



FINAL EVALUATION REPORT

RDP IV EVALUATION

VOLUME I: MAIN REPORT

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ABBREVIATIONS/ ACRONYMS

ADAB	Association of Development Agencies in Bangladesh
AKFC	Aga Khan Foundation Canada
AO	Area Office
APO	Ageing of Portfolio Outstanding
BDP	BRAC Development Program
CIDA	Canadian International Development Agency
CFPR	Challenging the Frontiers of Poverty Reduction
DC	Donor Consortium
DFID	Department for International Development (UK)
DLO	Donor Liaison Office
EC	European Commission
EIG	Employment and Income Generation
EC	European Union
GoB	Government of Bangladesh
HDC	South Asia Human Development Centre
HO	Head Office
HRLE	Human Rights and Legal Education
IAS	Impact Assessment Study
IBM	Issue Based Meeting
IGA	Income Generating Activity
IGVGD	Income Generation for Vulnerable Group Development
Km	Kilometre
LE	Legal Education
LFA	Logical Framework Analysis
LIC	Law Implementation Committee
LL	Land Law
MELA	Micro Enterprise Lending Assistance
MF	Microfinance
MFL	Muslim Family Law
MIL	Muslim Inheritance Law
MIS	Management Information Systems
NFPE	Nonformal Primary Education
NGO	Nongovernmental Organisation
OTR	On-time Recovery
PO	Programme Organiser
PS	Palli Shomaj
PSE	Program Support Enterprises
RCP	Rural Credit Programme
RDP	Rural Development Programme
RLF	Revolving Loan Fund
RO	Regional Office
RPO	Regional Program Officer
SB	Shorebank Corporation
SS	Shastho Shebika
TARC	Training and Resource Centre
TB	tuberculosis
Tk	taka
TOR	Terms of Reference

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UP	Union Parishod
VGD	Vulnerable Group Development
VO	Village Organisation

Bangla words

<i>gram shalish</i>	village court
<i>gram shoba</i>	village meeting
<i>hilla marriage</i>	'marriage' arranged for a woman through Islamic law when a divorce is to be annulled, whereby she is made to live with another man for a period of time before returning to her husband
<i>khas land</i>	land abandoned or not in use and owned/managed by the Government
<i>palli shomaj</i>	federation of village organisations, initiated by BRAC
<i>shastho shebika</i>	village level health worker (trained by BRAC, delivers the essential health care program under the supervision of area office health program officers)
<i>union parishod</i>	local government unit

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Lastly, we would like to express our gratitude to all the VO members who agreed to share their views on participation in the RDP IV project with us. Without their enthusiasm and creativity, none of RDP IV's successes would have been possible.

EXECUTIVE SUMMARY

1. Project Description and Evaluation Approach

The Rural Development Program (RDP) was introduced by BRAC in 1986 as its main program for achieving the goal of poverty reduction and empowerment of the poor. BRAC targets the rural poor - vulnerable women and their families, and those who are landless and sell their manual labour to survive. Although the provision of credit is the focus of the project, BRAC also provides village organisation (VO) members with income generating activities and training, essential health care, basic education services, and human rights and legal education programs. These activities are designed to complement the credit services of the program by addressing many of the non-financial factors that impede the poor from achieving sustainable improvement of their lives. Additionally, there is a special program, implemented jointly with the World Food Program, for vulnerable groups that have not been included by the RDP - the Income Generation for Vulnerable Group Development program. BRAC also developed a new component during the course of project implementation to support the development of micro-enterprises - the Micro Enterprise Lending Assistance program (MELA).

Donor funding for Phase IV of the RDP came from a consortium of four donors: the European Commission (EC); Department for International Development (DFID), UK; DGIS Novib (Holland); and; the Canadian International Development Agency (CIDA)/ Aga Khan Foundation Canada (AKFC).

The project encompasses a number of programming areas. This end-of-project evaluation, commissioned by the donor consortium, and funded by CIDA and the EC, will identify the results achieved, and the developmental and operational lessons learned to date, for five (of eleven) output areas identified in the project LFA. In the TOR, these areas were identified as follows: VO sustainability; gender and household rights; income and livelihoods (including an analysis of MELA); micro credit; and, BRAC management strategies. In order to fully understand the multiple facets of the project and their links, various data sources and collection methods were used. In addition to the specific questions posed in their individual terms of reference, all evaluation team members were asked to provide comments on the following issues: the contribution to poverty reduction in comparison to similar programs in Bangladesh; sustainability of the outputs achieved, given the social and economic environment of Bangladesh; how well the program responded to the primary concerns of the beneficiaries; the design of the project in relation to poverty reduction in the local and national context; concerns around cost-effectiveness, especially concerning training and follow-up support, and; the skill level and field time of RDP IV field staff in relation to the outputs expected of them.

2. Results Achieved

This section will highlight the main results achieved in each of the five output areas examined by the evaluation team.

i) Village Organisations

From a quantitative point of view, the project outputs were readily achieved: 11,219 Palli Shomaj were established, and 528 Area Offices were in operation (target 330) by December 2000. 100,572 VOs were in operation by December 2000 (against a target of 49,969). There were 3.74 million VO members by project end, 97.8% of whom were women (against a target of 2 million members, 95% women).

Given the short time for field work during the evaluation mission and challenges with translation, it was difficult to have a clear picture of the situation within the VOs, particularly with respect to drop-outs, graduation and the domination of special groups. What was clear was that leadership within the VOs is not institutionalised, in that there are no rules or guidelines regarding the length of term for management committee members, or for the law implementation committees (follow-up from the HRLE training). That the members retained their committee positions through elections (held every three years, on average) does not necessarily mean that other VO members felt free to oppose their re-election. More research is needed regarding power relationships *outside* the VO before this situation can be fully understood.

The most obvious impact of the massive expansion of membership on VO development and capacity is the uneven availability of the 'plus' components of BRAC's 'credit-plus' programme, particularly to the new VOs. Inadequate staff levels at the area offices meant that, as a result of the rapid expansion of the microfinance component of the project, BRAC staff were stretched to the maximum to ensure that the basic inputs of credit and IGA support and training were provided.

ii) Gender and Household Rights

The heart of BRAC's programme lies in achieving the economic empowerment of poor rural women. In their study, Husain et al. (1998) found an increase in women's ownership of assets, due to their involvement in BRAC's programme. Their control over assets has also improved, but this control was found to be have been limited. Regarding the use of income derived from involvement in income generating activities, 85 per cent of members spent their income for consumption purposes, while the rest used it for investment and asset accumulation. Findings show that BRAC members now participate more than ever before in decision making in this respect. (Husain, et al., 1998:177).

With respect to changes in women's lives, the impact of RDP inputs is smaller but discernible. Studies have found that the status of the female members of RDP at the household level improves. In most cases, the women's relationships with their husbands have improved. At the community level, the opposition voiced by men to women's participation in groups was reported to gradually decline over time as the women's contribution to household material well being becomes evident.

Participation in BRAC-sponsored activities helped women to acquire positive self-perceptions. Their self-confidence has increased, along with a reduction in their dependence on male members of the household. They share more in decision making at the family level. Further, increased mobility has enabled them to communicate better with the outside world

iii) Income and Livelihoods Improved

Approximately 778,214 households embarked on new sectoral IGAs over the project period. This was more than double the 300,000 planned, due to the expanded membership growth. Of the 2,353,976 new members who joined BRAC during the project period, approximately 33% or one in three started a sectoral business. In the RDP IV plan, BRAC estimated that these IGAs would generate additional income of between Tk200 to Tk24,000 per month. BRAC's reports indicate that these monthly income levels have generally been reached.

But has this additional income reduced poverty? The existing evidence on the impact of micro credit on poverty in Bangladesh is not clear cut. There is work that suggests that access to credit has the potential to significantly reduce poverty. On the other hand, there is research which argues that microcredit has minimal impact on poverty reduction. The evidence on reducing vulnerability is somewhat clearer. The

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provision of micro credit has been found to strengthen crisis-coping mechanisms, diversify income sources, build assets and improve the status of women.

When VO members speak about their achievements as BRAC members, it is clear that they consider these to be more than just an improvement in their household income. Most frequently they mention their expanding human capacities - things they have now done, that they did not (or could not) do before. It is these expanding capacities that they are proudest of: running their own IGAs, working in partnership with their husband in a family business, knowledge about credit and savings, knowledge about their human and legal rights, understanding about health and nutrition, a new sense of their value as women, wives and daughters, and a vision of a bright future for their children, especially their daughters.

If poverty is understood as a deprivation across many dimensions of human life, membership in BRAC has helped VO members to escape poverty by expanding their capabilities: to be knowledgeable; to enjoy a better standard of living; to improve their dignity and self respect; and, to participate with other members in their VO meetings and communities, and in national life through the exercise of their citizen rights. It is these expanding capacities as human beings that they are proudest of, and that will be the lasting legacy of this output and this project.

MELA

At December 2000, the cumulative number of borrowers over the project period was 14,522 of which 6,898 (48%) were VO members. The evaluation findings are that:

- The MELA Programme, launched in December 1996 as a pilot project, has been successfully piloted, and is now in its stage of growth. It has good growth potential.
- MELA has fully met the RDP IV's purpose: the socio-economic position of participating households has improved; however, MELA participants are not the project's target beneficiaries. MELA borrowers have considerable capital assets: in most cases land, buildings and machinery. Increasingly, VO women are the minority in this programme. The trend will continue.
- The programme design is not suitable for VO women, although it does meet real needs in the marketplace. For most VO women to run the small businesses targeted under MELA selection criteria, they would require training, technical and marketing assistance and coaching, which MELA does not provide.

Overall, the programme is appropriate for BRAC and its commercial bank strategy, but not for the target group of women for RDP IV. The assumptions that women would successfully graduate to the MELA programme and be capable of handling the complexities of this type of business proved to be wrong.

iv) Micro Credit

The revised target for loan disbursements was exceeded by over 7 per cent, while the original target (in the LFA) was surpassed by no less than 44 per cent. Hence the size of the loan portfolio at the end of 2000 amounted to Tk. 7.31 billion (net of loan loss reserve), 74.8 per cent greater than the Tk. 4.18 billion projected in the original Project Proposal. At the same time, the original target for average loan size was exceeded by 17.7 per cent. For savings, in contrast, while the original cumulative target was exceeded by over 54 per cent, the final outcome fell over 11 per cent short of the revised target.

With respect to portfolio quality and financial sustainability, although the quantitative results indicate that financial self-sustainability was attained by the end of the project period, it is clear this was achieved with the benefit of significant cross-subsidy from other programme components. At the same time, the more

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limited future prospects for expansion of the portfolio in profitable market segments may call into question future plans for combining rapid growth and high quality of the portfolio.

The possible danger of an excess supply of microfinance, at least in certain areas of the country or market segments, has been a matter of concern among NGOs at least since the 1990s. This is reflected in moves by the Association of Development Agencies in Bangladesh (ADAB) – the apex body for NGOs operating in the country – to draw up an agreed policy document regulating competition among its members. The possibility of consequent friction and undue "overlap" between NGOs has arisen because of a) the continuing rapid expansion in their number (ADAB's membership has grown by over 50 per cent – to around 1,200 – since 1995) and b) the rapid expansion in lending by many of those engaged in microfinance. The problem would seem to have been further exacerbated by the increasing concern of a number of institutions to maximise the financial self-sufficiency of their microfinance operations, leading them to concentrate their efforts on those areas / market segments that are most profitable (i.e. relatively large concentrations of creditworthy borrowers in areas which are more accessible and cost-effective to service). This has given rise to concern on the part of at least one donor that excessive competition may have a damaging impact on achieving the social goals of NGOs.

Following the recommendations of successive Shorebank reviews up to 1999, BRAC has gone a considerable way towards implementing measures to try and enhance the productivity of individual branches and minimise operational costs. These efforts have to a significant extent been both counterproductive in relation to the social objectives of RDP and even self-defeating in their own terms (e.g. the costly experiment with bi-weekly VO meetings). On the other hand, the improvement to information systems should have lasting benefits.

Trends in the net level of aggregate savings appear to have been influenced both by lack of clarity as to the rules on withdrawal (apparently fostered by some BRAC officers) and the declining propensity to save in older VOs, perhaps related to a reduced demand for loans among this group.

v) BRAC Management

The original objectives relating to BRAC management were largely met. Successes include:

- Expansion of membership, VOs, branches, savings and loans (all original and revised targets substantially over achieved);
- Training, assessment and retention of Staff;
- Cooperation and joint activities with other NGOs.

Areas where there was improvement, but less than full achievement of original goals include:

- Employment and promotion of women within BRAC;
- The delivery of social development and training programmes to women;
- Management information and computerisation.

In addition to the original and revised goals, BRAC also responded to a large number of recommendations and new initiatives requested by donors and outside consultants during the course of RDP IV. The emphasis on the management of the microfinance programme, particularly in the Shorebank reports, put an undue emphasis on one side of the project and contributed to the imbalance that is reported in this evaluation report. Distortions in the impact of the project were caused by the expansion of the microfinance component, which inevitably took place at the expense of other aspects of the programme – particularly the social development programme. BRAC management could have more effectively steered resources into the social development sector and slowed down the rate at which new branches and village organisations were formed.

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The changes in management structure that were brought about during RDP IV were largely beneficial and put BRAC in a better position to carry out its objectives in future.

3. Discussion

The project is relevant to the needs of the target population. Economic opportunities are limited and illiteracy rates are very high, especially for women. Village organisation (VO) members interviewed consistently expressed satisfaction with their membership in the VO and their access to loans. VO and Palli Shomaj membership has had an impressive impact on women's mobility and on women's self-perception and empowerment. Women's mobility and access to resources is a critical area for intervention for ensuring improved health and well-being for women and their children in Bangladesh.

The evaluation team agrees, however, that the overall long term sustainability of the project, particularly in the achievement of its development goals, has been jeopardised by the focus on financial self-sufficiency of the microfinance portfolio. The dramatic expansion of the micro credit program during the project period (which entailed expansion of the number of VOs, area offices and the number of borrowing members) created tension between the financial cost recovery aspects of the project and the other, less tangible aspects of social change and empowerment of women. It appears that other parts of the 'credit-plus' package, especially those on the social development side, suffered in terms of the quality of their delivery, despite notable innovations. If poverty is looked at in terms of vulnerability, increased income alone will not ensure its sustainable reduction, particularly for poor, rural women. In the evaluation team's view, the elements of the social development programme play an important role in supporting the gains made through access to credit and savings. The team also has some concerns about the long term financial sustainability of the microfinance component. Our doubts centre on the role that cross-subsidy has played in achieving financial sustainability of the loan portfolio, as well as in the future prospects for program expansion, given BRAC's stated intention of 'horizontal' expansion, both of which are discussed in the Results Section of the report.

Seen from the perspective of the beneficiaries, assessment of sustainability is a complex issue which hinges on the capacity of VO members (or their households) to maintain a more or less permanently enhanced level of security with or without continuing support from BRAC. To the extent that BRAC members need and can access credit for sectoral income generating activities (IGAs), repay their loans successfully from household income (including IGA income), and have income remaining to meet their basic needs, BRAC households can be seen as sustainably managing the credit they receive through the VOs. For the year 2000, 94.1% of all loans outstanding are being serviced on time, indicating a high sustainability level for RDP IV participating households. Through participation in RDP IV, most BRAC households have been able to provide for the basic necessities to support their households and to access important education and health benefits from their VO membership in BRAC.

As designed, the evaluation team felt that the integrated package was a good one (micro credit, sector training and follow-up, and social development (human rights and legal education - HRLE, issues based meetings - IBMs, law implementation committees - LIC, health forums, *shastho shebikas* - SS) and that the new innovations (palli shomaj, popular theatre and legal aid) only served to strengthen that package. However, when the decision was made to massively expand the number of VOs and the total credit portfolio, the other components of the package suffered in quality. Inadequate budget and staffing levels existed to ensure that a quality package was delivered to all new members. The evidence is strong that an integrated package of micro credit with other inputs aimed at increasing members' confidence and bargaining power is most effective in addressing women's strategic interests in Bangladeshi society.

The donor consortium appears to have long given its endorsement of the view that maximising the financial profitability of the microfinance component was desirable, and thus to have encouraged BRAC to pursue this strategy. Belatedly, however, there has been recognition that this approach has resulted in a serious imbalance in relation to the implementation of the social components of RDP IV. It is also now seen as potentially at odds with BRAC's long-term developmental objectives. The latter view represents a clear switch of position on the part of at least one donor (DFID, which, as ODA under the pre-1997 British administration, was largely instrumental in promoting the influence of Shorebank in BRAC). At the same time there now seems to be growing pressure from the World Bank, the major source (through PKSF) of soft loans for local NGOs, to ensure that all microfinance institutions are verifiably managed on the basis of financial self-sustainability as a condition of continued funding.

While it may be unavoidable that different donors' priorities may change and conflict with each other, clearly it is difficult for BRAC to respond to such changing pressures in a consistent manner. Hence it is quite understandable that BRAC should seek to minimise its dependence on donors and thus to maximise its autonomy. However, since continued donor support is almost certainly essential for a more balanced and coherent pursuit of BRAC's goals in future, it is important to try to establish more effective structures for assuring accountability to donors than exist at present. This may require a more open and continuous dialogue between BRAC and the donors than has occurred hitherto (involving a stronger mutual commitment from both sides) if the conflicting pressures that were a major cause of the unbalanced implementation of RDP IV are to be avoided in future. The success of such a relationship, which is likely to be delicate in any event, will depend crucially on the donors' maintaining greater cohesion and consistency.

Given the rapid expansion in the number of VOs and in the size of the loan portfolio, the evaluation has indicated that inadequate staffing levels existed to maintain adequate coverage in all Area Offices (AO). Each AO visited by the evaluation team was operating at its maximum capacity of 156 (or more) VOs. With 13 micro-finance program organisers (POs), this means that one PO can manage up to 12 VOs, assuming that she/he visits 2 VOs each day during a 6 day week. Until January 2001, that PO was also expected to be handling the sector programmes and social development. Our team's analysis indicates that the quality of the implementation of the non-micro-finance components of the programme suffered. Evidence from the field visits indicated that fewer health forums, HRLE trainings, orientation courses and IBMs were held than was intended in the project.

BRAC has demonstrated its ability to respond in a timely fashion both to the demands of its VO members (note the many project innovations) and to the many recommendations made through monitoring reports, the second impact assessment and other studies. Its Research and Evaluation Department also conducts in-depth studies related to questions pertinent to project design and implementation. BRAC has made many changes over the course of the project, learning from its mistakes, and in at least one instance, trying a change, and then reverting to former procedures after an assessment of the results of the change.

Determination of project cost-effectiveness was based on: (1) the assessment of the impact it created at the participant/borrower end; and, (2) the cost-efficiency or financial viability of the micro-finance programme itself. The strategy to address poverty, both on financial, as well as social development and human capital development fronts, has consisted of a judicious mix of interventions, such as microfinance, skill training and social development. On the financial front, the MF operation has achieved sustainability and is considered cost-effective, noting concerns raised in this report. On the social and human capital development front, although there is still a substantial amount of subsidy involved, all of the interventions, such as the sector programs and IGVGD, as well as those directed

towards social mobilisation, are contributing positively towards long term social and economic gains. It can, therefore, very well be said that BRAC's credit plus approach to its work with the rural poor of Bangladesh has been developmentally sound and effective in reducing poverty over time, keeping in mind areas of concern discussed throughout the evaluation report.

4. Lessons for future programming

Operational Lessons

- The sustainability of the considerable gains made by women through participation in BRAC's integrated package of inputs may be threatened by an over-emphasis on microfinance. BRAC's credit plus package is based on the philosophy that credit is a *means* to achieving the *end* of improvement of women's position in Bangladeshi society. While access to credit and other inputs can result in an improvement in women's (and their families) condition, real improvement in women's status and position will only be achieved through support to other aspects of the package. The evidence is strong that an integrated package of microfinance, with other inputs aimed at increasing members' confidence and bargaining power, is most effective in addressing women's interests in Bangladeshi society.
- If it is accepted that less emphasis should henceforth be placed on achieving or maintaining the financial self-sustainability of the microfinance programme, but that priority should be given instead to the long-term interests of VO members and other beneficiaries (household sustainability), it follows that :
 - Future expansion of the loan portfolio should as far as possible be demand-led. In particular, this means that those who have used their first or subsequent loans to establish a micro-enterprise on a scale that raises their household income up to or beyond a level that they might define as adequate (or permits them to expand further without further borrowing) should not necessarily be encouraged to take out more loans. In short, the microfinance programme should avoid the tendency – so familiar among Western commercial banks, but also perhaps present in ASA or Grameen Bank – of preferring to lend money to those who do not need it (but are good credit risks).
 - While regular saving should remain a condition of membership, the rules governing deposits and withdrawals – whether from the basic compulsory account or the current account (if continued) – should be clearly spelt out to members and staff.
 - To the extent that, as is likely, this less commercial approach leads to diminished self-sustainability of the microfinance programme, the need for subsidy / cross-subsidy will have to be explicitly accepted.
- Donors should commit themselves to long-term support in the shape of either soft loans (for on-lending) or grants (primarily to support loan-related training). This would require the existing donor consortium to reach a common position with the World Bank (the source of funds for PKSF) as well as BRAC on the targets of the microfinance programme, if not on the design and objectives of the overall BDP programme.
- BRAC should commit itself to an appropriate level of cross-subsidy of the microfinance programme from the profits of its more commercial operations, particularly those that benefit from synergy with the microfinance programme such as Programme Support Enterprises). BRAC is understood to have taken some measures to make the sector programmes self-sustaining by 2005 leaving aside the basic

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training cost that constitutes only about 25% of the total cost of operation. This cost for training should be considered for internal subsidy by BRAC, should continued donor support not be secured.

- Organisations working with the poor, and on behalf of the poor, need to be constantly challenged by their outside investors to demonstrate that their capital allocation decisions, outside of ear-marked poverty reduction projects, reflect "pro-poor" preferences. As the fungibility of money is a fact of life, attention to project financial issues should be accompanied by attention to organisational financial issues using the appropriate information and analytical tools: annual project budgets examined in detail, and also in the context of annual organisational business plans; monitoring of annual project progress and spending, and organisational achievements and financial results.
- If BRAC wishes to reconsider the need for 'institution' building, then experimentation with alternative strategies for facilitating and supporting village level groups appear necessary. Given the present level of staff involvement in the technology oriented sectoral programs and in the credit program, alternative strategies for VOs are likely to involve reconsideration of staffing levels with respect to social development (which has budgetary implications).
- Conflicting recommendations in numerous monitoring reports, and donor support for the Shorebank focus on financial sustainability of the microfinance component, created tension between the integrated components of the project. The result was that certain parts of the integrated programme (which the donors had originally agreed was sound and should be the basis of the RDP) were neglected/ ignored. Recommendations from various monitoring/ auditing sources should be made from an *overall* project perspective, keeping in mind the integrated nature of the BRAC approach.
- The microfinance operation has been highly successful so far. Meanwhile, some disconcerting indication of weak portfolio management has been found, implying too rapid portfolio growth without a commensurate enhancement of the capability of the credit staff. Enhancement of the capability of credit staff, along with overall improvement of branch level operations, deserves immediate attention.
- Competition / overlap between NGOs (and other microfinance institutions) has been a problem that has been flagged for attention. While it has not been possible within the scope of the present evaluation to carry out a fully informed assessment of how the problem of excess competition should be dealt with, there is clearly an intensifying need for more effective regulation. The limited evidence gathered suggests there are fundamental differences between BRAC and other members of ADAB on how this should be done, while major institutions such as ASA and Grameen Bank are excluded from ADAB. There would therefore seem to be a need for codes or even legislation to be drawn up designed to regulate competition and resolve disputes both a) between NGOs and b) between NGOs on the one hand and commercial banks on the other. Such codes would need to define appropriate roles in the regulatory process for a) the Bureau of NGO Affairs (strengthened as necessary with donor support) and b) the Bank of Bangladesh.
- BRAC's reach and impact can be extended through collaboration with other national level NGOs (for example ASK in the area of legal clinics and ASF in offering counselling and support to survivors of acid violence) and government. BRAC should further strengthen these collaborations and seek out other areas of potential collaboration.

Special notes regarding MELA

- MELA, being a high potential lending option for BRAC, appears to be leaving the VO members far behind. Although right now the VO members do not constitute a viable business option for MELA, ignoring them altogether would be self-defeating as an important motivating element in their graduation process would disappear from them.
- Many elements of the component design did not favour the inclusion of women: registration of collateral, ownership of assets, high sales volume needed to support higher loan activity, monthly repayments, and no technical assistance or marketing support provided. If the MELA programme had been intended to support women, the programme's average loan range would have been much lower, and more emphasis placed on training, public selling, hiring and supervision, marketing and record keeping.

Developmental Lessons

- Continued responsiveness through flexible and integrated programming will be critical to meeting women's strategic gender interests. Innovative features of RDP IV, such as the Palli Shomaj, popular theatre and the local community leaders workshops, show promise of consolidating the strategic gains made through women's participation in the VOs. Microfinance and its direct support programmes – EIG and MELA, can support women's practical needs for better and easier access to cash and inputs to meet their immediate consumption needs. Strategic change that will support women's improved status in Bangladeshi society will be supported through changes in public perception and the laws governing women's access to public fora and the resources necessary for the improvement of their status.
- The central lesson of the microfinance programme's development under RDP IV is that the goal of financial self-sustainability runs the risk of being self-defeating in relation to a programme which is essentially developmental and therefore prone to require subsidies more or less indefinitely. This lesson is in fact in line with the implicit philosophy of BRAC, which rests on the idea of providing an enabling environment for the poor - taking account of social as well as financial constraints to eliminating poverty and accepting the need for de facto subsidisation, at least in the short run, of activities required to assist the poor. BRAC has always espoused principles of cost-effective management and has instilled among its borrowing members the importance of making their micro-enterprises self-financing and thus able to survive without subsidy in the long term. This stance, it may be noted, is also fully congruent with the implied principle of development aid – not to mention the programmes of economic regeneration pursued selectively by most Western industrialised countries – that subsidies are often justified, at least over a limited period, in order to facilitate self-sustaining development in the longer term.
- A tremendous opportunity for capacity building through leadership opportunities and training within the VOs has been lost in not ensuring the institutionalisation of the leadership function. Leadership in several of the VOs visited had not changed since the VO's inception. Holding management committee and other positions is an opportunity for each VO member to gain confidence in her/ his ability to take on responsibility for other members of the group and can lead to great gains in self-esteem and position within the village. Guidelines regarding the length of tenure and the number of terms in office, for example, should be devised to ensure rotation of leadership in the VOs, and consequently the opportunity for capacity building with a greater number of VO members.

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- Any radical change in the empowerment of women cannot be expected without changing the existing socio-economic and cultural norms of rural society. Handing over loan money to male household members should not cause serious concern, since this is very often directed by economic rationale and cultural norms. Even in such cases, women have been able to improve their status in the household.
- Monitoring indicators for VOs (similar to the grading system for PS) are needed to assess the capacity and maturity levels of VOs. AO Managers and Coordinators are unable to benefit from the experience and comparative analysis of programming against agreed-upon indicators. Less 'successful' VOs could benefit from the lessons learned from VOs that have achieved a greater degree of maturity and institutionalisation. BRAC should begin serious work in monitoring the indicators they have developed.
- Furthermore, close monitoring of the different aspects of control over credit and other aspects of empowerment are needed. Such monitoring would deliver a clear message from BRAC about the importance of women having some control over decision-making, loan use and ownership of any income and assets generated. In addition to the HRLE program, a strong group and popular education programme that promotes women's control of loans could be helpful.
- The notion of sustainability has remained largely at a conceptual level throughout the implementation of RDP IV. For sustainability to be achieved, concepts related to VO sustainability need to be clarified. What does 'graduation' or 'drop-out' mean in the context of a sustainable VO? Is it BRAC's intention that VO members remain members in perpetuity? What role does savings play in the long term sustainability of a VO? These questions will need attention from BRAC if sustainability is the goal.
- A sectoral package providing access to credit, high quality inputs, technical skill and "know-how" acquisition, start up support and marketing assistance is a more successful approach to developing successful IGAs than providing credit only.
- Women interviewed consistently indicated that they did not have access to markets for their product, regardless of what that product was. Lack of access to markets is a key factor that constrains women in Bangladesh from taking control of loan use and profit. Much more could be done to support women to enter the marketplace. Perhaps one means of increasing women's access to markets could be through group marketing initiatives.

1. INTRODUCTION

1.1 Purpose of the Evaluation

The RDP IV project ended in December 2000. This end-of-project evaluation, commissioned by the donor consortium, and funded by CIDA and the EC, will identify the results achieved, and the developmental and operational lessons learned to date, for five (of eleven) output areas. In the TOR, these areas were identified as follows: VO sustainability; gender and household rights; income and livelihoods (including an analysis of MELA); micro credit; and, BRAC management strategies¹. The evaluation findings and recommendations will be used to inform future decisions regarding the implementation of poverty programming in Bangladesh. Individual evaluation reports for each output area can be found in the appendices to this synthesis report.

1.2 Methodology

The methodological approach was learning-oriented, in that the evaluation team members identified success factors, key lessons and best practices that could be incorporated into similar initiatives in the future. The design of the evaluation was guided by several conceptual and policy frameworks, notably CIDA's RBM Policy, the EC Guide to Procedures and Methodology for Evaluation and relevant policy frameworks for the region.

The project encompasses a number of programming areas. In order to fully understand the multiple facets of the project and their links, various data sources and collection methods were used. A matrix showing the various components of the evaluation design for each project is presented in Annex A.

In addition to the specific questions posed in their individual terms of reference, all evaluation team members were asked to provide comments on the following issues: the contribution to poverty reduction in comparison to similar programs in Bangladesh; sustainability of the outputs achieved, given the social and economic environment of Bangladesh; how well the program responded to the primary concerns of the beneficiaries; the design of the project in relation to poverty reduction in the local and national context; concerns around cost-effectiveness, especially concerning training and follow-up support, and; the skill level and field time of RDP IV field staff in relation to the outputs expected of them. All team members explored the links between outputs and the project purpose. The generic TOR for the evaluation are included in Annex B.

Secondary research included review of previous studies (monitoring reports, impact assessments, mid-term review, financial reviews, for example), as well as special studies undertaken by the Research and Evaluation Division of BRAC. Additionally, the evaluation team also consulted other documents, such as CIDA/EC policy documents and international and Bangladeshi studies on the status of women, poverty reduction and micro finance (credit and income generation).

Primary research was undertaken through field visits to BRAC Area Offices, outpost offices and village organisations. Individual and group interviews with village organisation (VO) members allowed the evaluation team to gain some insight into the perceptions of this key group of stakeholders about the impacts and outcomes of the project, the appropriateness and effectiveness of the implementation strategies and the extent and quality of the results achieved to date. Interviews with BRAC staff were important means of understanding program intent and implementation. Area office staff provided clarification on field based components of the program, while head office staff were able to provide detail

¹ Refer to the project LFA of January 1996, included as Annex C

about the overall direction and intent. Additionally, other players in the microfinance world in Bangladesh provided a comparative viewpoint about the approach to microfinance.

1.3 Evaluation Team

The evaluation team was composed of six members. Specific terms of reference related to their areas of expertise in the evaluation guided the work of each member.

Barbara Shaw acted as team leader, and examined issues of VO sustainability. Ms. Shaw has experience in monitoring and evaluation and sectoral expertise in the areas of social development, gender equality, participatory research and training. Isla Patterson examined the area of incomes and rural livelihoods. She was a member of the Appraisal team that evaluated the feasibility of the follow-on project to the RDP IV - 'Targeting the Ultra Poor' (TUP) - in September 2000.

Harry Shutt looked at issues of micro-credit in the project. He has experience in project appraisal and evaluation. David Clark evaluated BRAC management capacity and has experience in the strengthening of development institutions in both developed and developing countries.

Ishrat Shamim explored issues of gender equality, particularly in the area of household and community rights. She teaches at Dhaka University and has extensive consulting experience with a variety of clients. Muhammad Alamgir examined issues of cost effectiveness, resource utilisation and lessons learned. He has a wide array of consulting experience in the areas of socio-economic impact and institutional strengthening.

1.4 Limitations

The evaluation team faced several constraints to the achievement of their work.

- The team did not assemble in Dhaka at the same time. The Canadian team members arrived in Dhaka a full 8 days before their EC colleagues. The Canadians were also unable to contact the Dhaka-based Bangladeshi team members, as a result of EC contracting procedures. The EC team arrived without any prior knowledge of BRAC or RDP IV. Unlike the Canadians, they had not been allocated time for document review prior to the commencement of their work in Dhaka. They did, however, receive additional days for report writing, after the allotted time for field work in Bangladesh, which the Canadians did not. These lags in time had serious impacts on our work. Since the four EC team members had no prior knowledge of the project, several days of orientation were necessary, before any substantive work as a team could begin. Field work was therefore delayed, and its duration shortened. At the other end of the mission, the Canadian team members left Bangladesh before the individual evaluation reports were finalised.
- There was a general election in Bangladesh on October 1. A national holiday was declared on September 30. In addition, political violence associated with election campaigning curtailed the team's field work. We were advised not to travel in the immediate run-up and aftermath to the election. Consequently, there is a heavy emphasis in our reports on BRAC Head Office interviews and existing information and studies.
- We had originally intended that the evaluation team would undertake field work for the better part of two weeks. As a result of the staggered arrival times, the two Canadian team members undertook one one-day field trip to Manikganj just after the arrival of their EC counterparts. Together the entire team spent 5 days in the Bogra area. The EC team members undertook another field trip after the

Canadians had departed (one day in Tangail). During these field visits, we visited VOs and other project activities, in addition to holding discussions with Area Office and Regional Office staff. It was the team leader's view that the entire team, regardless of their area of focus, needed to have some idea of the complexities and interdependencies of the project. Because RDP IV involves a complex program of activities, some time is required to understand the linkages between various components. The shortened field time means that the team members by and large focused solely on their 'component' of the evaluation, without looking at the linkages and interdependencies between them.

- Another limitation to the study is found in the issue of translation. Although some effort was made to engage 'outside' translators for the evaluation, we were advised that this was not necessary. Senior BRAC staff acted as translators while we were in the field. Although this was not the case in every instance, the evaluation team encountered resistance around certain issues from a few of these translators. For example, during the Bogra visit, we were unable to hold discussions with project beneficiaries or area staff without the presence of high level head office staff present. The evaluation team feels that this limited the range of opinion that could be freely expressed. This is not to say that the team expected to hear negative views expressed by the field staff. Rather, we suggest that since the senior managers would often begin to answer for their staff, we were not able to elicit a variety of views or impressions about BRAC's RDP IV and its impacts by many different participants.
- Incomplete and late reporting on the part of 2 team members means that some areas of inquiry have not been examined in as much detail as might have been hoped, and that potential lessons may have been missed.

2. PROGRAM CONTEXT

2.1 The Systems Context

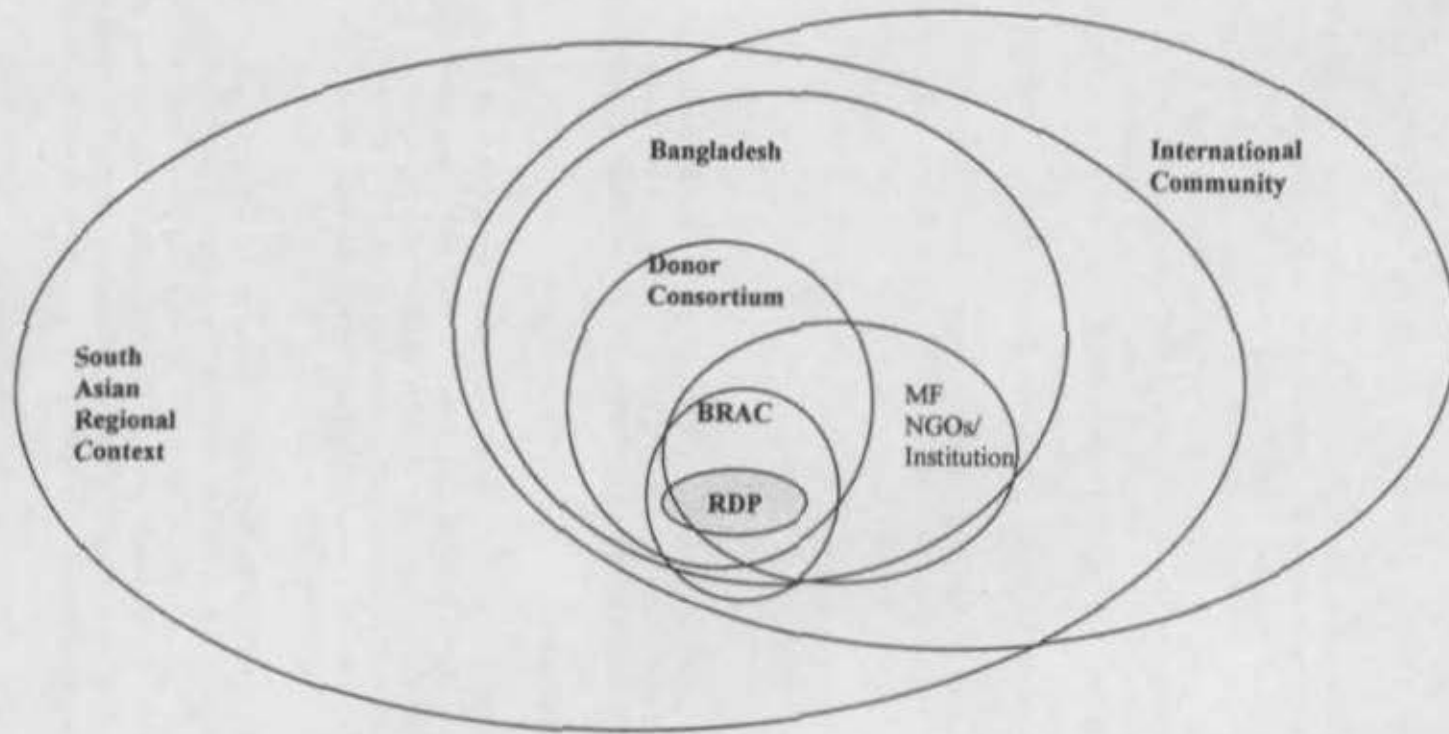
Any project or activity occurs within the context of many inter-related factors. As illustrated by the systems map found on the next page, BRAC's RDP IV operates in a complex environment. Following is a brief discussion of the major elements affecting the success of the project.

2.2 Regional Context

South Asia is « the poorest, most illiterate, most malnourished and least gender sensitive region » (South Asia Human Development Center –HDC, *Annual Report 2000*). Formal institutions of governance often bypass the many unfortunate poor who suffer from multiple deprivations on account of their income, religion, gender and ethnicity. Pervasive inequalities persist. The HDC report notes that most governments are large in size, but low in efficiency, and that most taxes are regressive, affecting the poor far more than the middle classes.

Despite partition from India of Pakistan in 1947, and the subsequent break of East Pakistan into Pakistan and Bangladesh in 1971, during the last 50 years, the individual countries have made considerable progress towards stability and peace. However, inequalities persist within each country in the region, and South Asia is one of the most poorly governed regions in the world. Overall, corruption in the region is widespread and, according to the HDC, can be seen in the « reduced availability and increased cost of basic social services, in allocation of resources for mega projects, and in the breakdown of the rule of law. »

THE CONTEXT



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The South Asia Association for Regional Cooperation (SAARC) was South Asia's attempt to create unity within the region. However, after 15 years, it has achieved little, and current relations within the region, especially between India and Pakistan, have left the organisation functioning in a very slow and bureaucratic fashion. The events of September 11 have further exacerbated tensions in the region.

There is no shortage of evidence to show how South Asian nations can gain from cooperation and opening their borders to one another. But constant tension has put pressure on the region, which has undermined peace, prosperity and progress. Efforts toward regional peace and security with the Lahore agreement in spring of 1998 were quickly overshadowed by nuclear testing by India and Pakistan just a couple of months later. The move to nuclearisation has exacerbated South Asia's human development problem and has further undermined the welfare of the people of the region.

2.3 Bangladesh: Situational Analysis of Poverty and Status of Women

Human Development Indicator	Bangladesh	South Asia (weighted average)
Population below the poverty line (%), 1989-94, national poverty line	48	40
Population without access to health services, 1995 (millions/ as a % of total population)	68/ 55	276T/ 22
Female population (% of total population)	49	48
Female literacy, 1997 (% of total female population)	27	37
Adult female economic activity, 1997 (% of male)	77.2	52.4
Female life expectancy at birth, 1997 (# of years)	58.2	63.2
Maternal mortality rate, 1990-1998 (per 100,000 live births)	440	405
Infant mortality rate, 1998 (per 1000 live births)	79	72
Under five mortality rate, 1998 (per 1000 live births)	106	107
Malnourished children <5 years, 1990-97 (number in millions/ as % of total population)	8/ 56	79T/ 51%

Sources : 1) Mahbub ul Haq Human Development Centre. *Human Development in South Asia 2000: The gender question.*
2) UNICEF. *The Progress of Nations 2000.*

Provisional data from the 2001 census estimates the population to be 129.2 million, with a growth rate of 1.48%. It further estimates that there are 25.4 million households, with an average size of 4.8 persons. The population remains largely rural, with 76.6% living in rural areas. The sex ratio is 103.8 men to 100 women (Bangladesh Bureau of Statistics, August 2001).

Women in Bangladesh face unequal power relations in almost all their daily interactions, not only in their families, but in all local institutions, including the marriage and kinship system, the household and extended family, local community associations, patron-client relationships, and local elected bodies. These institutions act as mediating structures between women and the world around them, and interact in such a way as to restrict women's access to resources, to markets and to government. For example, a patrilineal system is in place in Bangladesh. Several elements of this system affect women to varying degrees: patrilocal residence; patrilineal inheritance; a gender division of labour; and norms of female seclusion. A patrilineal kinship pattern creates a structured dependence of women on men. As a consequence, women are conditioned to be economically and socially dependent on men, and have limited independent access to resources and markets. Even within their marriages and families, many women are unable to bargain for their legal share of property, maintenance, health care, or even food.

Further, women also face the likelihood that their husbands might take a second wife, file for divorce, or simply desert them (Carr et al 1996: 188-189).

2.4 Microfinance NGOs and Institutions

Women in Bangladesh have gained an international reputation for their credit performance with microfinance NGOs and institutions, and have become the model for many similar programs around the world. The fact that they are a good credit risk, despite the extreme sociocultural constraints on women's productivity and their access to capital in Bangladesh, has made them a priority target for poverty-oriented credit programs. Credit provision for women is seen as a powerful tool for institution building at the grassroots level, and has become a mainstay of many NGO efforts in rural areas. The approaches vary, with some using a 'minimalist' approach (credit only), while others provide integrated support that includes training and technical support, in addition to credit.

The Association of Development Associations in Bangladesh (ADAB) – the apex body for approximately 1200 NGOs – estimates that there are hundreds of NGOs providing microfinance services throughout Bangladesh. Many of these are very small, and operate on a local level only. There are several large microfinance NGOs, of which BRAC is now the largest. ADAB works to coordinate policy setting with these NGOs, and facilitates the signing of agreements between NGOs working in the same areas.

2.5 Donor Consortium

Funding for this project comes from a consortium of five donors : EC; DFID (UK); DGIS/ Novib (Holland); and, CIDA/ AKFC. To coordinate donor inputs and requirements, a donor liaison office (DLO) was established during RDP II/ RCP (1990-1993). The objectives include :

- Ensuring coordination in the flow of funds to BRAC;
- Defining a uniform system for progress and financial reporting by BRAC to the donors (including external audit);
- Streamlining donor needs for external evaluations and other missions;
- Providing logistical and organisational support for such missions and for Consortium meetings;
- Facilitating communication between BRAC and the donors, and among donors;
- Following up on actions taken as a result of review and evaluation based decisions taken by the DC and addressing issues arising from implementation of the project;
- Following up on donor disbursements, utilisation of funds in accordance with the workplan, and advising the donors of any situation that warrants DC attention.

Membership in the DC consists of BRAC and the donors contributing to RDP IV. The DLO coordinator also attends DC meetings. The DLO serves both the RDP IV and NFPE projects.

3. PROJECT DESCRIPTION

3.1 Project Background

The Rural Development Program, Phase IV (RDP IV), along with the Non-Formal Education Program (NFPE), was, and is, managed and implemented by BRAC. RDP was introduced by BRAC in 1986 as its main program for achieving the goal of poverty reduction and empowerment of the poor. BRAC targets the rural poor - vulnerable women and their families, and those who are landless and sell their manual labour to survive. Although the provision of credit is the focus of the project, BRAC also provides village organisation (VO) members with income generating activities and training, essential health care, basic education services, and human rights and legal education programs. These activities are designed to

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complement the credit services of the program by addressing many of the non-financial factors that impede the poor from achieving sustainable improvement of their lives. Additionally, there is a special program, implemented jointly with the World Food Program, for vulnerable groups that have not been included by the RDP – the Income Generation for Vulnerable Group Development program. BRAC also developed a new component during the course of the project implementation to support the development of micro-enterprises – the Micro Enterprise Lending Assistance program.

Donor funding for the Phase IV of the RDP came from a consortium of four donors: the European Commission (EC); Department for International Development (DFID), UK; DGIS Novib (Holland); KfW (Germany), and; the Canadian International Development Agency (CIDA)/ Aga Khan Foundation Canada (AKFC). The following table indicates the disbursements received from each donor during the fourth phase of RDP.

Disbursements received to-date

	NOVIB/ DGIS		DFID		AKF/ CIDA		EC		Total	
	Dfl	Taka	GBP	Taka	C \$	Taka	Euro	Taka	Taka	US \$
Total Released	28 mi.	6.76 mi.	8 mi.	5.23 mi.	10 mi.	3.25 mi.	14.65 mi.	7.41 mi.	22.66 mi.	Approx 45 mi.*

(Source: DLO, Dhaka, January 2002)

* The amount is an approximation, based on a conversion rate of 50 taka:\$1US over the project period.

3.2 Logical Framework Analysis

The LFA (dated January 1996) is included as Annex C.

3.3 Chronology of Events

Date	Key Milestone
January 1996	Project Approval/ LFA
November 1996	Contribution Agreement signed with AKFC
December 1996	First Annual Financial Review Mission
March 1997	Contract between EC and BRAC signed
October 1997	External Monitoring Mission
December 1997	Second Annual Financial Review Mission
December 1997	Poverty Alleviation and Empowerment: Impact Assessment Study II
May 1998	BRAC Monitoring Mission: A Focus on Quality
December 1998	Third Annual Financial Review Mission
October 1999	Mid Term Review Final Report
March 2000	Fourth Annual Financial Review Mission
August/ September 2000	Appraisal Mission: Targeting the Ultra Poor (follow-on project)
December 2000	Project Termination
July 2001	Innovating on Solid Ground: BRAC Final project report
September 2001 to January 2002	End-of-project evaluation

3.4 Evaluation, Review, Audit and Monitoring and Other Issues identified during Implementation

The many issues identified during numerous studies and monitoring missions undertaken over the course of the implementation of the project have been summarised in Annex D.

3.5 Stakeholder Network

A stakeholder network diagram is included on the following page. BRAC's organisational structure, although clear on paper, in fact, is much more informal. Interactions between stakeholders and staff at all levels are frequent, although not governed by reporting requirements. A full organisation chart is included in Section 4.6 – BRAC management.

4. RESULTS ACHIEVED

4.1 Introduction

The evaluation terms of reference were written in such a way that each evaluation team member would look at one of 5 output level result areas, keeping in mind the contribution made to the project purpose. The project is complex in its design, and there was considerable overlap and many interconnections between each output area. This is not surprising, as the outputs are designed to work together to achieve the project purpose and goal. This section will present each team member's findings, as reported in detail in the individual evaluation team member reports presented as Appendices to this report. Discussion of the factors affecting the success (or not) of each output will be discussed in Section 5.

4.2 Output One: VO Sustainability

Quantitative Assessment

- Establishment of Palli Shomaj : 11,219 Palli Shomaj were formed by December 2000 (this was an innovation of the project);
 - By December 2000, 528 AOs were in operation (compared with the target of 330).
 - 100,572 VOs (against a target of 16,760 new VOs to be formed for a total number of 49,969) established by December 2000;
- 3.74 million VO members by December 2000 (target : 2mi.) ; 97.8% female (target 95%)

**STAKEHOLDER NETWORK
BRAC RDP IV**

