

The cover features a collage of three women. In the top left, a woman in a patterned sari sits and reads a book. In the bottom left, a woman in a colorful headscarf smiles at the camera. On the right, a woman in a dark sari is shown in profile, working with her hands. A large, semi-transparent red shape, resembling a stylized 'B' or a protective shield, is positioned behind the text and the smiling woman.

# BRAC

Annual Report

# 2002



B R A C  
ANNUAL REPORT

2002



VISION

A just, enlightened, healthy and democratic Bangladesh free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex, religion and ethnicity.

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## MISSION STATEMENT

BRAC works with people whose lives are dominated by extreme poverty, illiteracy, disease and other handicaps. With multifaceted development interventions, BRAC strives to bring about positive change in the quality of life of the poor people of Bangladesh.

BRAC firmly believes and is actively involved in promoting human rights, dignity and gender equity through poor people's social, economic, political and human capacity building. Although the emphasis of BRAC's work is at the individual level, sustaining the work of the organization depends on an environment that permits the poor to break out of the cycle of poverty and hopelessness. To this end, BRAC endeavours to bring about change at the level of national and global policy on poverty reduction and social progress. BRAC is committed to making its programs socially, financially and environmentally sustainable, using new methods and improved technologies. As a part of its support to the program participants and its financial sustainability, BRAC is also involved in various income generating enterprises.

Poverty reduction programs undertaken so far have bypassed many of the poorest. In this context one of BRAC's main focuses is the ultra poor.

Given that development is a complex process requiring a strong dedication to learning, sharing of knowledge and being responsive to the needs of the poor, BRAC places a strong emphasis on their organizational development, simultaneously engaging itself in the process of capacity building on a national scale to accelerate societal emancipation.

The fulfilment of BRAC's mission requires the contribution of competent professionals committed to the goals and values of BRAC. BRAC, therefore, fosters the development of the human potential of the members of the organization and those they serve.

In order to achieve its goal, wherever necessary, BRAC welcomes partnerships with the community, like-minded organizations, governmental institutions, the private sector and development partners both at home and abroad.

# ACRONYMS

ADP	Adolescent Development Program	NCU	NGO Cooperation Unit
ARI	Acute Respiratory Infection	NEER	Non-farm Enterprise Extension Reinforcement
AO	Area Office	NFPE	Non-Formal Primary Education
BCDM	BRAC Centre for Development Management	NID	National Immunization Day
BEOC	Basic Education for Older Children	NGO	Non-Governmental Organization
BEP	BRAC Education Program	NSV	Non-Scalpel Vasectomy
BRAC	Bangladesh Rural Advancement Committee ( <i>former name</i> )	PACE	Post Primary Basic And Continuing Education Program
CEP	Continuing Education Program	PHC	Primary Health Care
CFPR	Challenging the Frontiers of Poverty Reduction	PSE	Program Support Enterprises
DANIDA	Danish International Development Agency	RDP	Rural Development Program
DNFE	Directorate of Non-Formal Education	RED	Research and Evaluation Division
EDP	Economic Development Program	REP	Rural Enterprise Project
EHC	Essential Health Care	RIHDC	Reproductive Health and Disease Control
EIGP	Employment and Income Generating Program	RLF	Revolving Loan Fund
EPI	Expanded Program on Immunization	RSDP	Rural Service Delivery Program
ESP	Educational Support Program	RTI	Reproductive Tract Infection
ESP	Essential Service Package	SRC	Sericulture Research Centre
GEP	General Education Project	SS	Shastho Shehika ( <i>Health Care Worker</i> )
GP	Global Partnership	SSC	Secondary School Certificate
GQAL	Gender Quality Action Learning	STD	Sexually Transmitted Disease
HNPP	Health, Nutrition and Population Program	TARC	Training and Resource Centre
HRLE	Human Rights and Legal Education	TUP	Targeting the Ultra Poor
H&FPPF	Health & Family Planning Facilitation Project	VGF	Vulnerable Group Feeding
IGVGD	Income Generation for Vulnerable Group Development	VO	Village Organization
MED	Micro-Enterprise Development	VSC	Voluntary Surgical Contraception
MELA	Micro-Enterprise Lending and Assistance	WFP	World Food Program
MOU	Memorandum of Understanding		

# BANGLADESH BRAC LOCATIONS

Regional Office  
Area Office  
Training and Resource Centre



Bay of Bengal

Myanmar



# BRAC AT A GLANCE

As on December 31, 2002

## Program Coverage

Districts	64
Thanas (sub-districts)	480
Villages	61,924
Urban Slums	2,288
Population Covered	70 million
Water-body under Fisheries	47,421 Acres
Land under Agriculture	386,431 Acres

## Development Programs

Village Organizations	113,756
Membership - Total	3,531,513
- Female	3,516,838
- Male	14,675
Loan Disbursement - Year 2002	Tk. 17,065.90 million US \$ 294.24 million
Loan Disbursement - Cumulative	Tk. 86,610.20 million US \$ 1,796.54 million
Loan Outstanding	Tk. 9,250.79 million US \$ 159.50 million
Repayment Rate	99.27%
Members' Savings	Tk. 4,983.96 million US \$ 85.93 million
Currently Enrolled in BRAC Schools	1.10 million
Graduated (till to date)	2.4 million
Legal Literacy - Courses Held - Learners Completed	86,923 2,069,376

## Commercial Enterprises

Aarong Shops	8
Printing Press	1
Dairy & Food Project	1

## Job Creation

Poultry	1,629,279
Livestock	340,514
Agriculture	733,593
Social Forestry	29,431
Fisheries	234,412
Sericulture	17,557
Horticulture	165,891
Agro-Forestry	44,077
Handicraft Producers	14,987
Small Enterprises	62,608
Small Traders	1,826,439

## Human Resources

Staff	27,608
School Teachers	33,541*
Community Veterinarians	3,654
Community Health Workers	21,282
Poultry Workers	52,227
Community Nutrition Workers	7,926
Nutrition Women Members	71,910

## Program Infrastructure

Regional Offices	107
Area Offices	464
Team Offices	1,190
Training Centres	14
Health Centres	98
Diagnostic Laboratories	98
Community Nutrition Centres	7,191
Antenatal Care Centres	6,519
Schools	34,000
Libraries	700
School Reading Centres	7,896
Handicraft Production Centres	270
Limb and Brace Centre	1

\* 459 teachers run two schools each

## Annual Expenditure

Year	Amount	Donor Contribution (%)
1997	Tk. 4,215 million US \$ 102 million	36%
1998	Tk. 6,283 million US \$ 130 million	32%
1999	Tk. 7,708 million US \$ 148 million	30%
2000	Tk. 8,024 million US \$ 152 million	21%
2001	Tk. 8,135 million US \$ 153 million	21%
2002	Tk. 9,259 million US \$ 161 million	20%



## Program Support Enterprises

	No.	Capacity (annual)
Poultry Farms	6	14 million Chicks
Feed Mills	3	35,000 MT
Prawn Hatcheries	8	15 million post larvae
Fish Hatcheries	4	4,500 kg fish spawn
Seed Processing Centres	2	6,000 MT
Seed Production Farms	18	4,000 MT
Sericulture - Silk Reeling Centres	3	15 MT
- Grainages	12	2.0 million df
Nurseries	24	2.4 million
Bull Station	1	120,000 dose
Salt Factory	1	10,000 tons



## Related Companies/Institutions

BRAC Industries Limited	Cold Storage
BRAC BD Mail Network Ltd.	Internet Service Provider
BRAC Services Limited	Hospitality
BRAC Renata Agro Industries Ltd.	Poultry Farm
BRAC Concord Lands Limited	Land and Housing
Delta BRAC Housing Finance Corp.	Housing Finance
BRAC University	Tertiary Education
BRAC Bank	Small & Medium Enterprise Finance & Banking



## BRAC TIMELINE : MAJOR EVENTS

1972	BRAC starts at Sulla (Sylhet) as a relief organization
1973	Transition to a development program
1974	Relief work among famine and flood victims of Rowmari, Kurigram started
1974	Microcredit started
1975	Research and Evaluation Division (RED) established; Jamalpur Women's Project commenced
1976	Manikganj Integrated Project initiated
1977	BRAC commences 'targeted' development approach through Village Organizations (VO); BRAC Printers set up in Dhaka
1978	Training and Resource Centre (TARC) set up at Savar; Aarong set up in Dhaka; Sericulture starts in Manikganj
1979	Outreach, Rural Credit and Training Program (RCTP). Poultry Program commenced
1980	Oral Therapy Extension Program (OTEP) launched
1983	Livestock Program initiated
1985	Non-formal Primary Education Program (NFPE), Income Generation for Vulnerable Group Development (IGVGD) Program launched, Rural Enterprise Project (REP) launched
1986	Rural Development Program (RDP) formed by merging Rural Credit and Training Program (RCTP) and Outreach, Child Survival Program (CSP) commenced
1988	Monitoring Department set up
1990	Rural Credit Program (RCP) commenced; Management Development Program (MDP) set up; Vegetable cultivation becomes a separate program
1991	Women's Health Development Program (WHDP) commenced
1992	BRAC Centre for Development Management (BCDM) established
1993	Training Division, Women's Advisory Committee (WAC) set up.
1994	Non-formal Primary Education program (NFPE) sets up a desk in Nairobi under the auspices of UNICEF to advise some African countries in primary education.
1995	Fifteen Adult Literacy Centres opened under NFPE; BRAC enters Global Partnership for NGO studies, education and training; Gender Quality Action Learning (GQAL) and Gender Resource Centre (GRC) established.
1996	Rural Development Program (RDP) IV commenced; Micro-Enterprise Lending and Assistance (MELA) launched; BRAC BD Mail goes into operation
1997	Urban Development Project starts; Delta BRAC Housing program launched
1998	BRAC Dairy and Food Project commissioned, Chittagong Hill Tracts Development Project underway
1999	BRAC Information Technology Institute launched
2001	BRAC University
2001	BRAC Bank
2002	Challenging the Frontiers of Poverty Reduction launched
2002	BRAC-Afghanistan
2002	Advocacy Unit



## BRAC : AN OVERVIEW

BRAC, a national private development organization, set up in 1972 by Mr. Fazle Hasan Abed, began as a relief oriented organization focused on resettling the refugees returning from India after the War of Independence in 1971. This task over, BRAC turned its focus on the issue of poverty alleviation and empowerment of the poor, especially women, in Bangladesh's rural areas.

BRAC, the acronym for Bangladesh Rural Advancement Committee has become its identity and it stands for working for the poor and the marginalized. From its modest birth in 1972, it is now the world's largest national NGO, diverse in its operations with over 27,000 regular staff and 34,000 part time teachers, working in 61,924 villages in all the 64 districts of Bangladesh. BRAC has progressed with learning from experience and through a responsive and inductive process. Adjusting its strategy to prevailing circumstances, it does not pursue any rigid development model.

BRAC diagnoses poverty in human terms. Women with social, cultural, technological and structural constraints have been able to transform themselves as contributors not only to their families' well being but national production and development as well by increasing their access to economic and social resources with BRAC's assistance. Currently, BRAC promotes income generation and social development of the poor, mostly landless rural people of Bangladesh, through micro-credit, health, education and training programs.

To deal with a complex syndrome like poverty BRAC applies a holistic approach encouraging innovative interventions through three core program areas. Economic Development, Health and Education.

Economic Development Program (EDP) has so far organized over 3.53 million poor landless people, mostly women, into 113,756 Village Organizations (VOs), each having 30-40 members. These groups serve as forums where the poor can collectively address the principal structural impediments

to their development or supply credit. BRAC's credit program, initiated in 1974, has disbursed US\$ 1.80 billion (Tk. 8,661 crore) through the VO members to enhance their income generating capacities. Disbursement for the year 2002 was US\$ 294 million (Tk. 1,707 crore). Additionally, access to credit comes with encouragement to save regularly. Their savings deposited with BRAC now stands at US\$ 85 million (Tk. 498 crore). While BRAC believes that micro-credit is an important tool in breaking the cycle of poverty, it also places equal emphasis on training of its members in income generating activities and in facilitating their linkages with consumer markets. BRAC also runs a number of social development initiatives designed to increase members' awareness of their rights and responsibilities and to facilitate addressing issues of discrimination in their villages and region. BRAC continuously challenges itself to question its own assumptions, implicit and explicit, and reviews them in the light of unfolding reality and experiences.

BRAC's Health, Nutrition and Population Program takes a broad approach to the health needs of the poor people providing basic curative and preventive services to a large number of the poor reaching more than 31 million people. Trained health workers and female health volunteers (Shastho Shebika) work to raise awareness of the rural poor on health issues that directly impact on their lives and families. It seeks to reduce maternal and child mortality and reduce vulnerability to common diseases. Services are offered to control infectious diseases such as tuberculosis, acute respiratory infections, diarrhoea, etc. The program also provides services to pregnant women for improving their health and nutrition status. Beside these, reproductive health needs of the community in general, with particular focus on BRAC members, are addressed in family life education, contraception, STD/RTI control and awareness against HIV/AIDS. BRAC is encouraging rural people to use safe water and hygienic sanitation for health and environmental reasons. The Nutrition Facilitation Program is working as a partner of the Bangladesh Government's health initiative.

In 1985, BRAC initiated the Non-Formal Primary Education (NFPE) Program by setting up 22 one-room schools to provide basic education to the children of poor and landless families. This program has grown to 34,000 one-room schools providing education to 1.1 million children. BRAC places a special emphasis on girls' education and involvement of families in their children's school life. As a result, over 65% of NFPE's students are girls. The importance of maintaining literacy outside the school setting has been addressed with BRAC's community based libraries that give members access to a variety of reading materials. Adolescent Development Program (ADP) is a new initiative to train adolescent BRAC School graduate girls and boys on different skills, health awareness including reproductive health and leadership. The BRAC school model has been adapted in a number of developing countries.

BRAC provides support to these three core areas of its activities through various support programs. BRAC's Training Division is involved in all aspects of staff and VO members training, be it poultry rearing or developmental management. The Training Division has established twelve residential Training and Resource Centres (TARC) and two BRAC Centres for Development Management (BCDM) to achieve its objectives. To promote gender equity throughout the organization and within the community BRAC serves, it has initiated a Gender Quality Action Learning (GQAL) program.

The Research and Evaluation Division (RED), Monitoring, Publications, Public Affairs and Communications, Human Rights and Advocacy, and Construction and Logistics departments support the core programs.

To link the poor rural producers with the expanding urban markets, BRAC has undertaken some commercial projects, such as Aarong (retail handicraft stores chain) which links artisans with the market. Such ventures also serve to fund its core development programs. BRAC Dairy was commissioned in 1998. It is the second largest liquid milk plant in Bangladesh and has an integrated system of milk procurement from rural dairy farmers to the production of quality dairy products. Six Poultry Farms and three Poultry Feed Mills have been set up to meet the increasing demand for healthy

chicks and quality feed in rural areas as well as provide supply access to women trained in a variety of aspects of poultry rearing. BRAC Printers, a Cold Storage, 15 Grainage and Reeling Centres (Sericulture), 12 Fish and Prawn Hatcheries and a Bull Station are also among its program support enterprises.

BRAC has set up a Tissue Culture Laboratory and two Seed Processing Plants and agricultural farms to make new agricultural technology available to its members and the farming community at large.

BRAC has worked with the Organization of Rural Associations for Progress (ORAP) in Zimbabwe and the School for International Training (SIT) in the United States to create the Global Partnership Program which offers post-graduate diploma in 'NGO Leadership and Management'. The courses are designed to prepare students for successful careers in development at home and abroad.

BRAC University was inaugurated in 2001 to foster national development by creating a center of excellence for higher education that is responsive to society's needs, able to develop creative leaders and actively contribute to learning and creation of knowledge. BRAC is also concerned with providing training in Information Technology (IT) through the BRAC Information Technology Institute which is part of BRAC University.

BRAC Bank is a full-fledged commercial bank focusing on providing financial services to small and medium enterprises and intends to expand nationwide to provide services to this client group in particular.

BRAC has been implementing a new program since January 2002, focusing on development of the ultra poor who live below the poverty line as interventions including poverty alleviation efforts have generally neglected to address the needs of the ultra poor. The program titled "Challenging the Frontiers of Poverty Reduction (CFPR)" comprises inputs such as asset transfer, social empowerment, training and essential health care to 1,345,000 ultra poor. The program is being piloted in the northern districts of Rangpur, Kurigram and Nilphamari districts for 5,000 ultra poor people.

In 2002, BRAC received a total of 345 visitors from abroad representing government, non-government and media communities, including 91 trainees and 58 interns and shared its development experiences.

The actual expenditure of BRAC for the year 2002 was US\$ 161 million. Donor contribution accounted for 20% of that amount. The projected budget for BRAC for the year 2003 is US\$174 million. Donor contributions will account for 18% of that amount.

### **BRAC-Afghanistan**

The recent events in Afghanistan opened a door for reconstruction of the country. Bangladesh is empathetic to the plight of the Afghan people. Considering the situation BRAC thought that its own experience as a catalyst in the development of Bangladesh could be shared with Afghanistan. Since June 2002 BRAC is involved in implementing livelihood, education and health programs in Afghanistan.

# ECONOMIC DEVELOPMENT

## ECONOMIC DEVELOPMENT



The Economic Development Program (EDP) works with and for the disadvantaged rural people of Bangladesh, especially women, and it has a compelling vision of a society where the poor and disadvantaged will be able to achieve sustainable improvement in their livelihoods, attain a high degree of self reliance and manage their own affairs with dignity and freedom.

In the last three decades, with more than three and a half million rural women, it has been able to reach a large number of poor people. EDP has been working in all the 64 districts of Bangladesh and has a wide range of interventions including institution building, microfinance, sector program, social development and health intervention. EDP's greatest strength lies in its innovative development programs and learning from experiences.

## Institution Building through Village Organization (VO)

To bring the rural poor into mainstream of development, BRAC focuses on institution building as a strategy. BRAC believes that a common platform that is created and owned by the poor is a prerequisite through which the poor can make themselves count in the development process. The Village Organization (VO) is an association of the poor and the landless people who come together with the help of BRAC to try and improve their socioeconomic position. BRAC's approach to social and economic development of the poor, especially women, involves four inter-related strategies: institution building, service delivery, social mobilization and public sector mobilization.

BRAC's core approach and competency is the delivery of health, education, microfinance, and micro-enterprise services on a large scale to the rural poor, primarily women. BRAC decided to train local women to help deliver these services and organize local groups. As a result, BRAC's service delivery contributes to building local leadership and local organizations.

As of December 2002, BRAC had organized its 3.53 million members into 113,756 VOs across the country. BRAC's microfinance staff meet VOs once a week to

discuss and facilitate credit operations, the social development staff meet VO members twice a month to discuss various socioeconomic and legal issues and the health staff meet with the VOs once a month to discuss health issues.

## Social Mobilization

BRAC believes that women must be aware of their legal rights to protect themselves from being discriminated and exploited, and that the socio-political relationships and power structures within village communities need to be changed. Poor women need encouragement to take action when their rights are infringed. To take such a step, women often need external assistance, such as the help of a lawyer or the police. BRAC feels that it can assist poor women obtain access to these services, either through legal aid clinics or by helping women report cases at the local police station or when seeking medical care like the case of acid victims.

BRAC's social development program was broadened in 1998 to incorporate issue-based meeting, Polli Shomaj and Popular Theatre as forums for empowering the VOs.

**Issue-based meeting:** The VO members meet once a month to discuss issues related to social injustice,



health, education, legal education and rights, violence against women and women's oppression. Through these monthly meetings, the VO members try to find solutions to many of their problems. This forum is considered to be the first step towards gaining a voice and participating in larger fora.

**Polli Shomaj:** The Polli Shomaj (Rural Society) is a Ward level organization made up of representatives from several VOs. This initiative, started in 1998, was meant to complement the government's initiative to set up local government bodies. What is unique about BRAC's Polli Shomaj is that it has an all women membership.

By the end of December 2002, BRAC has helped VO members to form 11,114 Polli Shomaj groups. So far, these groups have addressed issues such as illegal divorce, dowry, under-age marriage, polygamy, corruption and injustice within the community. Polli Shomaj members are also participating in greater number in resolving social conflicts through local arbitration (Shalish), and playing an active role in lobbying the Union Parishad for delivering various benefits (VGD cards, old age pension etc.). Polli Shomaj members (1,500 approximately) contested successfully in local elections and became Union Parishad members.

**Popular Theatre:** The Popular Theatre program was started in 1998 to bring to light various social issues that affect the poor in rural communities. Through the medium of plays, various social ills and injustices, and possible solutions to the problems are highlighted and information is disseminated about existing laws to protect the rights of the poor. At the same time, this program helps break traditional gender roles and gender segregation by encouraging and allowing women to participate in theatre groups and get involved in public performances. It is also providing entertainment for the rural poor. As of December 2002, BRAC formed 136 drama groups involving 872

performers. A total of 13,649 shows were staged in 25 regions. This is one of the most popular of BRAC's programs.

**Human Rights and Legal Education (HRLE):** In mid -1986, the HRLE program was initiated with the belief that legal awareness among VO members would help them protect themselves from illegal, unfair, or discriminatory practices. The purpose of the program was to increase the VO members' knowledge about the existing laws, legal system and their willingness to take up and act on their legal responsibilities. The modus operandi of the HRLE Program is through a training course on 7 basic laws: Citizen's Rights Protection Law, Criminal Law, Muslim and Hindu Family Laws, Muslim and Hindu Inheritance Laws, and Land Law. In 2002, Laws on Trafficking of Children and Women and Acid Throwing have also been added. Till December 2002, 86,923 courses were held for 2,069,376 learners. The HRLE courses offered by BRAC enable the VO members to share lessons which they have learnt in the courses.

**Legal Aid Clinic:** Most of the conflicts and problems can be solved through local arbitration (Shalish). However, many of the cases cannot be resolved without resorting to legal procedures. The poor are not usually in a position to pay for such services. In recognition of the above situation BRAC, in co-operation with Ain O Shalish Kendra, a legal aid organization, started its legal aid program in 1998. This program provides legal training and services to both the members and non-members. The legal aid clinic at the Area Offices provides such services every Sunday.

In 2002, a total of 11,175 complaints were received by the legal aid clinics. Of these, 3,187 cases were settled through arbitration by trained paralegal staff and 2,055 cases were sent to court. Most of the complaints were related to maintenance issues. BRAC helped its members obtain monetary compensation amounting to US\$ 283,103 (Tk. 1.7 crore) through arbitration and court proceedings.



**Local Community Leaders' Workshop:** BRAC Area Offices convene one-day workshop of VO leaders and community leaders every three months to discuss local socio-political and legal issues in an open forum. These workshops are designed to make the traditional elite leadership more accountable to their communities.

The participants in this workshop include the current Union Parishod (UP) Chairman, UP members, the local Qazi (marriage and divorce registrar), Imam, teachers, journalists, local leaders and influential persons of the locality. The HRLE Shebika, the Polli Shomaj Chairperson, the Program Organizers (PO) of Human Rights and Legal Service and Social Development, the Area Coordinator, the Area Manager and the lawyer also participate. A total of 6,606 such workshops were held upto 2002.

## Microfinance Program

The microfinance program of BRAC is a tool for poverty alleviation and empowering the poor. Lack of access to the formal banking system deprives them of the facilities to borrow, save and invest in productive activities, and this is a major reason why poor people remain poor. The formal banking sector also requires collateral. Making credit available to the rural poor enables them to become involved in different income generating activities which, in turn, allows them to become economically self-reliant. Through this process BRAC's microfinance program works to create a self-sustaining and reliable financial service program for the poor.

### i) Credit

Credit is provided to its VO members to initiate different income generating activities. While loans for

individual and joint activities do not require collateral, members must have some savings with BRAC before they are eligible for loans. Credit operations are carried out through a Revolving Loan Fund (RLF). This RLF consists of donors' fund, members' savings, Polli Karmo Shohayok Foundation (PKSF) loan and other loans. Loans realized from VO members are credited to and form part of the RLF for extending further credit. A 2% loan loss reserve is kept to cover the risk of bad debts and death. Regular borrowing and payments allow the borrower to take larger loans.

#### Key Features of Loan

- Loan range: US\$ 17 (Tk. 1,000) to US\$ 345 (Tk. 20,000)
- Service Charge: 15%
- Repayment mechanism: Equal weekly installments
- Loan products: General loan, sector program loan, housing loan and emergency loans given at the time of disaster

In 2002, US\$ 294 million (Tk. 1,707 crore) have been disbursed to 2.9 million borrowers with repayment rate of over 99%.

#### ii) Savings

Savings is an important component of microfinance services. Experiences show that there is a positive

correlation between savings and sustainable credit operation. From the member's point of view, savings represent an opportunity to save in small amounts to form a lump sum that earns interest. This is an opportunity that the formal market or regular financial institutions do not provide.

A VO member may save in three ways:

**Weekly Personal Savings:** On average, members are required to save a minimum of US 10 cents (Tk. 5) every week.

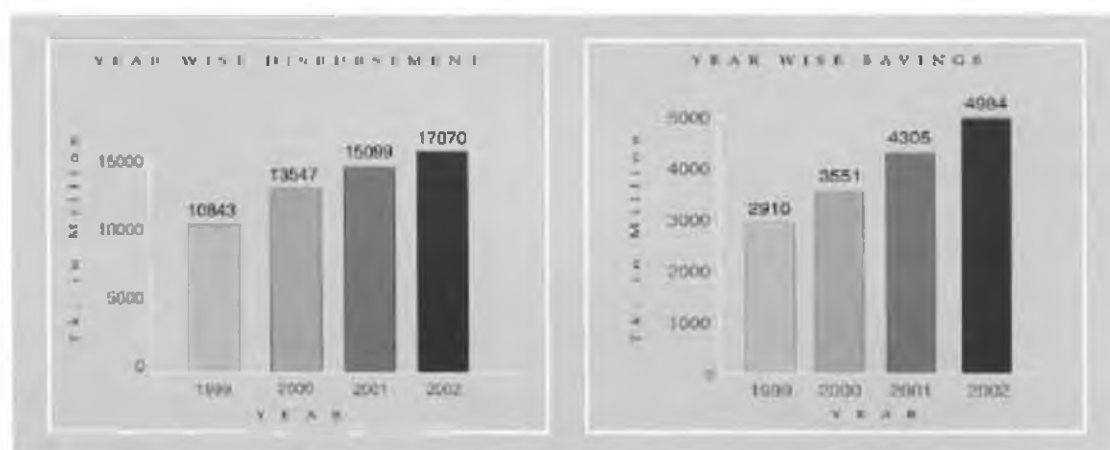
**Compulsory Savings:** When VO members take loans, it is mandatory that they deposit 5% of the loan amount into their savings account. A member can withdraw 50% of their net savings at any time of the year.

**Current Account Savings:** Current Account Savings has been recently introduced that bear no interest but allow the group members to make unlimited withdrawals. This has the following features:

**Convenience:** The Area Office is conveniently located to allow all members to deposit money into their current accounts.

**Liquidity:** Members can withdraw any amount of savings from these accounts at any time.

**Safe Keeping:** The Area Office is a safe place to keep savings instead of their houses.



By the end of 2002, the total savings stood at US\$ 85.93 million (Tk. 498 crore).

### *iii) Death Benefit*

A death benefit policy has been introduced for its VO members since June 1990. The key features of BRAC's death benefit are:

- All VO members irrespective of borrowers are entitled to this benefit.
- Death benefit service provides US\$ 86 (Tk 5,000) to the dependents of the deceased member.
- No premium is charged to the members. The cash benefits are paid out of the service charge earned through BRAC credit program.
- Outstanding loans of the deceased are written off.

## **Micro Enterprise Lending and Assistance (MELA)**

Micro Enterprise Lending and Assistance (MELA) program was launched in December 1996 to provide loan to small enterprises with growth potential. The objective of this program is to provide credit facilities and technical assistance to new and existing small businesses.

The characteristics of MELA loans are:

- Loan range: US\$ 345 (Tk. 20,000) – US\$ 3,448 (Tk. 200,000)
- Service Charge: 15%
- Repayment modality: Equal monthly instalments
- Loan duration: 12 months, 18 months and 24 months
- Twenty different business sectors are supported by MELA loan

By the end of 2002, a total amount of US\$ 48 million (Tk. 260 crore) was disbursed to 45,503 borrowers in 64 districts of Bangladesh with an average loan size of US\$ 1,077 (Tk. 62,484).

## **Employment and Income Generation (EIG) Program**

BRAC has learned that besides lack of access to finance, the two major constraints that have prevented the poor from improving their lives are the absence of self-employment opportunities and lack of skills to sustain those activities. BRAC realised that if different employment opportunities were created, along with sufficient training and refreshers for capacity development, the poor could be linked to the mainstream economy which would ultimately bring them out of poverty.

Activities approved for BRAC sectoral lending and other support enterprises can be classified under the following broad categories.

### *• Poultry & Livestock Program*

Approximately 70% of the rural landless women are directly or indirectly involved in traditional poultry rearing activities. The Poultry and Livestock Program is composed of several components: poultry and livestock extension program, poultry farms and hatcheries, feed mills and feed analysis laboratories, bull station and the disease diagnosis laboratories. Till to date, 1.96 million people have been involved in this program.

The key persons under poultry and livestock extension program are i) Poultry and Livestock Extension Worker ii) Chick Rearer iii) Key Rearer iv) Cage Rearer v) Broiler Rearer vi) Egg Collector vii) Model Cow Rearer viii) Model Goat Rearer and ix) Artificial Inseminator.

### *• Fisheries*

The Fisheries Program, started in 1976, is now developed into one of the most promising and profitable EIG activities for rural women. The key components of the program are pond aquaculture, open

water fisheries management, and fish and prawn hatchery.

BRAC aims to promote pond aquaculture by rural women to provide them with an additional source of income and improve their nutrition level thereby improving socioeconomic condition of the participants. BRAC provides training, undertakes production and distribution of quality fish spawn and prawn post larvae, extends credit assistance, and technical and marketing support. Till to date 47,421 acres of water-body have been brought under fish culture and 234,412 farmers are involved in fisheries program.

#### • *Social Forestry*

The social forestry program is being implemented since 1988 to make the people aware of the necessity of planting trees and to increase the number and

variety of trees not only to meet the basic needs such as timber, fuel and fruit but also to restore the ecological balance. The program components are horticulture nursery, grafting nursery and agro-forestry. One of the objectives of the program is to encourage people to plant trees throughout the country. At present there are 73,508 agro and social forestry farmers.

#### • *Agriculture*

The agricultural extension activities can be broadly categorized into vegetable cultivation and crop diversification (rice, maize, wheat, cotton, sunflower). This program has been undertaken to increase the nutrition and income levels of the households by increasing agricultural production of VO members through technology transfer. Under this program VO members, who have less than 0.5 acres of land in each



area, receive training, technical support, inputs like HYV and hybrid seeds, fertilizers, and have access to BRAC's microfinance to obtain the resources for investing in farming. Interested small farmers, who have land between 0.5 and 3 acres, also receive training and technical support.

Crop diversification contributes to increased agricultural productivity. Besides maize and wheat, which are used for poultry feed, rice, cotton, onion, mustard and sunflower cultivation are also being undertaken. By December 2002, there were 157,280 vegetable growers brining 67,114 acres of land under vegetable cultivation and 1,169.37 MT of seeds have been distributed.

#### • *Sericulture*

Sericulture is a labour intensive agro-industry. Sericulture Program links the rural producers with urban markets. The main components of the program are: a) mulberry cultivation (roadside, homestead and bush), b) silkworm rearing, c) reeling and weaving, and d) marketing. Besides, there are other components of the sericulture program, which include silk Seed Production Centre and Sericulture Resource Centre (SRC). At present, BRAC is operating 8 Silk Seed Production Centres, 6 Sericulture Resource Centres, and 3 Reeling Centres.

The Sericulture Resource Centre provides practical training to the rearers on mulberry cultivation and silkworm rearing. In 2002, there were 7,407 silkworm rearers and 1.4 million Disease Free Laying (DFL) have been distributed.

### **Vegetable Export Program**

Poor farmers require better skills and knowledge of modern agriculture practices. They also need assistance to obtain a fair price for their produce. BRAC Vegetable Export Program seeks to link the

poor Bangladeshi farmers with international markets to bridge the gap between the local producers and the international consumers. In addition to introduction of technical training and modern agricultural inputs, BRAC started this program in 1997-98 with particular focus on vegetables that have high demand in the European markets and could be grown in Bangladesh. In the first year, 27 tons of beans were exported successfully to England, France, Belgium and Holland and in 1999, 26 tons of fresh potatoes were exported to Singapore.

BRAC has exported 621 tons of fresh vegetables and 350 tons of potatoes in 2002 to the wholesalers and supermarkets in England, France, Germany, the Netherlands, Belgium and Italy in Europe, and the UAE, Bahrain, Singapore, Malaysia and Hong Kong in Asia. In addition to French Beans, Broccoli and Green Chilli, demand oriented new items have been selected with the total export target of 800 tons of fresh vegetables and 1000 tons of potatoes for the year 2003.

### **Rural Enterprise Project (REP)**

As the scope of employment and income earning sectors are limited, new livelihood opportunities are essential for reducing rural poverty. Moreover, many traditional livelihoods are becoming marginal and new opportunities are opening up with growing urbanization and globalization. However, the poor may not be able to gain from these opportunities without support. This realization led BRAC to initiate the Rural Enterprise Project (REP), to encourage employment and income generation through entrepreneurship. The project is involved in innovating non-traditional activities and introducing them to the program participants. REP was formed in 1985 to find and test new opportunities for rural development. The primary objective was to experiment with various income generating enterprises that can be owned and managed by rural landless women.



One significant change that took place in REP was the inclusion of a new unit called Non-farm Enterprises Extension and Reinforcement (NEER) to intensify the non-farm job creation program. The objective is to create employment in the non-farm sector for rural women and BRAC School graduates to make them self-employed. The present women owned and run projects under NEER program are, i) Shuruchi (restaurant), ii) Shuponno (grocery shop), iii) Shucharu (laundry shop), iv) Shubesh (tailoring shop), v) Srijoni (carpentry workshop), vi) Apiculture and vii) other micro enterprises.

Till 2002, a total of 9,410 restaurants, 30,675 grocery stores, 5,468 laundries, 13,418 tailoring shops and 3,637 other micro enterprises were operated by women members throughout the country.

### **Program Support Enterprises (PSE)**

Essential inputs such as poultry feed, day old chicks, silkworm eggs, post larvae and vegetable seeds must be supplied to group members if they are to continue expanding the program. As the inputs from the government and the local industry are not enough to meet the demand BRAC established a number of Program Support Enterprises to supply these inputs which include grainages for silkworm egg production, reeling centres for yarn production, prawn hatcheries for post larvae production, feed mills producing poultry and livestock feed, poultry farms for the production of day old chicks, nursery for seedlings and seed production centres for quality seed. Under this program, there are 6 poultry farms, 3 poultry feed mills, 2 seed processing plants, 15 grainages and reeling centres, 12 fish and prawn hatcheries, and 1 bull station for artificial insemination.

### **Income Generation for Vulnerable Group Development (IGVGD)**

The Income Generation for Vulnerable Group Development (IGVGD) program covers the poorest

women who own no land, have little or no income, are widowed or divorced and with no able bodied male member in the family. The objective of the IGVGD program is to alleviate poverty of the hard core poor by providing long-term sustainable income and employment opportunities through food assistance, training and access to credit facilities.

Initiated in 1985, IGVGD is a collaborative program involving three partners: Government of Bangladesh, World Food Program and BRAC to serve the ultra poor. Elected local government bodies at the lowest level are also involved with this program. The Vulnerable Group Development Program (VGD) cardholders receive a monthly ration of 30 kg of wheat for 24 months. BRAC provides various skill training to these women in different income generating activities, mainly in poultry, goat and cattle rearing and vegetable cultivation. After completion of the 24-month food support cycle they graduate into Economic Development Program to become its regular members. With skill training, VGD women become eligible for credit support where no collateral is required. The average size of the first loan is Tk. 2,500. During January 2001 to December 2002, 287,350 VGD cardholders received 206,892 MT of wheat, 258,500 cardholders received skill development training and 184,796 cardholders received their first loan as BRAC VO members.

### **Challenging the Frontiers of Poverty Reduction—Targeting the Ultra Poor**

“Challenging the Frontiers of Poverty Reduction—Targeting the Ultra Poor” (CFPR-TUP) is designed to offer the potential of a broad-based and multi-dimensional attack on poverty. The agenda is about pushing down its interventions by developing new instruments relevant to the livelihoods strategies of the ultra poor households. Five major components of TUP are: enterprise development training, asset transfer, social development, essential health care and action



research. BRAC plans to cover 70,000 ultra poor households under CFPR-TUP from 2002 to 2006. In the first year, 5,000 ultra poor households have been covered in three northern districts of Kurigram, Rangpur and Nilphamari. Participatory rural appraisal, social mapping, wealth ranking, questionnaire and individual verification were the methods used for selection of the ultra poor. After identifying them another survey was carried out to determine which household wanted which enterprise. During January to December 2002, a total of 1,597 women got involved in poultry, 884 women in goat rearing, 1,418 women in cow rearing, and others in vegetable growing, horticulture nursery, shoe factories, etc.

### **BRAC's Urban Program**

Urban poverty and slums are closely linked. Considering the needs of slum dwellers, BRAC conducted a survey of urban slums in 1991 and found that a substantial number of slum children had no access to education. In 1992, BRAC opened urban schools and at the beginning of 1997 also started the urban credit program. BRAC works with concerned authorities like the City Corporations, the Health Department and Water and Sewerage Authority to provide safe water and sanitation for slum dwellers.

Many female workers in urban areas have little access to proper housing facilities. BRAC plans to construct a hostel for garment workers. It has also started

absorbing a number of retrenched garment workers into microfinance program with an average loan size of US\$ 86 (Tk. 5,000). As of December 2002, US\$ 6,035 (Tk. 3,50,000) were disbursed to 80 workers for tailoring, grocery, catering service, small trade, etc.

## **BRAC-Afghanistan**

BRAC is now implementing a program for Integrated Development in Afghanistan in the field of education, health and income generation under the umbrella of BRAC-Afghanistan since June 2002. The goal of the program is to support the war-affected Afghan people. The components of this program are:

### ***Education Program***

BRAC's philosophy is to build the capacities of the war ravaged country related to infrastructure in education. The objectives are to support the government efforts to achieve Education for All, reduce mass illiteracy, contribute to basic education, increase access for girls to education, providing employment opportunities to women as para-professional teachers and involve communities in their own socioeconomic development. BRAC is providing an education relevant to their lives that gives them basic life skills and awareness of basic human rights. The Afghanistan national school curriculum supported by the interim government is taught. The four-year course is due to be covered in 3 years to adolescent girls of 11-15 years old. Till December 2002, 24 schools with 723 students were running in two provinces.

### ***Health Program***

The health status of the Afghans ranks among the worst in the world. There is not only limited access to health care facilities but there is also a lack of health knowledge, safe water supply and medicines. BRAC is

providing health care services firstly, through community based care using the community health volunteers and secondly, through facility/static based care. The important components of community based care are: health and nutrition, pregnancy related care, family planning, water and sanitation, basic curative care, TB control, etc. To improve maternal and child mortality rate, BRAC arranges mobile clinic in the covered areas once a month. At the mobile clinic a physician provides antenatal care (ANC) and postnatal care (PNC) to the pregnant women and also provides outpatient services for all other services and refers needy patient to the static level, i.e. BRAC Health Centres. The services at these centres include: basic curative care, pregnancy related care (ANC, PNC), family planning services, supply of essential drugs, health and nutrition education and Behaviour Change Communication through proper counseling. Till December 2002, two health clinics and two mobile clinics were established in two provinces.



## BRAC-Afghanistan: At a Glance

(December 2002)

Districts	6
Provinces	3
Offices	8
Village Organization (VO)	163
Members of Village Organization	3,943
Microfinance Borrower	264
Loan disbursement (MF)	US\$ 20,303
Average loan size	US\$ 80
No. of enterprise loans	71
Loan disbursement for enterprise development	US\$ 39,650
Repayment rate	100%
Health Clinics	2
Non formal primary school	24
Students enrolled	727

### *Livelihood Program*

BRAC's livelihood program covers two aspects of the credit program. One is microfinance for poor women and the other is small enterprise loan for both men and women.

BRAC's livelihood programme in Afghanistan started in June 2002. The goal is to involve poor women in income generating activities through providing credit provision and opportunity to save.

### *Small Enterprise Program*

BRAC-Afghanistan has commenced Small Enterprise Program since July 2002 as it felt that there are immense scope to start or restart productive, manufacturing, trading or other types of business. These enterprises generate employment opportunities.

# HEALTH

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## HEALTH



BRAC's present health program has evolved from a series of lessons learned over the years in providing basic health care services at grassroot level. Starting from a large scale Oral Therapy Extension Program (OTEP) to fight massive diarrhoeal deaths, it has gone through successive programs to meet the changing needs and demands of the people. Today BRAC is providing health care services to 31 million people. It is also catering to the needs of the nation by actively collaborating with the government in different national health programs. At present, BRAC's health intervention is a combination of preventive, curative and rehabilitative health services.

## Essential Health Care (EHC)

The essential health care (EHC) package is delivered primarily through the Shastho Shebika (SS), a female community health volunteer. Shebikas are health cadre in the community and the frontline workforce in BRAC's health program. Shebikas do not get any salary but receive a compensation of average Tk. 300 per month for their work through referral fees and from service charges that they receive by promoting health commodities in the community. She is married, on average 35 years old and member of a VO. She receives 18 days training on health, nutrition and family planning issues. Each BRAC area office covers 12,000 households with a population of approximately 60,000. Forty SSs are responsible for serving the target population of each area office. Shabikas also provide assistance to the government workers to mobilize and organize satellite clinics, EPI centers and help distributing Vitamin A capsules. They also organize one issue based meeting each month to discuss topics related to health, nutrition and family planning in the community.

Components of EHC include water and sanitation, family planning, immunization, pregnancy related care, basic curative care, and TB.

### • *Water and Sanitation*

Safe water supply and household sanitation program emphasizes on development of awareness and capacity building at different levels. Shebika's role is to help generate demand for proper water and sanitation

facilities and ensure that these are met. There is a close co-ordination with the government and other supporting agencies to ensure effective implementation of this program. The program provides Tk. 15,000 as a revolving fund for each production centre to buy materials to produce slab ring latrines. A total of 130,912 slab latrines were installed in 2002.

### • *Family Planning*

During household visit the Shastho Shebika motivates women to use modern methods of contraception. She provides pills and condoms to the clients through doorstep service. For other temporary and permanent methods, she refers the clients to the government union and upazila health facilities. She also counsels and refers for side-effects, if necessary. A total of 395,055 couples received contraceptives in program areas in 2002.

### • *Immunization*

BRAC plays a big role in motivation and social mobilization for immunization. The Shebika disseminates the message about usefulness of immunization, information about vaccination centres (like date and place), and counseling for side-effects. A total of 239,321 under-one children were fully immunized and 283,759 pregnant women received IT vaccine in 2002.

### • *Pregnancy Related Care*

BRAC has been providing the community based pregnancy related care to rural women. This is done by



establishing a referral linkage with basic and comprehensive Emergency Obstetric Care (EOC). In 2002, 312,382 pregnant women received antenatal care and 199,979 women received postnatal care from BRAC antenatal care centers and static facilities.

#### • *Basic Curative Services*

Illness is a major factor for 'income erosion' among the rural poor. About 60-70% of the common diseases could be treated at community level through basic curative services. The Shebika is responsible for diagnosis and treatment of ten common diseases: diarrhoea, dysentery, common cold, helmenthiasis, anaemia, ring worm, scabies, hyperacidity, angular stomatitis and preventive service for goitre.

#### • *Nutrition*

In issue based meetings Shebikas discuss nutrition topics such as natural source of vitamin A, appropriate nutrition during pregnancy and lactation. They also motivate the community to cultivate vegetables and fruits in their homesteads. Each Shebika distributes 50 packets of different types of vegetable seeds twice a

year. Every pregnant woman receives iron and folic acid during antenatal care services. A total of 312,382 pregnant women received iron and folic acid in 2002.

#### • *Tuberculosis Control*

During her household visit the Shebika identifies suspected persons with cough for more than 3 weeks and refers them for sputum examination. Identified patients are given Directly Observed Treatment Short courses (DOTS) by Shebikas. Patients come to the Shebikas' home every day for taking drugs during the intensive phase of the treatment. Afterwards, patients receive drug from Shebika once a week. Patients are requested to deposit Tk.200 and sign a bond as a guarantee of treatment completion. Upon completion, Tk.125 is given to the Shebika and Tk.75 is refunded to the patient.

### Facility based Services

#### • *Shushastho (BRAC Health Centre)*

Shushastho (BRAC Health Centre) is a community-based fixed-point health facility located in rural Bangladesh. The Shushastho initiative was taken to



provide client focused quality services for the rural people through delivery of need-based essential services from a sustainable model of static health facility. This provides technical and clinical back-up to community-based health interventions by offering secondary level clinical services and establishes referral linkages with the government's district and higher level facilities for further care.

As of December 2002, 98 Shushasthos have been functioning in 92 upazilas. The Centres are equipped with outpatient, indoor and laboratory facilities, essential drugs and behavior change communication materials/equipment. Indoor services include safe delivery, MR and post-abortion care, clinical family planning methods, childhood illness (such as pneumonia, diarrhoea, etc.) and common medical emergencies including referrals.

In 2002, 3 Shushasthos were upgraded with basic and comprehensive emergency obstetric care (EOC) to ensure safe deliveries and manage complicated cases. A wide range of laboratory investigations were also incorporated. In 2002, a total of 440,404 patients received care from the Shushasthos and a total of 7,345 deliveries were done including 457 of cesarean sections in 3 upgraded Shushasthos.



#### • *Brace and Limb Fitting Centre*

BRAC established a Limb and Brace Fitting Centre in July 2000 in collaboration with Santokba Durlabhai Memorial Hospital (SDMH) of Jaipur, India, to provide support to the physically disabled persons, mostly poor, who could be rehabilitated by using quality limbs and braces. A total of 623 patients received services from the centre and 397 patients were provided with various appliances in 2002. During this period, 45 poor patients were provided with limbs and braces by individual donors.

### Government and BRAC Partnership Programs

#### • *Nutrition Program*

Despite impressive recent gains, level of malnutrition in Bangladesh remains one of the highest in the world: 48% of under-five children are undernourished and 45% are stunted, nearly 45% women suffer from chronic energy deficiency; low birth weight incidence is estimated of 40%. Based on the lessons learned from a BRAC pilot program in Muktagacha (1991-till to date), BRAC in partnership with the government, is implementing the community-based nutrition program in 34 of the total 59 upazilas of the Bangladesh Integrated Nutrition Program / National Nutrition Program (BINP/NNP), targeting 1.7 million households of 8.7 million people. To ensure community acceptance among the variety of forums held, most effectively involved were 7,572 Nutrition Management Committees, 224,400 adolescent girls and 62,016 newly wed women. The 7,191 locally selected and trained female volunteers called Community Nutrition Promoters (CNP) supervised by female supervisors and facilitated by 9-11 members of the women's group represent the nucleus of the program. Each CNP is responsible for 300 households including keeping records of all vital information.



In 2002, the CNPs recorded 166,344 births (birth rate: 19/1000 population) and 28,301 deaths (death rate: 3.2/1000 population). The CNPs with the assistance of the women's group members mobilized 85% of the registered pregnant women to receive proper antenatal care services. The CNPs distributed micronutrient supplements in the form of iron and folic tablets to 1,428,000 pregnant women, 24,800 post-partum women and 612,600 newly-wed women. Vitamin A capsules were also distributed to post-partum women. The 86,292 weighing sessions were held in conjunction with the government immunization (EPI) and satellite clinics/antenatal care centers. The weighing of one million adolescent girls, 139,638 pregnant women and 736,943 under-two children, and food supplementation for the targeted malnourished demonstrated to the community that there is a simple way to ensure good nutritional status. In 2002, 20% children were born with low birth weight, 40% of the under-two children were of normal weight for age, and less than 1% were severely malnourished in the program area, which shows a positive trend in improving nutritional status of the target population.

#### • *Tuberculosis Control*

Three hundred thousand new cases occur each year and 70,000 people die annually of tuberculosis in Bangladesh, making it one of the most critical public health concerns. In response to this emerging problem, BRAC initiated a pilot community based tuberculosis project in Manikganj upazila in 1984. Its two-fold purpose was: (1) to make tuberculosis diagnosis and treatment service available and accessible to the community; and (2) to encourage community involvement in the care of TB patients. Currently the program is being implemented in 126 upazilas in collaboration with the government which provides training, drugs, and laboratory supplies, and BRAC is responsible for implementing the program. BRAC plans to extend this approach to 283 upazilas in 42 districts in 2003. The main feature of the program is the use of the Shastho Shebika as a primary service provider for dissemination of information, identification of suspects, ensuring DOTS, follow-up of the patients and referring cases with complications. In 2002, 139,838 sputum examinations were done,

17,684 TB patients were diagnosed, and the cure rate of new sputum-positive cases was 91%.

- *Immunization*

Since 1985, BRAC has been working in partnership with the government and the UNICEF to attain the goals of Expanded Program on Immunization (EPI). In 2002, BRAC played a significant role in community mobilization during the 10th National Immunization Days (NID) involving more than 100,000 volunteers and related BRAC staff. BRAC was also involved in observing Sub-National Immunization Day (SNID) in 39 districts with technical and financial assistance from WHO. BRAC provided orientation on NID to 59,765 headmasters and 58,945 religious leaders/Imams as part of the social mobilization activity in achieving the SNID/NID targets.

## **Pilot program and other Health Initiatives**

- *HIV/AIDS Program*

BRAC initiated HIV/AIDS program in 1999 in Mirzapur upazila of Tangail district as a pilot program. In September 2002, the HIV/AIDS program started in four districts to reduce further spread of HIV infection in the community. The program addresses awareness raising activities among the general population including education of couples, adolescent boys and girls, high-risk groups, and promotes use of condom. BRAC also provides treatment for STI/RTI and consumption loan to the brothel based sex workers to empower them for compliance to condom use. In 2002, base line information were collected from 1,250 high schools and senior madrasas, 6 brothels, 8 bus terminals, 8 truck terminals and 4 launch terminals. A total of 30 BRAC field staff were oriented/trained in HIV/AIDS.

- *Malaria*

Malaria is one of the major diseases killing young children and pregnant women in Chittagong Hill Tracts (CHT) of Bangladesh. To combat the situation, BRAC initiated awareness raising activities of Malaria control together with EHC components in 1998. Activities on Early Diagnosis and Prompt Treatment (EDPT) started in 13 of 25 upazilas (sub-districts) in July 2002 in collaboration with the government. Staff and Shebikas were locally selected from different ethnic groups to work for their own community. Identified patients receive care at the door-step through outreach centers and home based care by Shebikas. A total of 1,050 uncomplicated and 44 treatment failure patients were treated between September and December 2002. Twenty-five patients were referred to district hospitals.

- *Micro Health Insurance*

A major deterrent to the use of available health services are user fees. Though minimal the fees hinder many people from seeking assistance for health concerns. To promote the use of available health services, a health insurance scheme was launched in 2000 on a pilot basis, with a special focus on the poor and ultra poor. Premiums for the ultra-poor are covered by BRAC with others paying a minimal affordable amount. In collaboration with ILO, the project is currently being implemented in two upazilas for developing a model that can be replicated in other working areas.

- *Community based Arsenic Mitigation Project*

BRAC, in partnership with the Department of Public Health Engineering (DPHE) of the government and the UNICEF, implemented a research project for community based arsenic mitigation since 1999. Initially starting in two upazilas it was expanded to



additional four upazilas in 2002. A total of 85,937 shallow, 378 deep hand set tubewells, and 14,989 irrigation wells were tested in 4 upazilas of these, 69 % shallow tubewells, 3.7% deep hand tubewells, and 70% irrigation wells were found contaminated.

- *Early Childhood Development (ECD)*

Early Childhood Development (ECD) is a comprehensive approach to develop full cognitive, emotional, social and physical potentials of children from birth to five years. BRAC initiated the ECD program in collaboration with the government and UNICEF. The aim of this project is to support activities that contribute to empower caregivers to create a safe, secure and enabling environment which promotes the physical, emotional, cognitive and social development of a child from conception to five years. BRAC plans to reach a population of more than 4 million households by 2005. In 2002, 30 district and 30 union advocacy

workshops were conducted and 1,824 staff were oriented.

- *Save Newborn Life*

Saving Newborn Life initiatives were started in 2002 in collaboration with Save the Children (USA) in two upazilas focusing on changing specific essential newborn care behavior that impact on neonatal health and survival.

- *Public Private Partnership (PPP)*

The Public Private Partnership (PPP) was initiated for delivering ESP services in one upazila in March 2002 in collaboration with government and NICARE/ British Council. The purpose of this project is to strengthening capacity in community and government to facilitate development of ESP delivery networks, increase capacity of private sector to provide cost effective ESP services, and strengthen role of professional association and academic/regulatory bodies through PPP. In 2002, 6 community based organizations were formed to run 6 community based health schemes (2 union Health & Family Welfare centers and 4 community clinics).

# EDUCATION

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**BRAC Education Program (BEP) has expanded far beyond its original Non-Formal Primary Education (NFPE) boundaries. New initiatives include Pre-primary, Non-Formal Primary, Continuing Education, Adolescent Development, Community Schools as well as the Educational Support Program that facilitate cooperation with other Bangladeshi NGOs.**

## **Non Formal Primary Education (NFPE)**

BRAC's NFPE program was initially designed for children aged 8-10 years (70% of whom are girls) and to progress them through Grades I-III over a three-year period.

Recently, the program has extended to provide education of a five year curriculum in four years. The teachers are mostly locally recruited married females, 72% of whom have passed Secondary School Examination and above. The teacher receives 114-120 days training from the BEP, which include initial 12-day basic teacher training, monthly refreshers, subject-based training etc. The NFPE schools from Grades I to III follow BRAC curriculum on the basis of NCTB competencies along with supplementary materials and teachers' guides. In Grades IV and V, the government curriculum is followed in addition to supplementary materials and teachers' guides developed by BEP (except for mathematics). In 2002, out of 34,000 schools there were 22,085 NFPE schools in operation, of which 20,869 were in the rural areas.

In 1992, BRAC replicated its NFPE program in urban settings to address the educational needs of poor urban children, particularly slum dwellers. An alternative curriculum for urban schools is being explored to make it more relevant to the students' life style. Texts were developed for Social Studies dealing with the urban context.

In 2002, there were 1,216 urban schools in Dhaka, Chittagong, Khulna, Rajshahi and Sylhet. The total enrollment of nearly 1.1 million children in BEP included nearly 7.612 students from ethnic minority background. The percentage of graduating students who have completed Grade V and progressed to secondary schools has gradually increased from 90.1% in 1999 to 94.3% in 2002.

## ***Basic Education for Older Children (BEOC)***

BEOC or Kishor Kishori (KK) schools were established in 1987 to cater for the children aged 11-14 years who previously had no access to education. The ratio of girls to boys was 70:30. The BEOC school design is similar to the NFPE but it differs in that it offers 3 years of basic education. There are 8,940 BEOC schools in operation. BEP, however, has decided to change the KK curriculum from 3-year basic education to primary education—covering grades I-V over the period of four years from 2004-2009.

## ***Educational Support Program (ESP)***

The ESP started in 1991 to expand NFPE coverage through partnership with small NGOs. Through this program BRAC provides technical and financial support to a number of small NGOs who, in turn, replicate the NFPE model in remote areas of the country where BRAC is less represented. ESP schools follow the BRAC approach including material and textbooks and offer 3 years of primary curriculum to the poorest children of the rural community. BRAC is





currently supporting 2,975 schools through 313 NGOs under this program. BEP is also using ESP's partnership capabilities to find and foster relationships with partner NGOs that have experience in working with the communities of the Chittagong Hill Tracts so that these communities may be supported in a most effective manner.

### **Post Primary Basic And Continuing Education Program (PACE)**

Continuing Education and Post Primary Basic Education (i.e. secondary education) program have been integrated into one program renamed as Post Primary Basic And Continuing Education (PACE). The purpose is to continue the post literacy activities of BEP by promoting reading habits of rural citizens through an organized network of facilities. The components are Rural Libraries or Gonokendro Pathagars and Capacity Development of the Secondary

School Teachers in non-government secondary schools in rural areas.

### ***Rural Library (Gonokendro Pathagar)***

In 2002, there were 700 Rural Libraries which provided access to reading materials and a venue for socio-cultural activities. These were mostly set up in secondary school premises or at the centre of a Union near other important rural institutions and run by local communities with active support from BRAC. When the number of subscribers increases to 400 and the subscription level increases to US\$ 870 (Taka 50,000) with matching grant by BRAC, the community transforms the library into a self managed autonomous Trust registered with the relevant government department. A librarian, who receives a short training on library operation from BEP, is responsible for running the library. A library committee is formed comprising 11 members: 10 local and 1 BRAC staff (respective Team In-charge of NFPE).

Each library has a children's corner to focus on increasing the number of child readers. In 1997, BRAC also introduced a 'textbook lending program' for the children of poor families who cannot afford to buy full set of books. Under the program, a student is eligible to borrow a set of books for an academic year. The libraries also act as centres for socio-cultural activities, sports, and training on computer and other skills.

### ***Mobile Libraries***

Mobile libraries are a new initiative within the rural library system which aim to bring books to the doorstep of nearly villages. These involve an Assistant Librarian (preferably a married BRAC school graduate) employed on part-time basis who circulate in the villages with a list of books that can be borrowed. She would then arrange for a pick up and drop place in the villages where books are brought by rickshaw or cycle van. As of December 2002, about 35 Mobile Libraries were in operation.

### ***IT related initiative for Gonokendro Pathagurs***

A pilot project was initiated in late 1999 in response to the community demand for basic IT literacy. Accordingly 60 Union Libraries are being equipped with computers to introduce a new tool in Information Technology, and one library was connected to internet in December 2002. So far 207 female out of 597 people were given computer training. Twenty libraries have been given 10 CDs on pilot basis on different subjects such as health, mathematics, english etc. and three softwares have been developed on health, basic computer knowledge and Adventures in Sundarban for the users' amusement. IT Fairs were also organized through the libraries in rural areas.

### ***Training of the Secondary School Teachers***

On a pilot basis BRAC started working with 22 non-government secondary schools in 2001 as 98% of the Secondary Schools are run by the community. The

intervention was necessitated because most students, particularly in the rural non-government secondary schools, do not achieve mastery in most of the topics of the new curriculum that was introduced in 1997. BRAC observed that even many teachers of secondary schools find it difficult to understand some of the topics of the new curriculum. To identify the problem areas an intensive need assessment exercise was done by BRAC. Under the assessment, BRAC organized several focus group discussions with subject (mathematics and english) teachers in almost all the 22 schools and organized workshops with the Head Teachers, Asst. Head teachers, and members of the School Management Committee (SMC). A separate workshop was also organized with the Head Masters of well reputed schools in Dhaka. After a need assessment, BRAC started working on preparing training materials for the subject-based teachers. In the process of material development, BRAC also took assistance from qualified and experienced practicing teachers of secondary schools. Subject Specialists from Teachers Training Colleges also contributed to the process. So far, materials on 28 topics in mathematics with 5 pedagogical and 18 topics in english have been prepared. A total of 86 teachers of mathematics and english participated in the training which ranged from two to three weeks. Pre and post results showed significant improvement in terms of learnings.

### **Adolescent Development Program (ADP)**

The Adolescent Peer Organized Network (APON) program that commenced in 25 regions in 1999, now renamed as Adolescent Development Program (ADP), culminated in using the Reading Centres or Kishori Kendros as the focal point for social activities.

### ***Reading Centres***

In 2002, there were over 7,896 Reading Centres, which were renamed as Kishori Kendros, in all the 40 BEP

regions. These were initially established to retain and develop reading habits of BEOC graduates, non-BRAC girls, and young rural housewives. These are also the sites for the activities of the APON program in addition to their primary function in Kishori Kendro. Each centre has 25-40 members and is kept open once a week mostly in the afternoon for 2-3 hours. They are provided with 200 books (drama, novels, fiction and books covering a range of areas such as food, nutrition, environment, common diseases, child care, hygiene, reproductive health, family planning, and legal rights), 3-4 magazines, and some indoor games items. Members are also encouraged to save Tk.2 per month on a voluntary basis to develop savings habit. The librarian is also a BRAC school graduate who works on part-time basis. Adolescent Management Committee, consisting of adolescent girls from the Adolescent Center/Kishori Kendro and adult women from the community (especially girls), facilitate operation of the library. Each Kishori Kendro operates for three years. On an average, six Kishori Kendros are supervised by a Kishori Supervisor.

### *APON for Girls*

A tailor-made course has been designed for the adolescent girls, which is called APON for Girls which has been introduced in 40 regions. Girls of a similar age group learn through a peer-to-peer approach about a number of essential issues ranging from reproductive health to social matters like acid throwing/dowry, etc. The project is led and managed by the adolescent girls themselves. Eleven out of 40 regions are being funded by UNICEF which is named APON Kishori Obhijan. The course for both the APON for Girls and APON Kishori Obhijan was designed with duration of 18 months (5-month intensive course with a 13-month ideas sharing meetings). Twenty books have been developed. The majority of the course participants are BRAC graduates. Adolescent girls from the community are also encouraged to take part in the course.



### *APON for Boys*

APON for Boys was initiated with the aim of creating better understanding about social and personal health issues for adolescent boys similar to that of APON for Girls and it would create an understanding about the issues for girls. The program is also aimed at developing their awareness of issues relevant to them and building their capacities. The curriculum designed for the boys has an emphasis on male puberty and reproductive health but also includes topics such as acid throwing, abuse, dowry and other culturally relevant issues. After developing a series of storybooks and number of key trainers, the group realized that there was an apparent need to educate and share these types of issues with the adolescent boys to complement the girls' program. The group has also concluded that the boys should learn about issues such as family planning, sexual abuse, AIDS and addiction. "APON Boys" for is now being activated in 5 regions.

### *Economic Life Skill Project*

This project evolved from the APON Livelihood Training. BEP has found it a hard task to provide livelihood training on a large number as planned. One

of the reasons is that many employers are reluctant to hire part-time workers, but the girls need to continue their studies, and this comes along with the fact that due to the security issue adolescent girls cannot enter the job market as equally as their male counterparts. Another reason is that, although the girls may have the necessary skills training (e.g. in data entry), it is difficult for them to get a job without the proper educational qualifications (i.e. Higher Secondary). Thus, the livelihood component of the program has become a slower process. However, BEP is presently in the process of introducing a short course (similar to that of APON Girls) with the objective to enhance the basic business skills of these adolescent girls which is called Economic Life Skill Project.

### ***Leadership Development***

Through a leadership training program adolescent girls are trained with peer education skills in addition to skills that enable them to organize and facilitate groups. The aim is to develop these girls as community leaders and role models capable of undertaking community level campaigns and mobilizing adolescents to have a voice in their communities. The peer education skills are an essential component of this training as the girls who participate in the leadership training are then employed to run awareness-raising classes in their villages.

### **Government of Bangladesh Partnership Unit (GPU):**

In July 2001, BEP formulated a GoB (Government of Bangladesh) Partnership Unit (GPU) in pursuance of closer collaboration with the government in the field of primary education. GPU has two components: PRIME (Primary Initiative in Mainstreaming Education) and 'Community Schools'. One of the major activities of PRIME is the pre-primary related activity. In one and half years, GPU has been operating in 30 upazilas of 16 districts.

### ***PRIME***

As a part of the GoB Partnership Unit PRIME started to work since July 2001. To bring quality education within the GoB primary schools, BEP is sharing its ideas and experiences through PRIME with the teachers, parents, SMC members, community people, and local and central level GoB officials. To facilitate sharing, PRIME has put emphasis on social mobilization in the afore-mentioned areas. The notable achievement of PRIME in 2002 is GoB approval for pre-primary. PRIME is being expanded on the basis of the demand from local government administration.

### ***Pre-primary***

BEP initiated Pre-primary education in 1997 as a pilot project. By December 2002, 1,189 pre-primary classes completed their cycle. Pre-primary classes cater to children aged between 5-6 years selected through a survey. The aim of the pre-primary schools is to prepare young children to enter into Class I of the formal system by sparking an interest in learning and by developing the social, physical, cognitive and language skills of the students. The program also focuses on the empowerment of the adolescent girls along with their education and also makes them aware of not getting married before age 18.

### ***Community Schools***

Community Schools program is one of the earliest collaborations with the government. These schools were set up through a partnership between the GoB and the selected communities between 1990-1996 under the General Education Project. The local community deposited Tk. 10,000 to the government, formed a School Management Committee and provided land of 33 decimal. In this manner the GoB established 3,263 community school buildings comprised of 2 to 4 rooms and bore the cost of school construction, furniture, study materials and teachers'

salaries. But GoB found the performance of many schools deteriorating because of the teachers' recruitment process, site selection and the inability of the local GoB officials. Looking at the reality, the GoB carried out a survey in 1998 and found that 194 of the 3,263 community schools were non-functional. The GoB offered these non-functioning schools to selected NGOs to operate. They were given two years to make the schools fully operational using their own funds. The number of schools allocated to BRAC was 73 and 45 of those were received during 1998-2002 (one school was destroyed by flood).

These schools operate from pre-primary to Class V. The GoB academic year was being followed and the government curriculum and textbooks were used in these schools. However, supplementary materials were being provided by BRAC. BRAC is using its own materials for the pre-primary class. At present, 6355 students are attending these schools from pre-primary class through Class V. The ratio of girls and boys is 51: 49.

In 2002, 7 rooms (one room for each Community School) have been constructed. In another five areas, five rooms for each school are under construction. The monthly parents meetings have been ensured in 2002.

### ***Hard to Reach***

The Hard to Reach (HTR) program was initiated by the Directorate of Non-Formal Education, Government of Bangladesh to set up schools for children aged 8-14 years who are involved in hazardous occupations and are "hard to reach". BRAC became involved in the program in 1997 and opened 285 schools in different urban areas in Dhaka, Chittagong, Rajshahi, Khulna, Sylhet and Barisal. In 2002 all the schools have completed their cycle.

### ***Garment Child Laborers***

In 1996 BRAC started schools for ex-garment child laborers to provide them with basic education. These children received US\$ 6 (Tk 300) as a monthly stipend to supplement their income. They used to earn US\$ 14-20 (Tk 700-1000) monthly by working in the garment factories.

The number of students in a classroom was limited to 15-20. Besides basic education, students also receive skill development training in different fields, like knitting, sewing, paramedics, carpentry, auto electronics, automobile repairing, etc. Since 1998, UNICEF and Bangladesh Garments Manufacturing Export Association (BGMEA) started an "Earn and Learn" initiative for students aged 14 years who wanted to work in garment factories after school hours. Under this initiative the children studied at schools from 7:00 a.m. to 10:00 a.m. and work in the factories from 11:00 a.m. to 6:30 p.m. A total of 256 schools have completed their cycles and the program is now closed.

### ***Education for the Indigenous Children: A new initiative***

Studies conducted by BRAC have shown that ethnic minorities in Bangladesh remain marginalized because of popular misconceptions about their culture and mores. In an attempt to bridge the gap in understanding between the mainstream Bengali culture and the ethnic minority communities, BEP has initiated a project to provide equal opportunity to access as well as involvement in developing curriculum materials for ethnic minority groups. There are currently over 7,600 children from ethnic minority background enrolled in 628 BRAC schools. There is a notable ethnic minority presence in 15 of the 32 regions where BEP operates. The groups exist primarily in four ethnic clusters in Mymensingh, Sreemongol, Rajshahi and Joypurhat. Most of the groups have and use their own mother tongue but also learn Bengali as a means of



communication with the majority population. As all BRAC schools use Bengali medium, the ethnic minority students are receiving their education in Bengali. BEP encourages local culture in the classroom by encouraging minority students to perform their dances, acting, songs and other things unique to their culture in schools not only where the majority of students are of ethnic minority background but also in areas where there is a smaller minority presence. In addition, BRAC encourages women of minority background to become teachers in BRAC schools particularly in these areas. To integrate ethnic culture into the curriculum and to promote children's interest in reading, BRAC is developing materials that portray ethnic minority culture and history through storybooks. Books on women's issues within ethnic societies and on successful persons from ethnic minorities background are being developed. The ethnic minority children themselves are preparing materials for books through workshop facilitated by BRAC. These books will be used in schools, adolescent reading centres and rural libraries in all regions where BEP operates.

### Formal Schools

The 11 BRAC formal schools were opened in 1999 to illustrate how the good practice of the non-formal schools can work in a formal school setting and to pursue innovative ideas for supplementary materials and teaching methods. The schools use some BRAC textbooks and some government textbooks to achieve the government mandated competencies. Teachers also use supplementary materials such as posters and cards. The curriculum has been developed to improve children's creativity in both writing and practical activities. The teaching program consists of a 6-year schooling cycle ranging from pre-primary to Grade V.

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# SUPPORT PROGRAMS

## SUPPORT PROGRAMS



## BRAC Training Division

Training has been considered an integral part of BRAC programs since its inception. The BRAC Training Division (BTD) is responsible for capacity building and professional development of BRAC staff and the program participants through a wide range of training and exposure initiatives. It has established 12 residential Training and Resource Centres (TARC) and two BRAC Centres for Development Management (BCDM).

The Training Division has played a significant role in 2002 to develop some new need-based training curriculums/modules for BRAC main programs and took special initiative to upgrade its existing modules and materials. Enhancing the quality and skills of BRAC staff was a key priority of BTD. Diversified internal training initiatives such as micro-finance management, managing educational programs, NFPE schools teachers' capacity building, capacity building of the Adolescent Development Program staff, communication skills development, promotion of sales skills, etc. were arranged for the staff. In addition, this division organized and facilitated a number of external training courses and exposure visits to develop the capacity of the staff members of the Government of Bangladesh and other development organizations. The BTD has also been instrumental in creating a work force that believes in the vision and values of BRAC.

Training courses are grouped into two broad categories: Human Development and Management, and Occupational Skills Development. The respective programs also conduct their own occupational skills development courses. The Human development and management courses include:

- Microfinance Management
- Social Development
- Development Management Course
- Financial Management
- Organization Development
- Participatory Rural Appraisal
- Training of Trainers
- Project Proposal Writing
- Strategic Planning
- Gender Awareness and Analysis Course
- Sales Skills Promotion
- Supportive Supervisory Competency
- Health Program Operation Management
- NFPE School Teachers Training
- Adolescent Development Training

The BTD has continued the Gender Quality Action Learning (GQAL) program to improve gender relations among BRAC staff to ensure the quality of BRAC program by involving both male and female. BTD organized and facilitated a training course on Development and NGO Leadership for the NGO heads at different TARC's. A total of 481 (male 398, female 83) attended. Some collaborative programs have been undertaken with the government and non-government organizations. In collaboration with the Economic Relations Division (ERD) of the Ministry of Finance, Government of Bangladesh BTD organized 21 workshops with 621 participants for preparing Poverty Reduction Strategy Paper (PRSP). The division has also designed a training curriculum on Reproductive Health for UNFPA.

BTD designed and facilitated twelve batches training on Supportive Supervisory Competency Course and Health Program Operations Management Course for 28 NGOs funded by Bangladesh Population and Health Consortium (BPHC).



In 2002, a total of 55,261 persons were trained (29,117 male 26,144 female) by BTD. It may be mentioned that 11% of TARC capacity was used to organize and facilitate training course for other organizations. To orient the local administration about BRAC activities, BTD continues to organize quarterly BRAC Local Representative (BLR) workshop at different TARCs with about 500 BLRs.

### Global Partnership

The Global Partnership (GP) for NGO Studies, Education and Training is a consortium of three educational centres: BRAC in Bangladesh, Organization of Rural Associations for Progress (ORAP) in Zimbabwe, and School for International Training (SIT) in the United States. The GP offers the comprehensive diploma and masters degree program especially designed to respond to the realities faced by the NGO leaders from grassroots to the global levels. Under the partnership, BRAC offers the postgraduate diploma in NGO Leadership and Management leading to Master's degree. ORAP Zenzele College is the venue for the Diploma in Grassroots Development and NGO Management lead to Bachelor's Degree. SIT in Vermont, the USA is the venue for Bachelor and Master's degrees offered by the GP. Since 1997, the

inception of the postgraduate diploma in NGO Leadership and Management at BRAC, 126 graduates from 24 countries have completed their postgraduate diploma at BRAC, and 42 of them have completed their Masters program from SIT. In 2002, a total of 21 students, including 6 female attended the diploma course.

### Research and Evaluation Division (RED)

RED conducts multidisciplinary studies on a wide range of issues and subjects. These include poverty alleviation, socio-economic development, agriculture, nutrition and health, population, education, environment, gender and related fields. Although RED concentrates its activities on BRAC programs it also maintains strong linkages with the government organizations and a number of academic institutions at home and abroad. In the year 2002, RED undertook 23 collaborative projects with organizations like National Institutes of Health (USA), International Rice Research Institute (Philippines), Aberdeen University (UK), Cornell University (USA), Umeå University (Sweden), Micronutrient Initiative (Canada), UNICEF Bangladesh, Campaign for Popular Education, Bangladesh, International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B), Population Council (USA), Karolinska Institute (Sweden), Imperial College (UK), and the government of Bangladesh.

RED's major work on Economic Development Program concentrated on Targeting the Ultra Poor to bring them into mainstream development program.

RED has been all along involved in the nationwide Education Watch since 1998 to examine the state of primary education in Bangladesh and improve its quality. During last four years several studies have been carried out under Education Watch on selected themes and issues.

Major health research during the year 2002 included studies on several issues: multiple micro-nutrient supplement in poor adolescent girls, pregnancy care, skilled attendance at birth for the poorest women, neonatal care, reproductive health, tuberculosis, HIV/AIDS and health equity.

BRAC continues to conduct action research on arsenic mitigation to find out alternative safe water devices in the affected areas. A new initiative is being tested to provide multi-purpose safe piped water in rural areas.

RED maintains an effective communication and dissemination network. It emphasizes the importance of effectively sharing research findings with its stakeholders, viz., BRAC management, donors, field managers, and also policy makers and researchers at home and abroad. Research findings are disseminated through reports, monographs, annual reports, books and book chapters, journal articles, vernacular research compendium, and short articles in newspapers and newsletters. The research findings are also disseminated through presentations in national and international conferences, seminars and workshops. Summaries of major findings and important activities are also posted on display boards placed at all the training venues of BRAC.

As of December 2002, RED has produced 900 research reports and papers that are available in bound volumes in Ayesha Abed Library at BRAC University. In 2002, RED initiated 100 studies, of which 52 have been completed. The abstracts of completed studies are available in the RED Annual Report and at the BRAC website. Many of these research findings were published in prestigious journals worldwide. Twenty-five original research papers were published in national and international journals during the year. Some of the international journals that published BRAC research include Public Health, Social Science and Medicine, International Journal of Educational Development, American Journal of Clinical Nutrition,

Bulletin of the WHO, and Journal of Health, and Population and Nutrition. BRAC researchers also contributed 11 book chapters and have produced a book during the year.

Currently, RED has 46 professionals and 35 project and support staff, 37% being female. In 2002, RED spent US\$ 0.63 million (Taka 3.69 crore), 43.26% of which came from BRAC's funds and the remaining procured from external collaborative research, consultancy and commissioned research projects.

## Special Projects

### *Vocational Training*

BRAC vocational training program, introduced in 2001, has brought 1,439 retrenched female garment workers under its pilot "Skills Training for Employment of Retrenched Garment Workers" project. This project was undertaken to help re-employment of female garment workers who suffered retrenchment due to closure of large number of garment factories caused by global economic recession and unfavorable trade policies internationally. Through the project the retrenched workers were provided skill training on candle making, bag making, small enterprise development, embroidery and stitching along with facilities of micro credit. Majority of the re-skilled workers have been able to get employed.

### *Road Safety*

Bangladesh has one of the highest fatality rates in road accidents. More than 73 deaths per 10,000 registered motor vehicles occur every year. BRAC workers, who travel a lot by motor cycle and bicycle and its program participants who travel mainly on foot fall victims of road accidents. Road accident being such a major national and organizational issue, BRAC prompted to develop a "Community Road Safety Project". Certain activities of the project like road safety training for staff, forging a network of NGOs committed to road



safety, road use awareness through popular theatre and developing road safety lessons in Non Formal Primary Education are being implemented. A research study has been conducted on Community Traffic Policing in partnership with Transport Research Laboratory of the UK with a view to conceptualizing the idea, improving the institutional framework and to identifying pilot program.

### **Human Rights and Advocacy Unit**

The Human Rights and Advocacy unit was set up to support the needs of the ultra poor in particular and cover BRAC's initiatives in promoting socio-economic equity at the local, national and international level. In the last eight months some major activities as per plan were: two workshops to develop strategy and identify core advocacy issues, and three district level and four upazila level workshops. The unit conducted other social mobilization activities with partners and allies while developed communication materials.

### **Commercial Ventures**

In the past few years BRAC has been involved in socially useful commercial ventures. As a major shareholder in the Delta BRAC Housing Corporation Limited, a public limited company and a non-banking financial institution approved by the Government, BRAC is promoting affordable home ownership by financing and contributing to the growth of the housing sector.

Realizing the need for keeping up with technological innovations, BRAC has involved itself in the field of information technology. BDMail Network Limited is an internet service provider company of BRAC. BRAC Information Technology Institute (BITI), was set up in 1999 to provide training and education to develop professionals in IT, is now a part of BRAC University.

## Aarong

Aarong, meaning a village fair, was established in 1978 with objective to bring support services and marketing facilities within the reach of rural artisans, expand domestic markets and promote the export of traditional and non-traditional crafts. BRAC's job creation projects for rural women in Manikganj, Jamalpur, Sherpur, Jessore and Kushtia areas are based on traditional and non-traditional crafts skills. Nearly 30,000 artisans, mostly women, are involved in these groups. Many other independent cooperative groups or traditional family based artisans like potters, brass workers, jewellers, jute workers, basket weavers, handloom weavers, silk weavers and different artisans from all over the country come to Aarong for marketing and support services.

Over the years, Aarong has earned a name of itself as one of the finest rural crafts producers and market in Bangladesh. Experiences encourage BRAC to look forward to a continued partnership in development with the rural artisans of Bangladesh.

## BRAC Bank

BRAC realized that there is a vast group of small and medium entrepreneurs in the country, who have no access to institutional credit. BRAC Bank, inaugurated on July 4, 2001, functions as a full-fledged commercial bank with a special focus on providing financial services to those Small and Medium Enterprises (SME). Till December 2002, BRAC Bank disbursed US\$ 5.73 million (Tk. 33.25 crore) through seven branches in Dhaka, Chittagong and Sylhet, and 79 Unit Offices all over Bangladesh.

## BRAC University

BRAC University (BU) is another addition (April 2001) to the family of BRAC initiatives. Its mission is not only to impart knowledge but also to act as a centre

of excellence in knowledge creation through research that connects with practice. This, BRAC believes, is fundamental to creating professionals with the vision and ethics needed to foster national development that is inclusive, pro-poor and just. The goal of BU is to provide high quality broad-based education for students to equip them with the skill and knowledge necessary for taking on the challenges of development, both in Bangladesh and beyond. At present more than 1,000 students are studying in BU in Bachelor of Business Administration (BBA), Bachelor of Science (BS) in Computer Science, Bachelor of Social Science (BSS) in Economics, Bachelor of Arts (BA) in English and Bachelor of Architecture (B.Arch). Under the Postgraduate Programs BU is offering three courses: Master of Business Administration (MBA), Master of Development Studies (MDS) and Diploma in Computer Science.



The Governing Body consists of nine members. Apart from the Chief Executive Officer, who is the Founder of BRAC, all other members of the Governing Body are non-executive. Distinguished individuals with high reputation in business, the professions and the media with pro-poor mindset have been elected to the Governing Body to bring their diverse skills and wise counsel in the governance of BRAC.

- **Chairperson**

**Fazle Hasan Abed, Chief Executive Officer**

- **Members**

*Syed Humayun Kabir, Chairman, Renata Limited*

*Taherunnessa Abdullah, Social Scientist, Gender Specialist*

*Kazi Aminul Huque, Partner, R R H & Co., Chartered Accountant*

*A.S. Mahmud, Businessman*

*Salma Sobhan, Bar-at-Law, Human Rights Campaigner*

*Debapriya Bhattachariya, Executive Director, Centre for Policy Dialogue*

*Matiur Rahman, Editor, Daily Prothom Alo*

*Abdul-Muyeed Chowdhury, (ex-officio), Executive Director, BRAC*

Four meetings of the Governing Body and two special meetings of the General Body were held in 2002

- **Chair**

**Dr. Salehuddin Ahmed, Deputy Executive Director**

- **Members**

**Aminul Alam, Deputy Executive Director**

**S. K. Sarkar, Director, Monitoring and Internal Audit**

**S. N. Kairy, Finance Manager**

Four meetings of the Audit Committee were held in 2002. All members attended.

Clear-cut policy regarding authority of each level of staff has been laid down. The staff are empowered to take decisions at Area, Regional and Program level. Procedure manuals and policy documents contain organizational policies and procedures, which are open to all.

Internal Audit Department consists of 134 Audit Staff including 59 Audit Assistants. 100% audits are conducted where irregularities are detected in course of normal internal audit which is on a sample basis. The frequency of audit in each of the Area Offices, Head Office and Commercial Projects is conducted at least once a year but two or more audits are conducted in a year at locations and programs that warrant a close watch. In 2002, internal audit was conducted in 2,137 locations and 145 review meetings were held where audit findings and responses to audit reports were discussed on the basis of which decisions for corrective measures were undertaken. A quarterly report was prepared on unsettled irregularities of the review meeting decisions and submitted to audit committee.

Audit reports for all projects, along with FD-4 certified by the Auditor, were submitted to the NGO Affairs Bureau, Prime Minister's Office.

BRAC has a Donors' Consortium for the Non-Formal Primary Education Program and Challenging the Frontiers of Poverty Reduction. The Consortium met twice in the year 2002 and discussed program activities and outcomes along with financial and audit reports. The Consortium donors are the European Commission, Department for International Development (U.K), DGIS (the Netherlands), CIDA (Canada), UNICEF, NOVIB (the Netherlands), The Aga Khan Foundation-Canada and World Food Program (WFP).

Income Year	2001	2002
Income Tax deduction at source by third parties	9,337,884	7,134,967
Tax deduction at source from third parties	8,137,387	14,532,569
Income Tax deduction at source from staff salary	3,805,111	3,900,000
VAT collection from customers	28,371,027	29,438,408
Import Duty paid	17,757,658	27,020,447
<b>TOTAL</b>	<b>67,409,067</b>	<b>82,026,391</b>

# MEMBERSHIP

**Fazle Hasan Abed, Chief Executive Officer**

**Faruq A. Choudhury, Adviser**

**Abdul-Muyeed Chowdhury, Executive Director**

**Dr. Salehuddin Ahmed, Deputy Executive Director**

**Aminul Alam, Deputy Executive Director**

**Dr. AMR Chowdhury, Deputy Executive Director**

**Muazzem Hasan, Director BRAC Printers**

**Sukhendra K. Sarkar, Director Monitoring and Internal Audit**

**M. Tajul Islam, Director Public Affairs**

**Dr. Golam Samdani Fakir, Director Training Division**

**Muhammad Sahool Afzal, Director BRAC Information Technology Institute**

**Syed Rezaul Karim, Director BRAC Dairy and Food Project**

**Ahmed Najmul Hussain, Director Advocacy & Special Projects**

**Faruque Ahmed, Director Nutrition & Health Program**

**A. M. Muazzam Husain, Director Research & Evaluation Division**

**Syeda Sarwat Abed, Adviser Aarong**

**Mehtabuddin Ahmed, Head of Administration**

**Shabbir Ahmed Chowdhury, Program Head, Microfinance**

**Erum Mariam, Program Head, BRAC Education Program**

**Dr. Safiqul Islam, Program Head, Post Primary basic And Continuing Education**

**S. N. Kairy, Finance Manager**

**Ernst & Young**  
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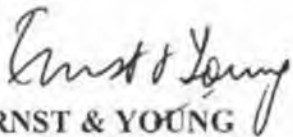
## **INDEPENDENT AUDITORS' REPORT**

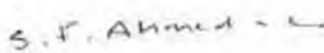
To The Governing Body of BRAC

We have audited the accompanying Balance Sheet of BRAC (registered in Bangladesh as a society under the Societies Registration Act 1860) and operating as a non-government development organisation) as of December 31, 2002 and the related Statements of Income and Expenditure and Cash Flows for the year then ended. These financial statements, which are set out on pages 1 to 32, are the responsibility of BRAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards adopted in Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRAC as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with the accounting policies summarized in Note 2 of the financial statements.

  
**ERNST & YOUNG**  
**Chartered Accountants**  
 Kuala Lumpur, Malaysia

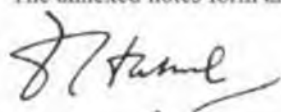
  
**S. F. AHMED & CO**  
**Chartered Accountants**  
 Dhaka, Bangladesh

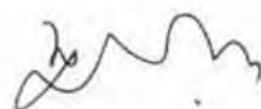
31 March, 2003

**BRAC**  
 (Registered in Bangladesh under the Societies Registration Act, 1860)  
**Balance Sheet**  
 as at December 31, 2002

	Notes	2002 Taka	2001 Taka
<b>ASSETS</b>			
Property, plant and equipment	3	3,749,559,706	3,487,722,536
Investment in related undertakings	4	467,510,714	498,268,987
Investment in securities and others	5	314,474,853	85,897,901
Loans to Village Organisation members	6	8,599,032,470	7,711,317,218
Motor cycle loans		214,606,333	161,431,141
Inventories	7	791,174,834	916,591,320
Grants and accounts receivable	8	1,097,564,545	779,858,315
Advances, deposits and prepayments	9	600,005,624	482,171,503
Fixed deposits and PSPs	10	1,576,587,644	1,267,123,836
Cash in hand and at banks	11	375,703,955	458,593,865
<b>TOTAL ASSETS</b>		<b>17,786,220,678</b>	<b>15,848,976,622</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Deferred income	12	477,179,751	518,643,273
Term loans	13	3,725,747,360	3,251,646,323
VO members' savings deposits	14	4,983,956,968	4,304,996,584
Other long term liabilities	15	1,231,700,816	998,960,792
VO members' project and current account		40,888,528	52,424,285
Grants received in advance account	16	218,631,804	77,351,255
Other current liabilities	17	607,386,381	511,655,759
Provision for taxation		31,741,030	31,741,030
Bank overdrafts	18	284,557,455	355,996,810
<b>Total liabilities</b>		<b>11,601,790,093</b>	<b>10,103,416,111</b>
<b>Net Assets:</b>			
Capital fund			
- unrestricted		6,060,360,457	5,640,775,763
- temporarily restricted		124,070,128	104,784,748
		<b>6,184,430,585</b>	<b>5,745,560,511</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>17,786,220,678</b>	<b>15,848,976,622</b>

The annexed notes form an integral part of these statements.

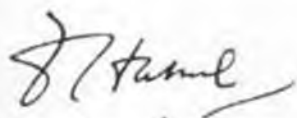
  
 Chairperson, Governing Body  
 BRAC  
 Dhaka, March 31, 2003

  
 Executive Director  
 BRAC

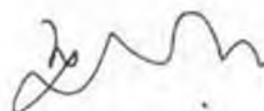
**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Statement of Income and Expenditure**  
**for the year ended December 31, 2002**

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2002 Taka
<b>Income</b>				
Donor grants	19	46,709,591	1,933,309,022	1,980,018,615
Revenue from:				
- Commercial projects		1,217,762,521	-	1,217,762,521
- Programme support enterprises		1,717,513,559	-	1,717,513,559
Service charge on loans to VO members		2,403,926,404	-	2,403,926,404
Investment income	20	136,150,718	2,521,939	138,672,657
Other income	21	98,780,890	42,474,115	141,255,005
Rental income from House property		89,356,811	-	89,356,811
<b>Total income</b>		<b>5,710,200,496</b>	<b>1,978,305,076</b>	<b>7,688,505,572</b>
<b>Expenditure</b>				
Commercial Projects		1,089,285,430	-	1,089,285,430
Program Support Enterprises		1,593,950,104	-	1,593,950,104
House property related expenses		76,173,241	-	76,173,241
Education Programme		13,581,259	1,176,417,937	1,189,999,196
Nutrition Programme		-	355,255,789	355,255,789
Health and Population Programme		4,880,925	128,996,941	133,877,866
Micro Finance Programme		2,156,961,769	126,000	2,157,087,769
Poultry Extension Programme		57,712,790	97,849,783	155,562,573
Fisheries Extension Programme		58,293,549	22,142,262	80,435,811
Agriculture Extension Programme		71,083,273	16,845,859	87,929,132
Sericulture and Silk Development Programme		61,490,980	-	61,490,980
Human Rights and Legal Education Programme		25,748,653	66,632,154	92,380,807
Rural Enterprise Development Programme		34,452,622	69,539,553	103,992,175
Training, Workshop and Seminars		34,515,054	7,876,853	42,391,907
Grant to BRAC Afghanistan		6,091,290	-	6,091,290
Research, Monitoring and Evaluation		6,394,863	17,336,565	23,731,428
<b>Total expenses</b>		<b>5,290,615,802</b>	<b>1,959,019,696</b>	<b>7,249,635,498</b>
Surplus of income over expenditure before taxation		419,584,694	19,285,380	438,870,074
Taxation	22	-	-	-
<b>Net surplus for the year</b>		<b>419,584,694</b>	<b>19,285,380</b>	<b>438,870,074</b>

The annexed notes form an integral part of this statement.



Chairperson, Governing Body  
BRAC  
Dhaka, March 31, 2003



Executive Director  
BRAC

**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Statement of Income and Expenditure**  
**for the year ended December 31, 2001**

	Notes	Unrestricted Taka	Temporarily Restricted Taka	Total 2001 Taka
<b>Income</b>				
Donor grants	19	50,745,399	1,485,106,528	1,535,851,927
Revenue from:				
- Commercial projects		1,135,225,461	-	1,135,225,461
- Programme support enterprises		1,568,593,864	-	1,568,593,864
Service charge on loans to VO members		2,195,038,399	-	2,195,038,399
Investment income	20	159,334,470	815,231	160,149,701
Other income	21	119,055,979	40,195,831	159,251,810
Rental income from House property		96,364,025	-	96,364,025
<b>Total income</b>		<b>5,324,357,597</b>	<b>1,526,117,590</b>	<b>6,850,475,187</b>
<b>Expenditure</b>				
Commercial Projects		1,029,150,649	-	1,029,150,649
Program Support Enterprises		1,380,256,787	-	1,380,256,787
House property related expenses		56,193,430	-	56,193,430
Education Programme		18,541,497	974,719,403	993,260,900
Nutrition Programme		-	289,959,610	289,959,610
Health and Population Programme		117,738,270	111,009,819	228,748,089
Micro Finance Programme		2,045,704,279	-	2,045,704,279
Relief and Rehabilitation Programme		148,722	23,754,164	23,902,886
Poultry Extension Programme		25,582,655	74,639,976	100,222,671
Fisheries Extension Programme		28,413,650	14,052,844	42,466,534
Agriculture Extension Programme		49,738,919	13,342,130	63,081,049
Sericulture and Silk Development Programme		27,793,457	-	27,793,497
Human Rights and Legal Education Programme		49,374,761	265,022	49,639,783
Rural Enterprise Development Programme		24,264,556	-	24,264,556
Training, Workshop and Seminars		37,791,565	18,110,616	55,902,181
Grant to BRAC University		50,000,000	-	50,000,000
Research, Monitoring and Evaluation		10,086,702	5,463,960	15,550,662
<b>Total expenses</b>		<b>4,950,780,019</b>	<b>1,525,317,544</b>	<b>6,476,097,563</b>
Surplus of income over expenditure before taxation		373,577,578	800,046	374,377,624
Taxation	22	-	-	-
<b>Net surplus for the year</b>		<b>373,577,578</b>	<b>800,046</b>	<b>374,377,624</b>

The annexed notes form an integral part of this statement.



**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Statement of Changes in Net Assets**  
**for the year ended December 31, 2002**

Note	Capital Fund		Total Net assets Taka
	Unrestricted	Temporarily restricted	
	Taka	Taka	
At 1 January 2001	5,225,886,788	145,296,099	5,371,182,887
Transfer following expiry of programmes	41,311,397	(41,311,397)	--
Net surplus for the year	373,577,578	800,046	374,377,624
At 31 December 2001	5,640,775,763	104,784,748	5,745,560,511
At 1 January 2002	5,640,775,763	104,784,748	5,745,560,511
Net surplus for the year	419,584,694	19,285,380	438,870,074
At 31 December 2002	6,060,360,457	124,070,128	6,184,430,585

The annexed notes form an integral part of this statement.

**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Statement of Cash Flows**  
**for the year ended December 31, 2002**

	Note	2002 Taka	2001 Taka
<b>Cash flows from operating activities:</b>			
Surplus of income over expenditure before taxation		438,870,074	374,377,624
Adjustment to reconcile changes in net assets to net cash provided by operating activities:			
Loan loss provision		312,707,454	250,194,734
Depreciation		231,924,142	212,593,432
Gain on disposal of property, plant and equipment		(769,260)	(6,163,450)
Share of reserves in related undertakings during the year		26,843,381	(23,338,890)
Donor grants - amortisation of investment in property, plant and equipment		(42,344,564)	(43,849,676)
Donor grants - amortisation of motorcycle replacement funds		(7,440,156)	(11,980,297)
Service charge on loans to VO members		(2,403,926,404)	(2,195,038,399)
Interest on fixed deposits and bank accounts		(142,158,761)	(123,931,418)
Interest on VO members saving deposits		262,409,326	214,455,838
Interest on long term loans and overdraft facilities		213,485,996	247,433,906
Adjustments for other accounts:			
Decrease in service charge outstanding on loans to VO members		12,830,686	33,224,915
Decrease/(Increase) in inventories		125,416,486	(113,518,885)
Increase in advances, deposits and prepayments		(117,834,121)	(162,492,217)
(Increase)/Decrease in accounts receivable, net		(133,256,491)	37,180,176
Decrease in other current liabilities		95,730,622	6,595,250
Decrease in other long term liabilities		232,740,024	157,035,973
Decrease in deferred income		8,321,198	10,356,443
Increase in motorcycle loans		(53,175,192)	(28,221,988)
<b>Net cash used in operating activities</b>		<b>(939,625,560)</b>	<b>(1,165,086,929)</b>
<b>Cash flows from investing activities:</b>			
Increase in loans to VO members		(1,213,253,392)	(683,774,245)
Service charge received on loans to VO members		2,403,926,404	2,195,038,399
Interest received on fixed deposits and bank accounts		142,158,761	123,931,418
Interest paid on VO members saving deposits		(262,409,326)	(214,455,838)
Interest paid on long term loans and overdraft facilities		(213,485,996)	(247,433,906)
Purchase of property, plant and equipment		(493,761,312)	(693,520,358)
Proceeds from disposal of property, plant and equipment		769,260	19,384,105
Increase in fixed deposits and PSPs		(309,463,808)	(89,219,415)
Increase in investments in related undertakings		(2,897,605)	(272,669,499)
Dividends received from related undertakings		6,812,497	4,374,983
Increase in investment in securities and others		(228,576,952)	(8,591,932)
<b>Net cash (used in)/provided by investing activities</b>		<b>(170,181,469)</b>	<b>133,063,712</b>

**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Statement of Cash Flows**  
**for the year ended December 31, 2002**

**Cash flows from financing activities:**

Grants received during the year	1,895,385,903	1,607,633,045
Grants utilised during the year for:		
- operational expenditure & micro-finance	(1,930,233,895)	(1,480,021,954)
- investment in property, plant and equipment	(6,067,223)	(5,898,798)
- motorcycle replacement funds	(2,253,975)	(4,457,645)
Increase in term loans	474,101,037	300,083,643
Increase in VO members savings deposits	678,960,384	754,623,316
Decrease in VO members project and current accounts	(11,535,757)	(20,628,147)
Net cash provided by financing activities	1,098,356,474	1,151,333,460
Net (decrease)/increase in cash and cash equivalents	(11,450,555)	119,310,243
Cash and cash equivalents, beginning of the year	102,597,055	(16,713,188)
Cash and cash equivalents, end of the year	11 91,146,500	102,597,055

The annexed notes form an integral part of these statements.

**BRAC**  
**(Registered in Bangladesh under the Societies Registration Act, 1860)**  
**Notes to Financial Statements**  
**December 31, 2002**

**1 Introduction:**

BRAC, a national private development organisation, was formed in 1972 under the Societies Registration Act 1860. Although it was first set up to resettle refugees in post-war Bangladesh, BRAC later redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor. At present, BRAC has a large number of development programs that cover the areas of health, education, credit, employment and training for the poor people of Bangladesh. BRAC carries out licensed banking activities through the BRAC Bank Ltd and also earns from various income generating projects such as Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food project, and various programme support enterprises such as poultry farms, feedmills, seedmills and prawn hatcheries.

**2 Summary of Significant Accounting Policies:**

BRAC prepares its financial statements under the historical cost convention on a going concern basis. BRAC generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items. The financial statements are expressed in Bangladesh Taka.

The significant accounting policies followed in the preparation and presentation of these financial statements are summarized below.

**2.1 Basis of preparation of financial statements**

BRAC maintains its books of account and records on a programme or project-wise basis. The Head Office maintains records of all treasury, investment and management functions. All cash balances, including those held for programmes, are held by the Head Office and transferred to programmes as required. Balances between projects are eliminated upon combination for the purposes of presentation of the financial statements.

These financial statements include the financial statements of BRAC and, on an equity accounted basis, those of the related undertakings set out in Note 4 in which BRAC has equity interests through which it exercises control or significant influence. As stated in Note 2.2, BRAC, being a society under the Societies Registration Act, 1860, is not subject to any requirement to prepare consolidated financial statements.

In contrast to the ownership of equity interest in related undertakings, BRAC also extends gratuitous grants to certain organisation that, in some instances may bear names with resemblance to BRAC, viz BRAC University and BRAC Afghanistan. However, no equity is held in these entities, and BRAC's financial statements therefore do not include the financial statements of these entities.

BRAC's accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and internal reporting into funds established according to their nature and purposes based on the existence or absence of donor-imposed restrictions.

In the combined financial statements, funds have been classified within either of two net asset categories - temporarily restricted and unrestricted. Accordingly, the net assets of BRAC and changes therein are classified and reported as follows:

- **Temporarily restricted net assets** - Net assets subject to donor-imposed restrictions that permit BRAC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time and/or by actions of BRAC. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, any balances of temporarily restricted net assets are either returned to donors in accordance with donor agreements or utilized consequent to donor and management agreements on a temporarily restricted or unrestricted basis.

## 2 Summary of Significant Accounting Policies (contd.)

### 2.1 Basis of preparation of financial statements (contd.)

In cases where restrictions expire, it is BRAC's policy to effect the reclassification of assets from temporarily restricted net assets to unrestricted net assets through transfers within the balance sheet.

- **Unrestricted net assets** - Net assets that are not subject to any donor-imposed restrictions or which arise from internally funded activities. This category of net assets includes amongst others, amounts designated by BRAC for commercial activities, programme support enterprises and micro-financing activities.

### 2.2 Non-consolidation

BRAC, being a society registered under the Societies Registration Act, 1860 is not subject to any requirement on the preparation of consolidated financial statements. Accordingly, BRAC's investments in related undertakings wherein the effective equity interests are more than 50% are accounted for by the equity method as explained in Note 2.9, together with related undertakings in which the effective equity interests are between 20% and 50%.

### 2.3 Donor Grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially, BRAC's donor grants are for the funding of projects and programmes, and for these grants, income is recognized to equate to expenditure incurred on projects and programmes. For donor grants which involve funding for fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned. For donor grants provided to purchase motorcycles for specific projects, income is recognized over the estimated useful life of the motorcycles.

All donor grants received are initially recorded at fair value as liabilities in the Grants Received in Advance Account. For grants utilized to purchase fixed assets and motorcycles, the donor grants are transferred to deferred income accounts whilst for grants utilized to reimburse programme-related expenditure, the amounts are recognized as income. Donor grants received in-kind, through the provision of gifts and/or services, are recorded at fair value. Income recognition of such grants follows that of cash-based donor grants and would thus depend on whether the grants are to be utilized for the purchase of fixed assets or expended as programme-related expenditure.

Grant income is classified as temporarily restricted or unrestricted depending upon the existence of donor-imposed restrictions. For completed or phased out projects and programmes, any unutilized amounts are dealt with in accordance with consequent donor and management agreements.

For ongoing projects and programmes, any expenditure yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as grant receivable.

### 2.4 Revenue Recognition

*Commercial projects* - Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food Project.

*Programme Support Enterprises* - mainly comprising poultry farms, feedmills, seedmills, prawn hatcheries.

Revenue is recognized based on billings, net of discounts and allowances.

*Service charge on loans to VO members*

Service charges on regular loans, that is, loans where no amounts are overdue as at the end of the reporting period are recognized on an accrual basis as income. The recognition of service charge ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as "non performing" loans.

## 2 Summary of Significant Accounting Policies (contd.)

### 2.4 Revenue Recognition (contd.)

Service charge previously accrued but not received on loans subsequently classified as non-performing is reversed. Service charge is included in income thereafter only when its receipt becomes probable, generally when it is realized. Loans are returned to the accrual basis only when the full amounts of the outstanding arrears of loans are received and future collectibility is reasonably assured.

*Interest on bank accounts, fixed deposits, PSPs and debentures*

Revenue is recognized as the interest accrues unless collectibility is in doubt.

*Other income*

All other income are recognized when BRAC's right to receive such income has been reasonably determined and all conditions precedent are satisfied.

### 2.5 Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BRAC's Head Office overhead expenses are allocated to various projects and programmes at a range of 5% to 10% of their costs, based on agreement with Donors or management's judgement.

### 2.6 Property, plant and equipment (formerly 'Fixed Assets')

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for on a straight-line basis over the estimated useful lives at the following annual rates:

<u>Item</u>	<u>Annual Depreciation Rate (%)</u>
Buildings	2.5 – 4
Furniture & Fixtures	10
Equipment	15
Vehicles	20
Bicycles	20
Machinery	20
Deep tube wells and tanks	20
Hatcheries	20
Motorcycles	20
Camp/Poultry/Livestock sheds	20
Crates/Mannequins/Samples	33.33

No depreciation is charged on freehold land and construction work-in-progress.

### 2.7 Loans to VO Members

BRAC's activities include providing micro-credit loans to group members without collateral, on a service charge basis under various programs. Loans are stated net of provision for loan losses.

### 2.8 Provision for Loan Losses

BRAC provides for loan losses based on 2% of loan disbursements made. Non-performing loans are monitored and service charges are not recorded. Such loans are written off against the loan loss provision when recovery is unlikely. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. Any collections received from loans previously written off are credited to the statement of income and expenditure.

## 2 Summary of Significant Accounting Policies (contd.)

### 2.9 Investment in Related Undertakings

Related undertakings refer to separately-established undertakings in which BRAC has effective equity interests of more than 20%. Details of these undertakings are disclosed in Note 4.

BRAC's investments in these undertakings are accounted for by the equity method whereby the investments are initially recorded at cost and subsequently adjusted to reflect BRAC's share of results for each period added to or deducted from the respective investment costs, from the dates of their acquisition and to the dates of their disposal.

### 2.10 Investment in Securities and Others

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in shares of listed companies are subsequently measured at fair value, with unrealized gains or losses recognized in the statement of income and expenditure. Fair value is generally determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

Other long-term investments which are intended to be held to maturity, such as debentures and private debt securities, are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost apart from the amortization process which is dealt with through the statement of income and expenditure, any gain or loss is recognized in the statement of income and expenditure when the investment is disposed of or suffers a permanent diminution in value.

### 2.11 Accounts Receivable

Accounts receivable arise principally from BRAC's commercial activities and programme support enterprises, and are stated net of provision for doubtful debts.

### 2.12 Inventories

Retail inventories are stated at cost based on selling price less average mark-up, and other inventories are stated at cost. Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

### 2.13 Motorcycle Replacement Fund

Applicable donor funds are utilized for providing motorcycles to project staff, and these funds are held in a replacement fund. BRAC provides motorcycles to staff, the cost of which is recovered through monthly salary deductions. Donor funds received and utilized for the purchase of motorcycles are amortized to the statement of income and expenditure over a period of 5 years, being the average estimated useful life of the motorcycles.

### 2.14 Foreign Currency Translations

BRAC maintains its books of account in Bangladesh Taka. Transactions in foreign currencies are translated into Taka at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Bangladesh Taka at exchange rates prevailing at that date and any gain or loss is recognized in the statement of income and expenditure. BRAC's foreign currency denominated monetary assets and liabilities are outlined in Note 23 below.

### 2.15 Self - Insurance Funds

BRAC has created a self-insurance fund to cover the risk of cyclone and fire on its properties and motorcycles. This self-insurance fund is based on estimates by the Governing Body, and as from 2001 by reference to external actuarial valuations. It is held as a provision within 'Other long term liabilities' (Note 15) and is not externally funded.



## 2 Summary of Significant Accounting Policies (contd.)

### 2.15 Self - Insurance Funds (contd.)

BRAC also sets aside monthly amounts equivalent to 3% of the basic salary of employees, to constitute the group self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by the employees. The terms of employment provide for payment in the event of death or permanent injury, of amounts ranging from 12 months' equivalent of basic salary in the first year of employment, to 50 months' equivalent of basic salary in the 10th year of employment onwards. The self-insurance fund for employees is held as a provision within 'Other long term liabilities' (Note 15) and is not externally funded. It is based on estimates by the Governing Body, and as from 2001 by reference to external actuarial valuations.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediately following financial periods have been determined based on actuarial valuations carried out in 2001 in respect of the funds, and are disclosed in Note 15 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provisions in respect of these funds.

### 2.16 Employee Gratuity and Redundancy Fund

BRAC makes provisions for an Employee Gratuity and Redundancy fund, on the basis of two months' basic salary for each completed year's service for each permanent employee (based on basic salary of the last month). The fund is held as a provision within 'Other long term liabilities' (Note 15), and is not externally funded. Gratuity is to be disbursed upon retirement of employees whilst redundancy disbursements are to be made as a one-time termination benefit in the event of cessation of service from BRAC on grounds of redundancy.

The extent of future liabilities requiring current provisions, and the rate of provisions required in the immediately following financial periods have been determined based on actuarial valuation carried out in 2001, and are disclosed in Note 15 to the financial statements. It is BRAC's policy to carry out actuarial reviews at least every three years to assess the adequacy of the provision in respect of the fund.

### 2.17 Deferred Taxation

Deferred taxation is provided for, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation benefits are only recognised when their realisation is probable.

### 2.18 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case these costs are capitalised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

### 2.19 Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash and bank balances, against which bank overdrafts, if any, are deducted. Included in cash and bank balances are donations which are received through donor grants. By virtue of donor agreements, the manner in which such donations are to be applied may be restricted to specific projects and/or assets.

### 3. Property, plant and equipment

Group of fixed assets	Cost					Depreciation				Net book value 31-12-2002 Taka	Net book value 31-12-2001 Taka
	Opening balance Taka	Additions during the year Taka	Transferred during the year Taka	Disposals during the year Taka	Closing balance Taka	Opening balance Taka	Charged during the year Taka	Adjustment for disposals transfer during the year Taka	Closing balance Taka		
Freehold land	1,290,754,198	82,988,089	-	-	1,373,742,287	-	-	-	-	1,373,742,287	1,290,754,198
Buildings	1,633,101,624	-	183,707,332	-	1,816,808,956	266,323,429	58,431,157	-	324,754,586	1,492,054,370	1,366,778,145
Furniture and fixtures	294,342,392	25,416,154	-	-	319,758,546	166,242,587	29,603,142	-	195,845,729	123,912,817	128,099,805
Equipment	665,675,975	84,852,886	-	-	750,528,861	334,323,703	93,696,479	-	428,020,182	322,508,679	331,352,272
Vehicles	190,987,001	10,351,364	-	(2,819,000)	198,519,365	148,425,885	17,901,649	(2,819,000)	163,508,534	35,010,831	42,561,116
Bicycles	12,157,362	1,729,083	-	-	13,886,445	9,273,136	1,029,224	-	10,302,360	3,584,085	2,884,226
Machinery	272,933,862	8,840,485	-	-	281,774,347	125,535,740	24,896,167	-	150,431,907	131,342,440	147,398,122
Deep tubewell and tank	4,841,263	3,010,193	-	-	7,851,456	3,431,462	694,551	-	4,126,013	3,725,443	1,409,801
Hatchery	2,144,779	2,078,025	-	-	4,222,804	1,216,355	110,091	-	1,326,446	2,896,358	928,424
Camp/poultry/livestock sheds	105,011,247	38,476,782	-	-	143,488,029	5,382,857	2,661,428	-	8,044,285	135,444,969	99,629,615
Motorcycles	1,863,784	259,827	-	-	2,123,611	1,078,260	177,264	-	1,255,524	868,087	785,524
Construction work in progress	67,238,865	221,644,742	(183,707,332)	-	105,176,275	-	-	-	-	105,176,275	67,238,865
Crates mannequins samples	39,398,403	14,113,682	-	-	53,512,085	31,496,030	2,722,990	-	34,219,020	19,293,065	7,902,373
<b>Total 2002</b>	<b>4,580,451,980</b>	<b>493,761,312</b>	<b>-</b>	<b>(2,819,000)</b>	<b>5,071,394,292</b>	<b>1,092,729,444</b>	<b>231,924,142</b>	<b>(2,819,000)</b>	<b>1,321,834,586</b>	<b>3,749,559,706</b>	<b>3,487,722,536</b>
<b>Total 2001</b>	<b>3,900,152,277</b>	<b>693,520,358</b>	<b>-</b>	<b>(13,220,655)</b>	<b>4,580,451,980</b>	<b>880,136,012</b>	<b>212,593,432</b>	<b>-</b>	<b>1,092,729,444</b>	<b>3,487,722,536</b>	

Allocation of depreciation:		2002 Taka	2001 Taka
i) included in cost of sales of commercial projects	Note 26	6,482,931	6,934,210
ii) reflected in programme related expenses	Note 26	225,441,211	205,659,222
		<b>231,924,142</b>	<b>212,593,432</b>

An amount of Tk. 42,344,564 (2001: Tk. 43,849,676) has been transferred to the statement of income and expenditure from Deferred Income-investment in fixed assets to cover the depreciation charge for donor-funded fixed assets as disclosed in Notes 12 & 19.

Landed properties with an aggregate net book value of Tk. 648,695,160 (2001: Tk. 396,769,679) have been pledged to secure term loans and overdraft facilities as disclosed in Notes 13 and 18 to the financial statements.

## 4. Investment in related undertakings

Related undertakings - unquoted	2002				
	Shares Taka	Deposit for shares Taka	Share of Reserves Taka	Loans Taka	Total Taka
BRAC Bank Ltd.	249,940,000	--	(39,361,933)	--	210,578,067
BRAC Industries Ltd.	24,999,900	--	1,877,690	--	26,877,590
BRAC BD Mail Network	9,250,000	--	(519,714)	--	8,730,286
BRAC Renata Argo Industries Ltd.	21,420,000	--	12,062,329	17,000,000	50,482,329
BRAC Services Ltd.	10,000,000	--	(23,799,256)	24,754,463	10,955,207
BRAC Concord Lands Ltd.	60,000,000	--	(4,915,020)	9,600,221	64,685,201
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	--	32,209,293	--	82,209,293
Bangladesh Netting Factory	17,071,429	--	(5,098,052)	1,019,364	12,992,741
	442,681,329	--	(27,544,663)	52,374,048	467,510,714

Related undertakings - unquoted	2001				
	Shares Taka	Deposit for shares Taka	Share of Reserves Taka	Loans Taka	Total Taka
BRAC Bank Ltd.	249,940,000	--	(1,506,696)	--	248,433,304
BRAC Industries Ltd.	24,999,900	--	848,216	--	25,848,116
BRAC BD Mail Network	9,250,000	--	(847,748)	--	8,402,252
BRAC Renata Argo Industries Ltd.	21,420,000	--	3,525,098	17,632,320	42,577,418
BRAC Services Ltd.	--	10,000,000	(20,340,880)	24,692,038	14,351,158
BRAC Concord Lands Ltd.	--	60,000,000	--	24,223,514	84,223,514
Delta BRAC Housing Finance Corp. Ltd.	50,000,000	--	24,433,225	--	74,433,225
	355,609,900	70,000,000	6,111,215	66,547,872	498,268,987

Related undertakings	2002 %	2001 %	Principal activities
BRAC Bank Ltd. (Incorporated in Bangladesh)	99.9	99.9	Banking business
BRAC Industries Ltd. (Incorporated in Bangladesh)	99.9	99.9	Cold storage
BRAC BD Mail Network Ltd. (Incorporated in Bangladesh)	98.0	98.0	Internet service provider
BRAC Renata Agro Industries Ltd. (Incorporated in Bangladesh)	51.0	51.0	Poultry farm
BRAC Services Ltd. (Incorporated in Bangladesh)	100	100	Hospitality
BRAC Concord Lands Ltd. (Incorporated in Bangladesh)	50.0	50.0	Land and housing
Delta BRAC Housing Finance Corp. Ltd. (Incorporated in Bangladesh)	25.0	25.0	Housing finance
Bangladesh Netting Factory (Incorporated in Bangladesh)	94.0	--	Poultry processing

BRAC's investments in the related undertakings are represented by its share in the respective net tangible assets, and loan extended. Loans represent finance provided for working capital and earn 12%-20% (2001: 12%-20%) interest per annum. These loans have no fixed repayment terms.

Included in share of reserves in 2002 is a non-distributable portion amounting to Tk. 15,488,734 (2001: Tk. 10,349,875).

## 5. Investment in securities and others

	2002 Taka	2001 Taka
Original cost of shares in companies listed in Bangladesh	9,765,706	9,765,706
Provision for permanent diminution in value	(3,055,137)	(3,867,805)
	6,710,569	5,897,901
Debentures	307,764,284	80,000,000
	<u>314,474,853</u>	<u>85,897,901</u>
Market value of shares in companies listed in Bangladesh	6,710,569	5,897,901

Debentures amounting to Tk. 50,000,000 have been pledged as securities for borrowing facilities from BRAC Bank Ltd., which have not been utilised as at the end of the financial year. The debentures earned interest at 11.5%-13.50% (2001: 11.5%-13.50%) per annum during the year.

## 6. Loans to Village Organisation members

	Principal outstanding Taka	Service charge receivable Taka	Loan loss provision Taka	Total Taka
At January 1, 2002	8,255,412,528	90,143,610	(634,238,920)	7,711,317,218
Additions	17,065,904,000	2,403,926,404	(312,707,454)	19,157,122,950
Realisation	(15,852,650,608)	(2,383,193,121)	--	(18,235,843,729)
Write-off	(295,189,193)	(33,563,969)	295,189,193	(33,563,969)
At December 31, 2002	9,173,476,727	77,312,924	(651,757,181)	8,599,032,470

Loans to VO members bear annual service charges as follows:

Micro-credit	15% per annum on loan disbursed
Housing loans	10% per annum on loan disbursed

Repayments are made in weekly/monthly instalments.

The loan principal outstanding and loan loss provision are analysed as follows:

Loan Classification	Days in Arrears	Loan Principal 2002 Taka	Loan loss Provision 2002 Taka	Loan Principal 2001 Taka	Loan loss Provision 2001 Taka
Standard	Current (no arrears)	8,485,159,775	169,703,190	7,326,300,528	146,526,020
Watchlist	1 - 30	64,025,820	3,201,291	127,448,000	6,372,400
Substandard	31 - 180	99,730,126	19,946,025	345,420,000	69,084,000
Doubtful	181 - 350	262,617,323	196,962,992	175,950,000	131,962,500
Loss	Over 350	261,943,683	261,943,683	280,294,000	280,294,000
		<u>9,173,476,727</u>	<u>651,757,181</u>	<u>8,255,412,528</u>	<u>634,238,920</u>

**7. Inventories**

	2002 Taka	2001 Taka
Seeds and feeds	228,942,579	385,649,323
Medical supplies and consumables	46,554,555	50,507,777
Printing and stationery	109,657,673	73,261,602
Handicraft goods	259,715,990	197,657,374
Dairy products	42,228,037	31,709,781
Programme materials	104,076,000	177,805,463
	<b>791,174,834</b>	<b>916,591,320</b>

**8. Grants and accounts receivable**

Grants receivable (Note 16)	427,380,049	242,930,310
Interest receivable on fixed deposits and PSPs	106,373,784	184,811,311
Other accounts receivable	573,611,510	364,730,436
	<b>1,107,365,343</b>	<b>792,472,057</b>
Provision for doubtful debts	(9,800,798)	(12,613,742)
	<b>1,097,564,545</b>	<b>779,858,315</b>

Included in interest receivable on fixed deposits and PSPs is Tk. 50,020,847 (2001: Tk. 17,469,157) receivable after 12 months.

**9. Advances, deposits and prepayments**

	2002 Taka	2001 Taka
Advances:		
Employees	33,626,689	38,596,197
Suppliers	444,445,796	320,731,774
Advance for tax	73,686,987	62,043,545
	<b>551,759,472</b>	<b>421,371,516</b>
Deposits for facilities and utilities	15,195,857	16,587,714
Prepayments	33,050,295	44,212,273
	<b>600,005,624</b>	<b>482,171,503</b>

**III. Fixed deposits and PSPs**

Fixed deposits	1,576,587,644	1,167,123,836
* Patirakhya Sanchya Patras (PSPs)	—	100,000,000
	<b>1,576,587,644</b>	<b>1,267,123,836</b>

\* PSPs are Defence Savings Certificates issued by the Government of Bangladesh.

Fixed deposits amounting in aggregate to Tk. 1,263,976,960 (2001: Tk. 649,145,543) have been pledged to secure term loan and overdraft facilities as disclosed in Notes 13 and 18.

## 11. Cash in hand and at banks

	2002 Taka	2001 Taka
Cash in hand	41,449,315	28,255,674
Cash at banks	334,254,640	430,338,191
	<b>375,703,955</b>	<b>458,593,865</b>

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following as at December 31:

Cash in hand and at banks	375,703,955	458,593,865
Bank overdrafts (Note 18)	(284,557,455)	(355,996,810)
	<b>91,146,500</b>	<b>102,597,055</b>

## 12. Deferred income

	Note	Investment in Fixed Assets Taka	Motorcycle Replacement Fund Taka	Total Taka
At 1 January 2002		506,153,059	12,490,214	518,643,273
Transferred from				
Grants received in advance	16	6,067,223	2,253,975	8,321,198
Amortisation to Statement of Income and Expenditure	19	(42,344,564)	(7,440,156)	(49,784,720)
At 31 December 2002		<b>469,875,718</b>	<b>7,304,033</b>	<b>477,179,751</b>

## 13. Term loans

	Note	2002 Taka	2001 Taka
Government of Bangladesh	(a)	56,747,022	62,897,925
Palli Karma Shahayak Foundation (PKSF)	(b)	2,636,499,992	2,414,500,000
* Bangladesh Krishi Bank (BKB)	(c)	62,544,100	73,936,200
* Standard Chartered Bank	(d)	600,000,000	250,000,000
* Agrani Bank	(e)	72,000,000	125,000,000
BASIC Bank Ltd	(f)	20,150,000	22,400,000
* The Trust Bank Ltd	(g)	32,806,246	32,806,246
Sonali Bank	(h)	125,000,000	200,000,000
* Pubali Bank Ltd	(i)	120,000,000	—
Credit Agricole Indosuez		—	60,000,000
Unibank		—	10,105,952
		<b>3,725,747,360</b>	<b>3,251,646,323</b>

Term Loans are analysed as follows:

Amount repayable within 12 months	1,286,889,813	528,748,450
Amount repayable after 12 months	2,438,857,547	2,722,897,873
	<b>3,725,747,360</b>	<b>3,251,646,323</b>

- \* Secured by fixed deposits amounting to Tk.1,135,676,960 (2001: Tk. 348,583,043) and properties amounting in aggregate to Tk.268,495,160 (2001: Tk.114,341,573)

### 13. Term loans (contd.)

- (a) (i) Loan from the Government of Bangladesh of Tk. 32,810,000 is interest-free and will be repaid until the completion of Poultry for Nutrition program expected to be beyond 2005.
- (a) (ii) Loan from the Government of Bangladesh of Tk. 36,000,000 was obtained to disburse among VO members as housing loans, and bears interest at 1% per annum. The loan is repayable in equal half yearly instalment in five years, starting from August 2000.
- (b) (i) Loan from PKSF of Tk. 2,287,500,000 was obtained to support the credit program and bears service charge at 5% - 7% (2001: 5%) per annum. Each drawdown is repayable in ten equal half-yearly instalments.
- (b) (ii) Loan from PKSF of Tk. 127,000,000 was obtained to support the Participatory Livestock Development Program and bears service charge 6.25% (2001: 6.25%) per annum. Each drawdown is repayable in ten equal quarterly instalments.
- (c) Loan from BKB bears interest at 8% (2001: 8%) per annum and is repayable in twenty equal half-yearly instalments, starting from January 01, 1998 and ending on July 01, 2007.
- (d) Loan from Standard Chartered Bank bears interest at 10% (2001: 9.5%) per annum and is to be fully repaid within 120 days from drawdown on November 24, 2002.
- (e) Loan from Agrani Bank bears interest at 9.5% (2001: 9.5%) per annum and is repayable in 9 equal half yearly instalments, starting from December 2000.
- (f) Loan from Bank of Small Industries and Commerce Bangladesh Ltd (BASIC Bank) bears interest at 12% (2001: 12%) per annum and is repayable in 60 equal monthly instalments, commencing after 12 months from the date of creation (creation June 12, 2001).
- (g) Loan from The Trust Bank Limited bears interest at 12% (2001: 12%) per annum and is repayable in 36 equal monthly instalments, starting from July 2003.
- (h) Loan from Sonali Bank bears interest at 10% (2001: 10%) per annum and is repayable in quarterly instalments with accrued interest within 3 years including 1 year moratorium at the beginning, starting from October 31, 2001.
- (i) Loan from Pubali bank Ltd. bears interest at 11% per annum and is repayable on October 31, 2003.

### 14. VO members' savings deposits

	2002 Taka	2001 Taka
Opening balance	4,304,996,584	3,550,373,268
Deposits for the year	2,975,123,992	2,281,017,934
Withdrawals during the year	(2,296,163,608)	(1,526,394,618)
Closing balance	4,983,956,968	4,304,996,584

The average rate of interest paid in respect of savings deposits by VO members was 6% (2001 : 6%) per annum.



## 15. Other long term liabilities

	2002 Taka	2001 Taka
Employee gratuity and redundancy fund	971,624,064	812,579,601
Self-insurance fund		
- Employees	64,133,309	67,623,198
- BRAC properties and motorcycles	75,701,920	32,407,657
	139,835,229	100,030,855
Other funds		
- Special fund for scholarship	3,187,949	2,734,900
- Flood rehabilitation fund	50,714,290	50,810,875
- Emergency fund	66,339,284	32,804,561
	1,231,700,816	998,960,792

An actuarial valuation of the self-insurance fund for employees was performed by an independent professional actuary in 2001. Based on the valuation, there was an excess provision of Tk 39,902,000. The principal assumptions applied in the actuarial valuation included official mortality rates in Bangladesh and an interest rate of 8%, which is the average long-term rate of interest expected to be applicable. In 2002, the excess provision has been considered in determining of the required provision for the year in respect of this fund of Tk 24,582,614, and accordingly, no further provision has been made. The resultant excess provision of Tk15,319,386 will be considered in determining future provisions.

An actuarial valuation of the employee gratuity and redundancy was performed by an independent professional actuary in 2001. Based on the valuation, there was an excess provision of Tk 12,705,000. The principal assumptions applied in the actuarial valuation were similar to those applied for the self-insurance fund for employees, and additionally a rate of salary increase of 7% per annum. In 2002, the excess provision has been considered in determining the required provision for the year in respect of this fund, and accordingly the required provision for the year of Tk189,985,495 has been reduced by this amount.

BRAC also commissioned an investigation report on the properties and motorcycles self-insurance fund by an independent professional actuary in 2001. Until 2001, the fund was only in respect of properties held within the Dhaka City Corporation area and motorcycles outside the area, calculated based on insurance premium rates that would be applicable for the properties concerned. However, the investigation report also addressed BRAC's intention to extend its self-insurance fund to cover its properties outside the Dhaka City Corporation area. The investigation report set out a recommendation that to meet this intention, a provision of Tk 200,000,000 would be required. BRAC intends to accrete its properties and motorcycle self-insurance fund provision to attain the recommended Tk 200,000,000 over a period of six years commencing 2002, subject to further periodic reviews. Accordingly, in 2002, Tk33,333,333 million has been accreted to this fund to meet this purpose in addition to the required provision for the year.

The Special fund for scholarship represents the Catherine H. Lovel memorial fund which will subsequently be utilized for a scholarship programme for poor girls. It is represented by specific fixed deposits, from which interest is added to the fund.

The Flood rehabilitation fund represents recoveries from prior disbursements of grants for flood rehabilitation, and is held as a provision.

The Emergency fund represents receipts from service charges from prior disbursements of grants under the donor funded Micro-credit Rehabilitation Project to assist micro-credit borrowers in the event of natural disasters such as floods, typhoons and cyclones. The fund is represented by a specific bank balance from which interest is added to the fund.

## 16. Grants received in advance account

	Note	2002 Taka	2001 Taka
At 1 January	8	77,351,255	18,189,531
Receivables as at 1 January		(242,930,310)	(301,023,234)
		(165,579,055)	(282,833,703)
Donations received	24	1,895,385,903	1,607,633,045
Transferred from / (to) deferred income:			
- Investment in fixed assets	12	(6,067,223)	(5,898,798)
- Motorcycle replacement fund	12	(2,253,975)	(4,457,645)
Transfer to Statement of Income and Expenditure for expenditure during the year	19	(1,930,233,895)	(1,480,021,954)
		(208,748,245)	(165,579,055)
Receivables as at 31 December	8	427,380,049	242,930,310
At 31 December		218,631,804	77,351,255

## 17. Other current liabilities

Liabilities for expenses	285,522,772	297,914,168
Liabilities for goods	114,092,372	55,437,921
Advances received for training, publications, supplies etc.	207,771,237	158,303,670
	607,386,381	511,655,759

## 18. Bank overdrafts

Pubali Bank Ltd	284,557,455	193,422,781
Credit Agricole Indosuez	-	5,427,492
American Express Bank	-	142,004,366
Standard Chartered Bank	-	15,142,171
	284,557,455	355,996,810

The bank overdraft from Pubali Bank Ltd. was obtained for BRAC's micro-finance program, bears interest at 12% (2001: 12%) per annum, and is repayable on or before April 30, 2003. The overdraft is secured by fixed deposits amounting in aggregate to Tk. 128,300,000 (2001: Tk. 300,562,500) and by pledge of properties with a book value of Tk. 380,200,000 (2001: Tk. 282,428,106).

## 19. Donor grants

	Note	2002 Taka	2001 Taka
Transferred from grants received in advance	16	1,930,233,895	1,480,021,954
Transferred from deferred income:			
(a) amortisation of investment in fixed assets			
- unrestricted		40,322,418	39,565,148
- temporarily restricted		2,022,146	4,284,528
	12	42,344,564	43,849,676
(b) amortisation of motorcycle replacement fund			
- unrestricted		6,387,175	11,180,251
- temporarily restricted		1,052,981	800,046
	12	7,440,156	11,980,297
		1,980,018,615	1,535,851,927

## 20 Investment income

	2002 Taka	2001 Taka
Interest on bank accounts, fixed deposits and PSPs	142,158,761	123,931,418
Share of profits less losses in related undertakings	(26,843,381)	23,338,890
Debenture interest	20,814,337	11,251,856
Others	2,542,940	1,627,537
	<b>138,672,657</b>	<b>160,149,701</b>

## 21. Other income

Sectoral income	—	11,908,622
Gain on disposal of assets	769,260	6,163,450
Partial reimbursements on cost of educational supplies	38,907,836	32,019,066
Training income	58,701,898	37,158,024
Sales revenue from Gonokendra Journal	1,263,525	312,530
Sales revenue from Printing and Publication	8,648,444	2,015,254
Interest received on loans and advances	16,085,207	34,913,131
Foreign exchange gain - unrealised	2,266,580	17,482,050
Others	14,612,255	17,279,683
	<b>141,255,005</b>	<b>159,251,810</b>

## 22 Taxation

Income taxation charge for the year

	—	—
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Under the Income Tax Ordinance 1984 (Amended), in addition to its commercial activities, BRAC is also subject to taxation on income derived from its other non-commercial activities unless they are tax exempt. Income from house property (rental), micro-finance activities, agricultural based programme support enterprises and dairy activities are tax-exempt.

There is no taxable income in respect of BRAC's taxable activities in 2002. As at 31 December 2002, BRAC has approximately Tk 118 million (2001: Tk 81 million) tax losses arising from these activities, of which Tk 37 million (2001: Tk 81 million) can be carried forward for a maximum period of 6 years to set-off against any future taxable income within this period, subject to the agreement of the tax authorities.

## 23. Foreign currency denominated monetary assets and liabilities :

	2002 Taka	2001 Taka
Residence Foreign Currency Deposits (in US\$)	274,492,291	316,803,777
Cash at bank (in US\$)	150,445	373,730
Term loan from Unibank for BRAC Dairy and Food Project (in US\$)	—	10,105,952

## 24 Schedule of donations received

Name of the projects	Donor	2002 Taka	2001 Taka
Reproductive Health and Disease Control	DFID	--	48,877,500
		--	48,877,500
Rural Service Delivery Component of National Integrated Population and Health Programme	Pathfinder International	--	27,191,725
Community Based Fisheries Management Project	ICLARM	7,194,099	--
National Nutrition Project (NNP)	GOB	261,121,990	283,360,721
Arsenic Mitigation	UNICEF	15,605,074	14,676,316
Flood Relief and Rehabilitation Programme	DFID	--	5,829,922
	DANIDA	--	18,000,000
		--	23,829,922
Forth Fisheries Programme	GOB/DFID	9,950,081	5,241,525
Gender Training	UNICEF	519,000	--
Education for Under Aged Garment Workers	UNICEF	338,017	3,671,727
Implementation of Guidelines for Compensating Erosion Flood Affected Persons	GOB	--	204,682
BRAC Education Program (NFPE Phase III)	UNICEF	1,454,832	86,341,447
	DCIS	181,121,749	175,400,000
	NOVIB	40,404,590	34,918,387
	DFID	259,190,000	239,553,800
	AKF/CIDA	345,626,045	84,761,631
	EC	218,346,606	359,791,027
	Others	178,880	132,841
		1,046,322,702	980,899,133
Challenging the Frontiers and Poverty Reduction	NOVIB	20,364,300	18,519,164
	DFID	211,155,000	
	CIDA	55,840,828	
	EC	149,119,910	
		436,480,038	18,519,164
Implementation of Resettlement Action Plan (Mohakhali Flyover)	GOB	2,006,500	--
Adult Literacy Programme	GOB	1,916,622	792,706
Basic Education for Hard to Reach Urban Working Children	GOB	--	1,458,000
Early Childhood Development Project	UNICEF	1,761,765	--

Name of the projects	Donor	2002 Taka	2001 Taka
Char Development Programme	DGIS	8,540,999	10,659,469
Strategies to Improve the Proportion of Deliveries with Skill Attendants	Aberdeen University	235,999	681,867
Community Health Program under Public Private Partnership	British Council	367,472	—
Participatory Livestock Development Programme	DANIDA	—	14,269,620
Homestead Poultry as the Means of Generating Earnings for and Improving Nutritional Status of the Poor Households of the Selected Thana (Poultry for Nutrition )	GOB	1,313,769	2,266,000
BRAC Limb and Bruce Centre (BLBC)	Jaipur Limb Centre	2,672,767	2,776,437
	International Red Crescent Society	2,136,515	—
		4,809,282	2,776,437
Popular Theater	AusAID	—	1,227,040
Strengthening BRAC Staff Capacity	Rockefeller Foundation	—	13,457,500
International Network of Alternative Financial Inst. (INAFI)	NOVIB	3,832,073	8,948,546
Adolescent Peer Organised Network (APON)	UNICEF	12,574,144	6,282,500
Global Nutrition Program	Upsala University	—	1,126,103
Management Training of NNP Managers	GOB	—	311,649
Atta Fortification Program	WFP	1,537,000	565,000
Sundarban Biodiversity Conservation Project	GOB	3,758,660	2,110,820
Training of Shasthya Sebika and Program Organisers	NOVIB	—	1,826,011
Identification of Gaps and Needed Interventions to Promote Health Equity in Rural Bangladesh	Indepth Network	—	953,438
Kangaroo Mother Care to Prevent Neonatal and Infant Mortality Project	Population Council	363,293	486,691
Thematic Workshop on Microfinance	Imp-Act	91,092	508,002
Income Generating Vulnerable Group Dev. Program (Transferred from Term Loan - Govt. of Bangladesh)	GOB	—	129,250,000
Micro Health Insurance Program for Rural Poor	ILO	3,787,074	—
Northwest Crops Diversification Project	GOB	3,898,125	—
Newborn Care initiatives	Save the Children	3,243,130	—
Northwest Microfinance Expansion Project	AusAID	40,062,312	—
Primary Health Care for Later Life	EC	4,752,095	—
Reproductive Health Service Program	GOB	2,980,000	—
Routine Maintenance	GOB	739,500	—
School Feeding Program	Land O' Lakes	1,853,572	—
Pilot Program on Skill Training for Employment of Retrenched Garment Worker	AusAID	933,086	—
WFCL Program in Haragachi	ILO	7,907,448	—
An Anthropology Study on Reproductive Health of Married Adolescents	WHO	733,892	—
Gender Barriers to TB Control Program	WHO	1,584,814	—
National Survey Program	UNICEF	2,271,184	—
MNT Campaign	Save the Children	—	1,203,231
<b>Total Received</b>		<b>1,895,385,903</b>	<b>1,607,633,045</b>

## 25. Segmental financial information

Unrestricted									Temporarily restricted	
Aarong Rural Craft Centre	BRAC Prithvi	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Buildings)	Total Unrestricted	Development Projects	Total 2002
Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka

## Balance Sheet as at December 31, 2002

## Assets

Property, plant and equipment	39,502,443	22,233,174	181,423,343	679,114,357	8,569,245	1,565,235,328	1,140,552,886	258,610,520	3,775,261,290	33,298,310	1,749,559,700
Investment in related undertakings	-	-	-	-	-	-	467,510,714	-	467,510,714	-	467,510,714
Investment in securities and others	-	-	-	-	-	-	314,474,853	-	314,474,853	-	314,474,853
Loans to Village Organisation members	-	-	-	-	-	8,579,909,314	-	-	8,579,909,314	14,123,156	8,594,032,470
Motor cycle loans	-	-	907,081	9,700,832	2,322,853	13,736,079	12,991,293	-	159,658,138	54,948,195	214,606,333
Inventories	259,715,990	22,571,343	45,892,212	222,834,756	15,938,732	18,239,374	168,731,288	-	753,923,695	37,251,139	791,174,834
Grants and accounts receivable	11,605,673	37,952,213	10,579,624	135,640,494	16,283,528	122,322,705	123,026,559	10,717,767	668,118,563	429,445,982	1,097,564,545
Advances, deposits and prepayments	92,616,738	5,558,697	31,153,032	164,007,526	7,072,433	32,288,993	196,252,560	5,882,498	534,752,477	65,253,147	600,005,624
Term loan - internal	168,569,841	(61,074,353)	-	-	-	24,713,832	102,025,826	-	(2,904,536)	2,904,536	-
Fixed deposits and PSPs	-	-	-	-	-	1,388,785,800	187,801,844	-	1,576,587,644	-	1,576,587,644
Cash in hand and at banks	29,265,056	7,629,313	(140,278,730)	(610,180,734)	124,753,100	803,971,705	398,744,165	141,173,266	605,570,881	(229,866,926)	375,703,955
<b>Total Assets</b>	<b>364,136,059</b>	<b>34,870,387</b>	<b>129,676,562</b>	<b>801,107,231</b>	<b>25,433,691</b>	<b>12,489,123,130</b>	<b>3,112,111,988</b>	<b>416,403,991</b>	<b>17,372,863,039</b>	<b>413,357,639</b>	<b>17,786,220,678</b>

## Liabilities and Net Assets

## Liabilities:

Deferred income	-	-	-	-	-	2,640,058	461,192,945	-	463,833,003	13,346,748	477,179,751
Term loans	120,000,000	-	-	552,956,247	-	3,252,791,113	-	-	3,725,747,360	-	3,725,747,360
VO members' savings deposits	-	-	-	-	-	4,983,956,968	-	-	4,983,956,968	-	4,983,956,968
Other long term liabilities	39,111,627	13,817,082	-	-	-	66,339,284	1,112,432,823	-	1,231,700,816	-	1,231,700,816
VO members' project and current account	-	-	-	-	-	30,576,742	-	-	30,576,742	10,311,786	40,888,528
Grants received in advance account	-	-	-	-	-	-	-	-	-	218,631,804	218,631,804
Other current liabilities	41,902,436	8,938,081	39,139,699	57,646,112	7,662,820	241,954,682	158,616,652	4,488,726	561,189,208	46,997,173	607,386,381
Provision for taxation	-	-	-	-	-	-	31,741,030	-	31,741,030	-	31,741,030
Bank overdrafts	-	-	-	-	-	-	-	-	284,557,455	284,557,455	284,557,455
<b>Total Liabilities</b>	<b>281,014,063</b>	<b>22,755,163</b>	<b>39,139,699</b>	<b>410,642,159</b>	<b>7,662,820</b>	<b>5,578,258,847</b>	<b>2,048,540,405</b>	<b>4,488,726</b>	<b>11,312,502,582</b>	<b>289,287,511</b>	<b>11,601,790,093</b>
<b>Net assets -Capital fund</b>	<b>163,121,996</b>	<b>12,115,224</b>	<b>90,536,863</b>	<b>390,465,072</b>	<b>17,770,871</b>	<b>3,910,864,283</b>	<b>1,063,571,583</b>	<b>411,915,265</b>	<b>6,060,360,457</b>	<b>124,070,128</b>	<b>6,184,430,585</b>
<b>Total Liabilities and Net assets</b>	<b>364,136,059</b>	<b>34,870,387</b>	<b>129,676,562</b>	<b>801,107,231</b>	<b>25,433,691</b>	<b>12,489,123,130</b>	<b>3,112,111,988</b>	<b>416,403,991</b>	<b>17,372,863,039</b>	<b>413,357,639</b>	<b>17,786,220,678</b>

## 25. Segmental financial information (contd.)

Unrestricted									Temporarily restricted	
Aarong Rural Craft Centre	DRAC Projects	BRAC Dairy and Food Project	Agri-based Programme Support Enterprise	Non-agri-based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	Home Property (Buildings)	Total Unrestricted	Development Projects	Total 2001
Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka

## Balance Sheet as at December 31, 2001

## Assets

Property, plant and equipment	23,217,548	19,383,304	197,890,934	635,310,994	4,099,398	998,621,574	1,286,045,918	293,632,719	3,458,422,387	29,100,149	3,487,522,536
Investment in related undertakings	-	-	-	-	-	-	498,268,987	-	498,268,987	-	498,268,987
Investment in securities and others	-	-	-	-	-	-	85,897,901	-	85,897,901	-	85,897,901
Loans to Village Organisation members	-	-	-	-	-	7,711,317,218	-	-	7,711,317,218	-	7,711,317,218
Motor cycle loans	-	-	728,746	5,355,893	972,298	114,336,643	14,119,233	-	135,532,913	25,898,228	161,431,141
Inventories	193,657,374	28,405,271	31,138,425	427,107,238	44,258,992	12,833,390	175,014,038	-	916,415,608	175,712	916,591,320
Grants and accounts receivable	20,311,824	43,648,352	6,613,912	235,298,540	10,048,621	184,531,343	13,499,934	2,973,479	536,928,085	242,030,310	779,958,395
Advances, deposits and prepayments	21,475,335	1,140,387	14,499,451	89,168,444	2,294,827	85,337,734	242,434,561	4,625,909	473,979,648	8,191,855	482,171,503
Term loan - internal	(183,131,885)	(79,354,074)	-	-	-	-	262,485,959	-	-	-	-
Fixed deposits and PSPs	-	-	-	-	-	1,088,785,900	178,338,036	-	1,267,123,936	-	1,267,123,936
Cash in hand and at banks	27,228,299	2,026,694	(157,076,181)	(842,937,160)	(41,980,894)	1,108,313,509	373,663,811	50,043,313	419,273,191	(60,679,526)	458,593,665
<b>Total Assets</b>	<b>106,778,495</b>	<b>28,252,934</b>	<b>93,795,287</b>	<b>549,303,949</b>	<b>19,685,342</b>	<b>11,304,277,191</b>	<b>3,149,780,276</b>	<b>351,277,420</b>	<b>15,603,159,894</b>	<b>245,816,728</b>	<b>15,848,976,622</b>

## Liabilities and Net Assets

## Liabilities:

Deferred income	-	-	-	-	-	-	510,542,594	-	510,542,594	8,100,679	518,643,273
Term loans	-	-	10,105,952	55,206,247	-	1,186,334,124	-	-	3,251,646,723	-	3,251,646,723
VO members' savings deposits	-	-	-	-	-	4,304,996,584	-	-	4,304,996,584	-	4,304,996,584
Other long term liabilities	-	12,103,635	-	-	-	-	954,032,596	-	966,136,231	32,804,561	998,940,792
VO members project and current account	-	-	-	-	-	40,273,220	-	-	40,273,220	12,151,065	52,424,285
Grants received in advance account	-	-	-	-	-	-	-	-	-	77,351,255	77,351,255
Other current liabilities	38,905,262	4,034,075	12,511,693	15,539,037	1,951,742	243,809,230	175,637,256	8,948,044	501,031,339	10,624,420	511,655,759
Provision for taxation	-	-	-	-	-	-	31,741,030	-	31,741,030	-	31,741,030
Bank overdrafts	-	-	-	-	-	-	355,996,810	-	355,996,810	-	355,996,810
<b>Total Liabilities</b>	<b>38,905,262</b>	<b>16,137,710</b>	<b>22,617,645</b>	<b>70,745,284</b>	<b>1,951,742</b>	<b>7,775,078,188</b>	<b>2,027,965,286</b>	<b>8,948,044</b>	<b>4,962,884,131</b>	<b>141,031,980</b>	<b>10,103,416,111</b>
<b>Net assets - Capital fund</b>	<b>67,873,233</b>	<b>12,115,224</b>	<b>71,177,642</b>	<b>478,558,665</b>	<b>17,733,600</b>	<b>3,529,199,003</b>	<b>1,121,815,990</b>	<b>142,329,376</b>	<b>5,640,275,763</b>	<b>104,784,748</b>	<b>5,745,060,511</b>
<b>Total Liabilities and Net assets</b>	<b>106,778,495</b>	<b>28,252,934</b>	<b>93,795,287</b>	<b>549,303,949</b>	<b>19,685,342</b>	<b>11,304,277,191</b>	<b>3,149,780,276</b>	<b>351,277,420</b>	<b>15,603,159,894</b>	<b>245,816,728</b>	<b>15,848,976,622</b>



## 25. Segmental financial information (contd.)

Unrestricted									Temporarily restricted	
Austing Rural Craft Centre	BRAC Printers	BRAC Florist and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Bulkline)	Total Unrestricted	Development Projects	Total 2002
Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka

Statement of Income and Expenditure  
for the year ended December 31, 2002

## Income

Income grants	-	-	-	-	-	46,709,591	-	46,709,591	1,933,309,022	1,980,018,615
Revenue from:										
Commercial projects	669,034,910	189,783,522	158,444,089	-	-	-	-	1,217,262,521	-	1,217,262,521
Program support enterprises	-	-	-	1,525,147,382	192,366,177	-	-	1,717,513,559	-	1,717,513,559
Service charge on loans to VC members	-	-	-	-	-	2,403,926,404	-	2,403,926,404	-	2,403,926,404
Investment income	-	-	-	-	-	112,756,406	-	112,756,406	2,321,939	138,672,657
Other income - internal	127,496,229	(7,836,199)	(5,999,964)	(77,230,422)	(1,423,956)	119,986,770	-	-	-	-
Other income	9,960,154	182,700	275,725	10,680,961	88,512	28,094,955	49,497,881	98,780,890	42,474,115	141,255,005
Income from House property	-	-	-	-	-	-	89,356,811	89,356,811	-	89,356,811
<b>Total Income</b>	<b>651,498,075</b>	<b>182,150,023</b>	<b>153,219,850</b>	<b>1,458,399,921</b>	<b>191,030,733</b>	<b>2,544,777,765</b>	<b>89,356,811</b>	<b>5,710,200,496</b>	<b>1,978,305,076</b>	<b>7,688,505,572</b>

## Expenditure

Commercial Projects	387,379,385	168,045,416	333,860,629	-	-	-	-	1,089,285,430	-	1,089,285,430
Programme Support Enterprises	-	-	-	1,408,964,010	184,986,094	-	-	1,593,950,104	-	1,593,950,104
House property related expenses	-	-	-	-	-	-	76,173,241	76,173,241	-	76,173,241
Education Programme	-	-	-	-	-	13,581,259	-	13,581,259	1,176,419,917	1,189,999,196
Nutrition Programme	-	-	-	-	-	-	-	-	355,255,789	355,255,789
Health and Population Programme	-	-	-	-	-	4,880,925	-	4,880,925	128,996,941	133,877,866
Micro Finance Programme	-	-	-	-	2,156,961,769	-	-	2,156,961,769	126,000	2,157,087,769
Poultry Extension Programme	-	-	-	-	-	57,712,790	-	57,712,790	91,849,783	155,562,573
Fisheries Extension Programme	-	-	-	-	-	58,293,549	-	58,293,549	22,142,262	80,435,811
Agriculture Extension Programme	-	-	-	-	-	71,083,273	-	71,083,273	16,845,859	87,929,132
Sericulture and Silk Development Programme	-	-	-	-	-	61,490,980	-	61,490,980	-	61,490,980
Human Rights and Legal Education Programme	-	-	-	-	-	25,748,653	-	25,748,653	66,632,134	92,380,807
Rural Enterprise Development Programme	-	-	-	-	-	34,452,622	-	34,452,622	69,339,553	103,992,175
Training, workshop and seminars	-	-	-	-	-	34,515,054	-	34,515,054	7,876,853	42,391,907
Grant to BRAC Afghanistan	-	-	-	-	-	6,091,290	-	6,091,290	-	6,091,290
Research, Monitoring and Evaluation	-	-	-	-	-	6,194,863	-	6,194,863	17,336,565	23,731,428
<b>Total Expenses</b>	<b>387,379,385</b>	<b>168,045,416</b>	<b>333,860,629</b>	<b>1,408,964,010</b>	<b>184,986,094</b>	<b>2,156,961,769</b>	<b>76,173,241</b>	<b>5,290,615,802</b>	<b>1,959,019,696</b>	<b>7,249,635,498</b>
Surplus (deficit) of income over expenditure before taxation	64,119,430	14,084,607	19,359,221	49,633,911	6,044,639	387,815,996	113,656,700	419,584,694	19,285,380	438,870,074
Taxation	-	-	-	-	-	-	-	-	-	-
<b>Net surplus (deficit) for the year</b>	<b>64,119,430</b>	<b>14,084,607</b>	<b>19,359,221</b>	<b>49,633,911</b>	<b>6,044,639</b>	<b>387,815,996</b>	<b>113,656,700</b>	<b>419,584,694</b>	<b>19,285,380</b>	<b>438,870,074</b>

## 25. Segmental financial information (contd.)

Unrestricted									Temporarily restricted	
Among Rural Craft Centre	BRAC Printers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted	Development Projects	Total 2001
Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka

Statement of Income and Expenditure  
for the year ended December 31, 2001

## Income

Donor grants	-	-	-	-	-	50,745,399	-	50,745,399	1,485,106,528	1,535,851,927
Revenue from										
Commercial projects	650,113,480	170,475,613	314,636,368	-	-	-	-	1,135,225,461	-	1,135,225,461
Program support enterprises	-	-	-	1,466,246,344	102,347,520	-	-	1,568,593,864	-	1,568,593,864
Service charge on loans to VO members	-	-	-	-	-	2,195,038,399	-	2,195,038,399	-	2,195,038,399
Investment income	-	-	-	-	-	89,027,192	70,307,278	159,334,470	815,231	160,149,701
Other income - internal	125,086,621	(7,973,430)	15,999,964	164,947,792	(1,737,389)	-	105,745,186	-	-	-
Other income	2,268,504	273,209	182,074	-	-	16,046,712	98,285,480	119,055,979	40,195,831	159,251,810
Income from House property	-	-	-	-	-	-	96,364,035	96,364,035	-	96,364,035
<b>Total income</b>	<b>627,295,363</b>	<b>162,775,392</b>	<b>309,818,478</b>	<b>1,401,298,552</b>	<b>100,610,131</b>	<b>2,302,112,303</b>	<b>325,083,353</b>	<b>96,364,035</b>	<b>5,324,357,597</b>	<b>6,850,475,187</b>

## Expenditure

Commercial Projects	579,259,751	151,569,930	298,120,968	-	-	-	-	1,029,150,649	-	1,029,150,649
Programme Support Enterprises	-	-	-	1,287,112,340	93,144,447	-	-	1,380,256,787	-	1,380,256,787
House property related expenses	-	-	-	-	-	-	56,193,430	56,193,430	-	56,193,430
Education Programme	-	-	-	-	-	-	18,541,497	18,541,497	974,719,403	993,260,900
Nutrition Programme	-	-	-	-	-	-	-	-	289,959,610	289,959,610
Health and Population Programme	-	-	-	-	-	-	117,738,270	117,738,270	111,009,819	228,748,089
Micro Finance Programme	-	-	-	-	-	2,045,704,279	-	2,045,704,279	-	2,045,704,279
Relief and Rehabilitation Programme	-	-	-	-	-	-	148,722	148,722	23,754,164	23,902,886
Poultry Extension Programme	-	-	-	-	-	-	25,582,695	25,582,695	74,639,976	100,222,671
Fisheries Extension Programme	-	-	-	-	-	-	28,413,690	28,413,690	14,052,844	42,466,534
Agriculture Extension Programme	-	-	-	-	-	-	49,738,919	49,738,919	13,342,130	63,081,049
Sericulture and Silk Development Programme	-	-	-	-	-	-	27,793,497	27,793,497	-	27,793,497
Human Rights and Legal Education Programme	-	-	-	-	-	-	49,374,761	49,374,761	265,022	49,639,783
Rural Enterprise Development Programme	-	-	-	-	-	-	24,264,556	24,264,556	-	24,264,556
Training, workshop and seminars	-	-	-	-	-	-	37,791,565	37,791,565	18,110,616	55,902,181
Grant to BRAC University	-	-	-	-	-	-	50,000,000	50,000,000	-	50,000,000
Research, Monitoring and Evaluation	-	-	-	-	-	-	10,086,702	10,086,702	5,463,960	15,550,662
<b>Total Expenses</b>	<b>579,259,751</b>	<b>151,569,930</b>	<b>298,320,968</b>	<b>1,287,112,340</b>	<b>93,144,447</b>	<b>2,045,704,279</b>	<b>439,474,874</b>	<b>56,193,430</b>	<b>4,950,780,019</b>	<b>6,476,097,563</b>
Surplus/(deficit) of income over expenditure before taxation	48,035,612	11,205,462	10,497,510	114,186,212	7,465,684	256,408,024	(114,391,521)	40,170,595	373,577,578	374,377,624
Taxation	-	-	-	-	-	-	-	-	-	-
<b>Net surplus/(deficit) for the year</b>	<b>48,035,612</b>	<b>11,205,462</b>	<b>10,497,510</b>	<b>114,186,212</b>	<b>7,465,684</b>	<b>256,408,024</b>	<b>(114,391,521)</b>	<b>40,170,595</b>	<b>373,577,578</b>	<b>374,377,624</b>

## 26. Statement of Functional Expenses

Unrestricted									Temporarily restricted	
Among Rural Credit Centre	BRAC Primers	BRAC Dairy and Food Project	Agro based Programme Support Enterprise	Non-agro based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property (Building)	Total Unrestricted	Development Projects	Total 2002
Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
59,423,665	4,171,933	10,223,038	37,533,724	6,413,026	922,769,744	165,639,562	-	1,200,194,932	612,553,612	1,812,748,544
4,789,475	831,234	10,765,801	8,580,691	2,113,524	95,837,916	27,958,740	-	151,877,285	85,479,096	237,356,381
-	-	-	-	-	-	-	-	-	291,190,584	291,190,584
-	-	-	-	-	-	-	-	-	44,127,888	44,127,888
-	-	-	-	-	-	-	-	-	89,669,226	89,669,226
23,435,055	570,677	3,048,733	6,478,872	2,159,873	100,083,189	2,195,293	-	137,971,692	40,535,350	178,507,042
14,854,609	274,378	1,755,135	7,955,558	582,558	79,097,080	3,391,729	2,894,156	110,885,205	13,174,471	143,979,676
-	-	-	-	-	1,333,092	38,731,953	-	40,065,045	82,653,541	122,718,586
-	-	105,017	-	-	38,529,589	12,935,498	-	51,570,104	54,289,852	105,859,956
-	600,000	-	-	157,783	78,270,084	51,600,265	-	130,628,132	598,692,672	729,320,804
-	-	-	-	-	262,409,326	-	-	262,409,326	-	262,409,326
-	-	-	-	129,765	171,568,245	-	-	171,698,010	30,266,761	191,964,771
5,191,628	-	-	-	-	-	16,329,597	-	21,521,225	-	21,521,225
469,203,536	159,989,432	268,241,293	-	-	-	-	-	897,434,301	-	897,434,301
-	-	-	1,288,725,328	170,732,614	-	-	-	1,459,457,942	-	1,459,457,942
2,916,421	-	1,827,741	10,966,970	2,420,534	-	1,966,169	-	26,117,835	-	26,117,835
-	-	-	-	-	312,707,454	-	-	312,707,454	-	312,707,454
9,564,698	184,356	31,167,487	39,787,736	163,498	60,821,327	47,380,646	29,984,820	219,654,668	6,386,643	225,441,211
-	749,805	-	8,915,211	112,914	-	-	-	9,777,955	-	9,777,955
-	-	366,674	-	-	-	-	-	366,674	-	366,674
-	-	-	-	-	-	-	43,294,263	43,294,263	-	43,294,263
-	673,521	3,359,910	-	-	-	4,510	-	4,077,941	-	4,077,941
-	-	-	-	-	-	6,091,290	-	6,091,290	-	6,091,290
-	-	-	-	-	33,534,723	-	-	33,534,723	-	33,534,723
587,379,385	168,045,416	333,860,629	1,400,964,010	184,986,094	2,156,961,769	374,345,258	76,173,241	5,240,617,802	1,950,010,696	7,240,639,498

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 6,482,931

## 26. Statement of Functional Expenses (contd.)

Among Rural Craft Centre	Unrestricted								Temporarily restricted	Total 2001
	BRAC Prinners	BRAC Dairy and Food Project	Agric based Programme Support Enterprise	Non-agric based Programme Support Enterprise	Micro Finance Programme	Self-financing Social Development Projects	House Property Buildings	Total Unrestricted	Development Projects	
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka

### Expenditure Statement for the year ended December 31, 2001

Salaries and benefits	39,410,337	4,612,014	9,396,910	30,623,120	3,877,379	923,648,626	247,637,504	-	1,359,416,110	411,405,138	1,670,821,248
Travelling and transportation	3,510,921	749,490	8,171,048	0,542,838	1,273,134	86,413,304	26,961,352	-	136,622,088	83,270,410	219,892,498
Teachers' salaries	-	-	-	-	-	-	-	-	-	262,512,202	262,512,202
Teachers' training	-	-	-	-	-	-	-	-	-	42,292,731	42,292,731
School rent and maintenance	-	-	-	-	-	-	-	-	-	90,116,562	90,116,562
Stationery, rent and utilities	39,189,493	2,327,826	2,894,776	7,413,283	-	131,639,240	18,422,961	5,723,823	197,861,402	52,068,550	250,229,952
Maintenance and general expenses	10,000,549	439,874	1,805,224	80,082,504	1,142,622	64,113,835	1,189,351	9,148,652	97,922,616	36,275,999	134,198,615
VO members' training	-	-	-	-	-	-	7,217,891	-	7,217,891	86,075,791	93,293,682
Staff training and development	-	3,000	31,304	31,720	-	11,696,138	286,012	-	42,048,374	30,026,648	72,075,022
Programme supplies	-	91,500	-	723,723	243,734	76,291,537	3,531,724	-	81,382,218	194,766,982	476,149,200
Interest on VO members' savings deposits	-	-	-	-	-	214,455,838	-	-	214,455,838	-	214,455,838
Interest on long term loans	-	-	2,571,000	-	-	172,290,842	-	2,025,000	176,895,842	31,622,004	208,517,846
Bank overdraft interest and charges	6,042,776	-	-	-	-	-	32,873,264	-	38,916,040	-	38,916,040
Cost of goods sold of commercial projects	468,749,064	140,940,273	229,034,280	-	-	-	-	-	838,764,211	-	838,764,211
Cost of goods sold of programme support enterprises	-	-	-	1,195,707,094	82,429,583	-	-	-	1,278,136,677	-	1,278,136,677
Publicity, advertisement and sales commissions	13,471,206	403,765	4,608,634	4,066,591	1,990,928	-	1,733,536	-	26,274,652	-	26,274,652
Loan loss provision for loans to VO members	-	-	-	-	-	250,194,734	-	-	250,194,734	-	250,194,734
Depreciation of property, plant and equipment	9,844,781	238,524	30,535,148	30,656,851	449,479	51,396,623	49,609,670	29,643,621	201,334,695	4,294,527	205,659,222
Provision for bad and doubtful debts	-	317,000	-	-	-	-	-	-	317,000	-	317,000
Foreign exchange loss-unrealised	-	-	1,222,563	-	-	-	-	-	1,222,563	-	1,222,563
Allocation to self-insurance fund	-	-	-	-	-	-	9,652,334	9,652,334	-	-	9,652,334
Value Added Tax	-	1,236,664	8,051,872	-	-	-	11,597	-	9,300,133	-	9,300,133
Grant to BRAC University	-	-	-	-	-	-	50,000,000	-	50,000,000	-	50,000,000
Provision for Emergency fund	-	-	-	-	-	32,804,561	-	-	32,804,561	-	32,804,561
	579,259,751	151,569,930	248,320,968	1,288,849,729	91,410,058	2,045,704,279	439,474,874	56,193,430	4,950,780,010	1,525,317,544	6,476,097,554

Included in cost of goods sold of commercial projects is depreciation of property, plant and equipment amounting to Tk. 6,934,210

## 27. Subsequent events

On March 31, 2003, the Governing Body approved the acquisition of three companies involved in tea plantation and production activities in southern Bangladesh, for gross cash consideration of approximately Tk. 380 million.

A just, enlightened, healthy and  
democratic Bangladesh free from hunger,  
poverty, environmental degradation and  
all forms of exploitation based on age,  
sex, religion and ethnicity.



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