NGOs, exploit female labour in their income generating schemes is not uncommon. The facts should be known, published and widely disseminated.

6.9.3 <u>The Social Dimension</u>

There are certain activities, Deep TubeWells are an example, where participation in the activity yields more than just the direct economic benefits. Participation contributes directly to BRAC's other major objective for the landless - social empowerment.

This is well described in the RDP June, 1990, narrative report:

> "The most significant aspect of irrigation scheme is the creation of a process for affecting change in the existing resource distribution pattern and power structure through ownership of the means of production and thus gaining access to power and resource. Consequently, the land owners are increasingly becoming dependent on the poor and coming to terms with them for irrigation facilities."

In this report, it is neither possible nor required to review the data on economic impact which is either already available or in the process of being produced - interesting, indeed fascinating, as it is. By far the greater part of such material as has been produced has come from the economics section, small as it is, of BRAC's Research and Evaluation Department. Specifically, a number of useful research studies have recently been produced, for example:

1) "Transformation of informal market for rural finance through grassroot intervention; baseline households revisited", January, 1989

2) "The role of NGOs in agricultural credit and rural development", August, 1989

3) "Who don't get loan and why: a look into unequal credit mobility in landless groups", January, 1990.

4) "Gender differences and role of women in the households: the case of female loanees of BRAC", May, 1990

5) "Production and employment aspects small enterprise for women: a case of Betila production centre", September, 1990 (revised)

6) "Profitability, capital and labour productivity of small scale enterprises", forthcoming shortly

Having considered these internal studies and also seen other external studies (one of which - published April, 1990 - comes to distinctly negative conclusions about the actual economic impact of BRAC's and other NGO's income generating schemes); having also had some discussions within BRAC on the subject of the economic impact of the income generating activities; and in view of the continuing expansion and growing importance of this issue, the Review Team would like to make a number of suggestions.

Recommendation

First, there is a need to undertake more research studies and to publish the findings, especially, as noted above, on the topic of women's incomes. The 1989 RED Annual Report gives a long list of proposed topics which would appear to be well worth doing. It is quite clear however that RED simply does not have the in-house capacity to produce them within a reasonable time scale. The head of the economic section, who has been responsible for a large proportion of all the economic studies done by BRAC (and deserves high praise for them), is the only professional who has been in the section for longer than three years. He has two (confirmed) young economists working with him - one of whom is presently on maternity leave, and one other in his first probationary year.

As elsewhere in BRAC, retaining young professional staff is a problem. The relatively low salaries BRAC pays is clearly one reason but probably not the only one. Whatever are the reasons, the Team recommends that action is taken which will somehow allow a larger core team of 'permanent' staff to be built up in RED - perhaps drawing on the young researchers presently attached to the Village Study Project in Jessore and Jamalpur. If also the occasional external consultant was retained for specific assignments, the section could be much more productive.

Recommendation

Steps should be taken to give wider publicity to the research on economic impact that is carried out by RED. With BRAC Printers at hand, there should be no problem in publishing the reports in a more authoritative style - possibly with the benefit of a professional editor - and defraying a good part of the costs by selling the studies to interested parties, especially from outside Bangladesh.

Recommendation

The donor consortium might consider commissioning, and publishing, the occasional independent external study on the economic impact of BRAC's work. What is being achieved by BRAC is innovative and it is impressive. A wider audience does need to know what BRAC and its VO members are doing, not only because critical outsiders need to have access to the findings of independent professional (preferably Bangladeshi) research, but also because BRAC's experiences is likely to have relevance to the poor and the landless in other environments.

Recommendation

The Team has a sense that there is the classic problem within BRAC of inadequate communication between the research department and senior programme management. The problem is almost certainly two way in that the research reports may not always clearly convey the findings most relevant to programme management. At the same time, the managers, especially in the field at regional and area level, do not give sufficient attention either to commissioning research that will be of direct relevance to their members or to the findings of research that has been carried out. (The current physical separation between the offices of RDP/RCP and RED undoubtedly exacerbates this problem not only practically but 'politically'.) This issue should be addressed.

7. FINANCIAL ANALYSIS - RDP II SAVINGS AND CREDIT AND RCP

7.1.1 Financial Analysis Outline

Paraphrasing the donors' Terms of Reference slightly we have arrived at the following outline for the financial analysis portion of this Review Mission report:

a) RDP has not developed its loan portfolio as extensively as expected. The analytical task involved here is to determine why. Similarly, although it does not show up in the funding summary for RDP II the performance of the savings function needs to be reviewed.

b) The basic issue with respect to the performance of RCP is the profitability of the operation and whether or not the program is financially sustainable. RCP is more or less on target for profit but this performance was achieved in a very different way than forecast. An analysis of the major variances between actual and forecast performance for RCP, in this case as summarized in the balance sheet and income statement, was carried out. As with the savings and credit activity of RDP II, major trends - positive and negative - were discussed and the implications for the future were reviewed.

c) BRAC has managed to fund Tk 30.3 million of RDP's activities from "other" sources. What are these sources and what are the implications of BRAC using them?

In response to specific requests from the donors the following issues, relating to both RDP II's savings and credit activities and to RCP, were reviewed and discussed:

a) the financial reporting format and content for RCP and RDP II

b) the method of calculating and reporting on the quality of the loan portfolio

c) BRAC's financial management capability with respect to investment decisions, money management and protection of the savers' funds, and

d) the performance of men and women as borrowers and savers (this item was transferred from the economic section of the TOR's)

e) BRAC's method of calculating loan payment amounts is discussed with examples in Annex 8

7.1.2 Issues Not Covered

Not included in this outline or anywhere else in the report of the Review Mission is there a monitoring of the implementation by BRAC of the Auditor's recommendations. The Auditors themselves have commented on the implementation of their recommendations in their reports to the donors. Also, the issues with respect to financial management staffing/training listed in the TOR's for the financial analysis are discussed under the section of this report dealing with management, Section 8 and training Section 5.

7.2 THE SAVINGS AND CREDIT ACTIVITY PERFORMANCE OF RDP II

Loan Portfolio Outstanding
(Tk million)

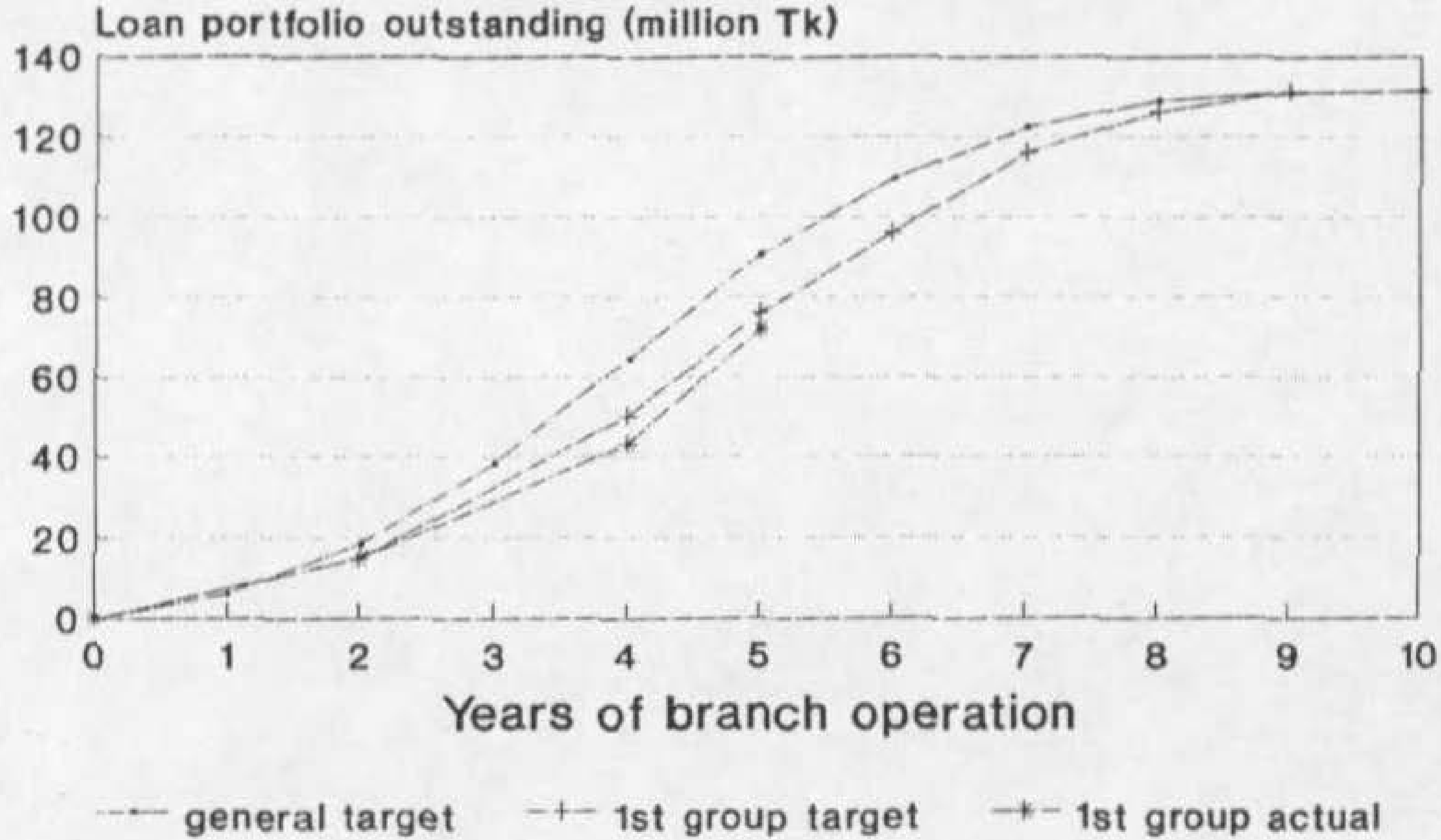
	at Dec.31/89		at Sept.30/90	
	Forecast	Actual	Forecast	Actual
all 1st year Area Offices	5	16	10	4
all 2nd year Area Offices	30	62	35	40
all 3rd year Area Offices	60	55	73	76
all 4th year Area Offices	50	43	102	75
Total RDP	145	176	220	195

7.2.1 Loan Performance Summary

As shown in the 9 month RDP Activity Summary, Table 4.3, BRAC has underspent by Tk 51 million funds required to expand the loan portfolio of RDP. As the above table illustrates, however BRAC is only Tk 25 million behind on the targeted loan portfolio as of September 30, 1990. (see also Graph 7.1) This anomaly is explained by the fact that RDP I, the predecessor to RDP II, ended on December 31, 1989 with a loan portfolio that was larger than anticipated. Although the issue is outside the terms of reference of this Review Mission it difficult to understand how BRAC could have funded this impressive growth in loans outstanding without making use of "other" sources of funds, ie funds other than donors' funds allocated specifically for the RDP loan portfolio. This issue will be discussed later in this report in Section 7.4.

With respect to the performance of the RDP II loan portfolio, ie the RDP lending activity since January 1, 1990 - we did not hear in any of our discussions with field or head office staff complaints about a lack of funds for this activity. In other words BRAC did not fail to reach its target for loans outstanding at

Outstanding Loan Portfolio
Theoretical vs. Actual



GRAPH 7.1

For 10 branches

September 30, 1990 due to a lack of funding - rather the situation was the reverse - lending activity did not achieve its goals and therefore less funding was required than forecast.

7.2.2 Trends within RDP II Loan Portfolio Performance

Our analysis reveals that the following trends are occurring in the lending activity of RDP which taken in combination resulted in a loan portfolio which is under target by Tk 24.6 million;

a) The number of borrowers receiving loans is less than forecast, in particular for 4th year RDP Area Offices ;

Average Number of Borrowers Receiving loans

	Jan. 1/90 to Jun.30/90 Forecast	Actual
each 1st year Area Office	300	95
each 2nd year Area Office	700	736
each 3rd year Area Office	1200	1123
each 4th year Area Office	1700	648

b) The large drop in borrowers in the older offices is offset in part by the higher than forecast average loan size;

Average Loan Size
(principal disbursed Jan.1 - Jun.30/90)
(Tk)

	Forecast	Actual
each 1st year Area Office	1600	1213
each 2nd year Area Office	1860	2117
each 3rd year Area Office	2100	2199
each 4th year Area Office	2395	3034

c) Loan disbursements were below forecast as a result of the lower than expected number of loans made in the 4th year offices;

Principal Amount Disbursed Jan.1/90 - Jun.39/90
(Tk million)

	Forecast	Actual
all 1st year Area Offices	4.4	2.3
all 2nd year Area Offices	26.0	31.2
all 3rd year Area Offices	50.4	49.4
all 4th year Area Offices	81.4	39.3
Total RDP	162.2	122.4

d) There is a shift in term structure of the loans from previous experience and from forecast which increases over forecast the loans position outstanding:

	Distribution of Loans by Term (% of Principal Advanced Jan.1 - Jun.30/90)					
	Forecast			Actual		
	S	M	L	S	M	L
all RDP Area Offices	60	37	3	77	15	8

e) The purpose to which loan funds are being applied in some circumstances have shifted as well

	% of Cumulative Disbursements to Dec.31/89	% of Cumulative Disbursements to Jun.30/90	% of 1990 Disbursements
Agriculture	10	9	6
Irrigation	7	7	7
Fisheries	1	1	1
Livestock	18	21	31
Rur. ind.	6	6	6
Rur. trans.	3	4	7
Rur. trading	39	39	37
Food proc.	16	13	5
Health	-	-	-
Misc.	0	-	-
Total	100%	100%	100%

7.2.3 Conclusions

Significant staff effort has been expended on cleaning up the poorly performing loans in the 4th year RDP (and RCP branches) and more significantly, on training old VO's. Members are now required to take Functional Education courses prior to obtaining loans and this has meant that many of the older VO's have had their borrowing activity curtailed until they have unlearned some of their rather undisciplined behaviour with respect to regular savings contributions and loan instalment payments that they got away with under the old system (prior to April, 1989). We approve of the attempts at re-establishing discipline and good repayment and saving habits. We feel that this is a temporary situation which will be worked out over the next year or so assuming that the training facilities can handle the demand. We see no reason at this time to revise the forecast for numbers of borrowers per type of office.

The seasonal nature of BRAC's lending which sees most lending activity typically occurring in the last quarter of the year, combined with the proposed lending for DTWs before December 31, 1990 virtually ensures that the loan portfolio targets for both RDP II and RCP will be met or exceeded by year end.

The shortfall in numbers of borrowers in the 1st year branches occurred because most of these offices were opened in May or June of this year. Better loan portfolio results will occur for future new branches if donor funding is available to finance the opening of new Area Offices.

The shift in the loan portfolio with respect to the term structure and the types of loans being made underscores the fact that BRAC did not have a clear strategy for developing each age of Area Office. We have been advised that a such a process is being developed and we strongly approve.

In general we also approve of the shift to longer term loans (cows and rickshaws to date and tube wells in the near future) as these appear to be well supervised and profitable loans and result in the borrowers owning an income earning asset. The increases in livestock and rural transport loans have been achieved at the expense of the level of lending to agriculture and food processing loans. This also is a function of maturing demand on the part of the borrowers. A element of minimalist credit will always be useful when first working with a new VO but over time the borrowers want and will be able to use the more productive loans that BRAC is capable of providing. These loans necessarily require more input from BRAC in terms of training and supervision. We feel that BRAC is able to provide this input to ensure both a good quality loan portfolio and real economic benefit to the borrowers.

7.2.4 RDP II Savings Performance

Although the savings performance for RDP does not influence the net interest income calculation (since savings are not, or at least should not be, used as a source of funds for loans in RDP) some comments on this activity are useful at this review stage. The total savings held by BRAC on behalf of members was less than forecast in the 4th year AO's.

	Borrowers' Group Funds at Sept. 30/90 (Tk million)	
	Forecast	Actual
all 1st year Area Offices	1	3
all 2nd year Area Offices	13	20
all 3rd year Area Offices	33	33
all 4th year Area Offices	56	31
Total	103	87

	Individual Savings at Sept. 30/90 (Tk million) Forecast	Actual
all 1st year Area Offices	1	1
all 2nd year Area Offices	3	3
all 3rd year Area Offices	7	6
all 4th year Area Offices	8	5
Total	19	15

7.2.5 Conclusions

The amount of savings transferred to BRAC from these older VOs was found to be less than anticipated as the members were not actually saving as faithfully as they had indicated or else they had invested group funds in schemes and the cash was therefore not available to transfer to BRAC.

In that the lending to the older VOs has been constrained as explained earlier the amount of group savings is logically reduced as well since these funds are assessed as a portion of funds advanced. Considering however, that the older VOs started behind forecast it would appear on average that the savings rate is at least as good as forecast and perhaps better. We anticipate that the total savings level will reach targets in the next year. forecast. Another reason for optimism relates to the fact that women are becoming members in greater proportions than men and women are better and more regular savers than men.

7.3 THE PERFORMANCE OF RCP

Tables 7.1 and 7.2 reveal more information with respect to the "bottom line" for RCP - ie. that although RCP is on target for profit after 9 months of operation it has achieved that performance in a somewhat different manner than forecast;

7.3.1 Investments

There were no investments made by RCP. The failure to invest is directly attributable to the slow provision of donor funds.

7.3.2 Loan Interest Income

Loan interest income was low but not excessively so, despite the fact that when the first 10 AO's were transferred to RCP their loan portfolios were not up to the level forecast (Tk 43.1 million net not 50.0 million as planned). Graph 7.1 shows that RCP's first 10 branches are almost on target for loans outstanding. The major reasons for the good performance is the trend to larger and longer term loans already discussed in the review of RDP which offsets the decline in the number of loans made.

7.3.3 Trends within RCP Loan Portfolio

a) Average Number of Borrowers Receiving Loans

	Jan. 1/90 to Jun.30/90	
	Forecast	Actual
each RCP branch	2000	749

b) Average Loan Size

	(principal disbursed Jan.1 - Jun.30/90)	
	Forecast	Actual
each RCP branch	2700	4017

c) Distribution of Loans by Term

	(% of Principal Advanced Jan.1 - Jun.30/90)					
	Forecast			Actual		
	S	M	L	S	M	L
all RCP branches	60	37	3	49	41	10

d) Loan Portfolio Outstanding

	(Tk million)			
	at Dec.31/89		at Jun.30/90	
	Forecast	Actual	Forecast	Actual
all RCP branches	50	43	70	68

TABLE 7.1

RCP BALANCE SHEET
AS OF SEPT.30, 1990
(Tk million)

ASSETS:	Estimated Position at Sept. 30/90	Actual Position at Sept. 30/90	Variance
Cash	(8.0)	7.9	15.9
Current assets	0.0	2.6	2.6
Investments	73.6	0.0	(73.6)
Net loans	68.6	63.7	(4.9)
Net fixed assets	11.1	10.8	(0.3)
Total assets	145.3	85.0	(60.3)
LIABILITIES:			
Members' funds	30.3	24.5	(5.8)
Current liabilities	0.0	3.1	3.1
BRAC loan	117.0	59.5	(57.5)
Total liab.	147.3	87.1	(60.2)
EQUITY:			
Paid in equity	0.0	0.0	0.0
Retained earnings			
- profit	(2.2)	(2.1)	0.1
Total equity plus liab.	145.1	85.0	(60.1)

TABLE 7.2

RCP INCOME STATEMENT
9 MONTHS TO SEPT.30, 1990
(Tk million)

INCOME:	Estimated Position at Sept. 30/90	Actual Position at Sept. 30/90	Variance
Investment income	3.3	0.0	(3.3)
Interest income	7.2	6.6	(0.6)
Total int. inc.	10.5	6.6	(3.9)
Interest on deposits	1.8	1.3	(0.5)
Net int. inc.	8.7	5.3	(3.4)
OPERATING EXPENSES:			
Branch operating exp.	5.7	4.9	(0.8)
Regional operat. exp.	0.4	0.4	0.0
H.O. operating exp.	1.7	0.6	(1.1)
Depreciation	1.5	0.3	(1.2)
Loan loss provision	1.4	1.1	(0.3)
Staff training	0.2	0.1	(0.1)
Total oper. exp.	10.9	7.4	(3.5)
NET OPERATING PROFIT	(2.2)	(2.1)	(0.1)

7.3.4 Members' Funds within RCP

The members' funds position for RCP is below forecast (Tk 24.5 million vs Tk 30.3 million) for the same reasons that the savings figures for the 4th year AO's of RDP are lower than anticipated. The amount of savings transferred to BRAC was less than anticipated, the members still lack the discipline to make regular individual savings and group savings were low due to reduced loan disbursements. We anticipate that the trend will correct itself shortly since the new AO's of RDP are exceeding savings targets and the only difference between the borrowers is the acceptance of the mandatory savings patterns.

Note: The method of forecasting members funds in the computer model is no longer correct. BRAC is now retaining 5% from the loan amount disbursed as a forced individual savings component, in addition to the 2 Tk/week/member also required. The group fund is a further 4% of the loan and the insurance premium is 1%. These modifications will be made to the model for future forecasts of RCP.

The net profit position would have been significantly less had BRAC not underspent the budget for Head Office expenses for RCP. BRAC was very conservative when preparing this budget, in effect had budgeting expenses in the first year of RCP which are more appropriate for the second or third year.

Note: The Balance Sheet and Income Statement for RCP (Tables 7.1 and 7.2) have been created by the Review Mission financial analyst. This was necessary because at the time of the review the 9 month figures from BRAC were not complete. We decided that it was preferable to use the estimated figures for 9 months rather than the reported figures for 6 months. There are still some inconsistencies in the preparation by BRAC of the documents used to produce the pro-forma statements. We anticipate that the year end profit of RCP will be approximately on forecast but as discussed above for reasons other than anticipated.

Of the above trends the one of most concern is the lack of donor funding for investments. In the early years the profitability of RCP is heavily dependent on these investments. If the donor funds had been received as scheduled, RCP would have earned interest income from these investments equal to approximately Tk 3.3 million, sufficient to record a respectable 9 month profit of Tk 1.2 million. It would seriously affect the profitability of RCP if the donors do not make up for the lost income from investments or if future funds do not arrive as required.

Recommendation

The DLO should prepare with the donor representatives in Dhaka a detailed funding schedule, including for each donor the dates and format for notifications from BRAC requesting draws on funds committed. The donors should consider an acceleration of funds committed for 1991 to offset the delay in 1990.

7.3.5 Other Balance Sheet Issues

A review of the Balance Sheet of RCP (table 7.1) reveals two additional issues which are not part of the performance review of

BRAC but which deserve mention at this time, insurance premiums and equity for RCP;

a) BRAC is collecting life insurance premiums from members. These premiums are being held against a benefit payment liability of Tk 5000 upon the death of a member.

Recommendation

BRAC should formalize the manner in which this contingent liability is calculated and reported. In addition, as mentioned earlier BRAC should not be able to use these funds for any other purpose than the payment of benefits.

b) RCP is meant to be structured like a bank yet it has no equity. Any losses that RCP may incur will have to be funded either by BRAC or from members' funds. We believe that BRAC will find a way to fund any losses that may occur in the future from its own sources - BRAC is in fact guaranteeing the performance of RCP. BRAC has cash and access to lines of credit to back up this guarantee. BRAC management has even stated that it would sell some of its assets if necessary in order to cover any future losses of RCP that might occur but this seems to be a rather extreme strategy.

It order to move closer to the future bank structure and also to protect the members' funds it would be preferable for BRAC to commit equity to the RCP now, while it appears to have funds with which to do this. In the future BRAC can sell shares to the members to reduce its ownership and to recover a portion (or if the bank is doing well, perhaps more than all) of the original equity infusion. BRAC should be very comfortable with the risk/return aspects of this investment since cash provided to RCP will be loaned out to members at a rate of interest of 16% - a better rate at perhaps less risk than available with Bangadeshi banks.

Recommendation

BRAC should provide cash equity to RCP to obtain a reasonable total debt/equity ratio of in the range of 20 - 25 times. BRAC could use its own funds for the purpose of capitalizing the proposed bank or it could request a specific allocation or re-allocation of donor funds for this purpose.

7.4 THE USE OF "OTHER" FUNDS

Since most of BRAC's cash funds currently are intermingled it is difficult to determine whether the "other" source of funding shown on Tables 4.1 and 4.2 derives from RDP members' savings, from surpluses that BRAC has built up, or from unspent funds received for other projects - CSP for example. All of these sources of funds were available in different amounts during the period of review but it is impossible to trace back to the original sources the money spent. Regardless of the source of these "other" funds, however, the following is clear.

7.4.1 Donor Funding

The donors will have to get organized within their own institutions in order to obtain approvals and disbursements according to the project schedule so that BRAC will not need to resort to "other" sources of funds. (This is perhaps an overly optimistic suggestion. It is more likely that BRAC will again have to fund delays in funds promised by the donors).

7.4.2 Repayment of "Other" Funds

These "other" funds will have to be repaid when the donor funding catches up with the plan.

If the funds were members' savings and group deposits then there is a cost of at least 9% associated with these funds since this is what BRAC pays its members for the money. This cost, in theory, could be charged to the donors since it was their non-performance which created the problem. On the other hand, the funds may have come from the donors for CSP or another program at no cost to BRAC but in this case BRAC would have an opportunity cost equal to the lost interest it would have earned on these funds. BRAC has estimated that RCP and RDP owe approximately Tk 15 million in interest for the funds provided.

7.4.3 Policies for the Use of Member Funds

Total members' savings received by BRAC in the first 9 months of 1990 were Tk 48.2 million. Of this total Tk 10.3 million were made available to RCP and the remaining funds, Tk 37.9 million, were either deposited or loaned to RDP or a combination of the two.

As a matter of principle and practise BRAC should only make use of members' funds for clearly defined purposes. In that RCP will become a bank in the future and bank deposits are a basic source of loan portfolio funding there is probably a philosophic difference between the use of members' funds within RCP and RDP. It should be noted that funds from members (individual savings and group funds) were intentionally not budgeted as a source of cash for RDP II since these funds were acknowledged not to be BRAC's.

The Review Team acknowledges that BRAC has to earn an adequate return on members' deposits in order to be able to pay them 9% for the use of their funds. Also it could be argued that BRAC is not earning enough by placing members' money in Bangladeshi banks and that the risk of doing so is in fact greater than that associated with lending to the landless. There is also the argument that by placing the members' savings and group funds in the commercial banks BRAC would be financing the wealthy with the money of the poor.

The Review Team is confident of the integrity of BRAC's management and believes that BRAC will always act with the members' interest in mind. It does not seem unreasonable, however to request that BRAC address the issue and clear the air with respect to the use of members' funds.

Recommendation

BRAC should develop its own policies with respect to the appropriate uses of members' funds within RDP and RCP.

Recommendation

BRAC should set up separate bank accounts for members' funds.

At least six separate accounts should be set up for RDP and RCP (individual savings, group savings, and insurance premiums for each). If required to do so auditors would be able to review these accounts to confirm that RDP and RCP members' funds have been used by BRAC as provided for in its own policies. BRAC should be able to negotiate with the Bangladeshi banks that are now holding these funds to obtain the same rate of interest on these segregated accounts as is now being paid on consolidated balances.

Recommendation

BRAC and the donors should review and clearly understand the legal implications of using members' funds in RCP for quasi-banking purposes.

This issue should be part of a specific review carried out on behalf of the donors to investigate the requirements, costs, and benefits of creating a commercial bank out of RCP. BRAC, with the input of the Bank Review consultants, should begin to draft the investment policies of the proposed bank as well as the equity structure and shareholder agreements. (At this stage it is not clear whether the bank should consider or in fact if it legally is able to consider investments in projects such as deep tube wells). This recommendation is expanded upon in Section 11.1.

7.5 GENERAL FINANCIAL ISSUES

7.5.1 Financial Reporting Format and Content

The form and content of financial reports within large lending organizations are many and varied - no one standard approach will apply everywhere - but generally they all one way or another have similar purposes:

a) to inform operating and senior level management of the extent of and quality of the lending activity. This is the reporting activity which will answer the questions, how much are we earning?, and how much risk are we taking on?

b) to compare budget and actual performance. A basic management task is to anticipate and plan for the future by allocating resources and setting goals. Management must know what results this allocation of resources is producing and this applies to financial management as well.

Quality and Activity Reports

BRAC is very capable of producing all the information necessary to answer management's concerns with respect to how much lending is taking place and what are the risk implications but as yet the process is not clearly organized. A number of suggestions might help;

a) Cumulative results are misleading. Financial reports should always deal in current information (eg. the characteristics of the loans which are now outstanding) and the changes since the previous report.

b) The first level of reporting should always be the individual member. This is not BRAC's current method of organizing its records yet this is where all lending activity begins and ultimately what success depends upon. The lender must always know what loans each borrower receives, repays and has outstanding at all times. The scheme-wise basic distribution of data now used by BRAC is less useful in our opinion than one which is organized according to borrower.

If a loan is in trouble the lender will have to deal with the person involved, not the scheme which is only a dimension of the loan.

The cash flow from the scheme is not always what determines the borrower's repayment of a loan. Deep tube wells, for example, only provide a return to the borrower once a year. Regardless of an individual's earnings it is always the borrower's total debt capacity and his or her willingness to pay that will determine what is a good loan and what is a bad one.

c) Once the loan portfolio has been organized in terms of borrowers, separate reports can be obtained in terms of schemes. It should be the same data base, but presented from a different perspective. It is important that BRAC know what its loans are being used for in order to plan its technical assistance programs and in order to evaluate the economic benefit to the borrowers of each type of loan.

d) The most basic details which must be collected from a lender's financial reporting system are the principal amounts disbursed in the reporting period on the one hand and on the other hand, the amount of interest earned and principal recovered. There are a number of practical constraints to accomplishing this task with total accuracy and the sheer volume of transactions and calculations involved is the greatest of these. The ability to effectively and accurately measure interest and principal will determine the accuracy of the balance sheet and income statement as well as all management reports that deal with loan position and interest income. BRAC is almost at a point whereby management at the operating and senior level can tell within an acceptable range of accuracy what is received and disbursed. This process must be completed and perfected to the full extent possible.

e) Once BRAC has cleared up its reporting of interest and principal received it will be feasible to compare actual receipts with required payments and to come to a realistic conclusion with respect to the quality of the loan portfolio at any time. From this data base BRAC should eventually be able to provide reports on those borrowers who are behind on payments and by how much, which is the ultimate requirement with respect to the measurement of the quality of the loan portfolio. BRAC is beginning to make progress in this specific area with a new form which summarizes instalments received versus instalments required. This is a very important step. It should be integrated into an overall strategy however for loan quality review (see Section 7.4.2) and should be capable of summarizing the actual repayment performance by sector as well as by borrower, by PO and by AO.

Recommendation

BRAC should try a pilot project with a self-contained computer system and loan management software to store and manipulate the loan portfolio data in a small number of branches or Area Offices.

This project could be donor funded project outside of RDP II or RCP. More detail on this recommendation is provided in Section 11.1.

Budget vs. Actual Financial Reports

BRAC's approach to the collection of management information with respect to financial targets has not been thought through. BRAC's financial reporting system should be able to tell management what has happened to the bottom line and why. BRAC is currently at the point with RCP where they know what has happened in general during the period in question but they lack the data and the analytical format to determine the implications of the performance to the budget.

BRAC will have to develop the experience and systems which will allow the financial management to know how well they are doing. Fortunately this task is relatively easy. For a lender the ultimate measure of success is fairly simple - net income or profit. This number in turn is made up of components;

a) interest income earned. This is income from loans plus in BRAC's case income from investments.

b) interest expense. This number is complicated for BRAC as a whole but can easily be determined for RCP.

c) net interest income is the difference of the first two.

d) operating cost.

BRAC's management, especially that associated with RCP, should begin to think in these terms and to develop quick indicators of performance. For example, operating cost as a per cent of average loan portfolio. Since this number will have at all times to be less than interest income if the lending activity is to be profitable this number should never approach 16% too closely. As of September 30 operating cost equalled 12.9% of the average loan portfolio for the period, ie. RCP was able to cover its operating costs from interest income.

In addition to developing quick and useful measures of performance BRAC's management should start demanding data and financial reports which will not only report what interest income, interest expense and operating costs were over a period but which will also help explain why these figures may have varied from target.

The most complicated of these requirements is for a monitoring system which will explain any variance versus budget in the figure for interest income. BRAC has already produced a computer model which can effectively be used to form the basis of this process, however, BRAC should begin collecting and reporting the kind of data that the Review Mission used in the financial analysis. In order to be able to explain the variance to target in interest income, the process required the following data - both target and actual:

a) number of borrowers for the period
b) average loan size
c) term structure of loans advanced during the period

By combining these factors it was possible to determine why the loan portfolio fell short of forecast and with it the interest income. BRAC's own management should be able to do the same thing regularly.

Part of BRAC's problem in being able to provide this kind of budget versus actual financial data is a result of the fragmented approach to financial budgeting currently in place. This issue ties in with comments with respect to the management of BRAC's internal funding and financing which follow. The overall format for the financial budget vs. actual reports should follow the recommendations with respect to Management Information Systems in Section 8.2.4.

7.5.2 Loan Portfolio Quality

BRAC's monitoring department has provided the following tables as quantitative measures of BRAC's loan portfolio quality;

Gross Loan Portfolio (Tk million)
At June 30, 1989

		Transferred		Not Transferred	
	Total O/S	Current	Late	Current	Overdue
all 1st year AO's	2.0	2.0	0	0	0
all 2nd year AO's	31.3	31.0	0.3	0	0
all 3rd year AO's	70.8	61.8	2.7	1.6	4.7
all 4th year AO's	64.5	59.0	3.3	0.5	1.7
Total	168.6	153.8	6.3	2.1	6.4
all RCP branches	54.0	44.6	8.7	0.6	0.1

Some definitions are in order.

not transferred loans - since April 1989 BRAC has in effect re-negotiated the terms of its loans with all members. The new agreements cover the requirement for weekly savings and for weekly payments of loan instalments. Not all borrowers