

RATING REPORT

BRAC



Credit Rating Agency of Bangladesh Ltd.

Rating Report of BRAC

Ratings:

Long Term : AAA
Date of Rating: 18 February 2010
Valid Till : 30 Jun 2010

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Highlights:

Micro Finance	Amount in BDT Million	
	2008	2007
Districts covered	64	64
No. of VO	293,016	260,785
No. of borrower	6.37	6.40
No of members	8.09	7.37
Loan Portfolio	44,903.00	36,343.00
Disbursement (for the year)	84,286.44	62,328.71
Financial Cost Ratio	8.20%	6.20%
Operational Self Sufficiency	108.80%	105.10%
ROAA	2.33%	1.47%
Portfolio at Risk (>=30 Days)	7.69%	5.74%
Operating Expense Ratio	10.04%	12.76%

Education Program	From Inception to Sept 2009
No. of BRAC Primary school	38,250
No. of BRAC Pre- Primary school currently running	26,350
Graduates	4.11 Million
No. of BEP Teachers	65,359

Health Program	From inception to Sept 2009
No. of Health centers	31
Population covered	100 Million
No. of Community Health Volunteers	85,000

Human Rights & Legal Services (HRLS)	From inception Sept 2009
HRLS Classes held	149,415
Training provided by HRLS to women (up to 2008)	136,000
No. of Graduates under HRLS	3.46 Million

RATING SCOPE

Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity nor social impact of the programs of an NGO, although such considerations may affect CRAB's view on credit risk, such as access to capital or likelihood of refinancing.

At the time of rating of BRAC, CRAB did not conduct any social research and survey on its programs. It is not within the purview of rating agency to carry out comprehensive impact study. However, CRAB at the time of rating of BRAC apart from its Micro Finance Operation and Business Enterprises, looked into various impact study of BRAC's Health, Education, Environment and Legal programs and tried to understand how effectively and efficiently BRAC could link its program with its vision, mission and goals.

CRAB's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, and repayment of principal, insurance claims or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.


 Managing Director
 Credit Rating Agency
 of Bangladesh Ltd.

1.0 Rationale

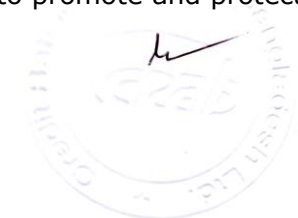
Credit Rating Agency of Bangladesh Limited (CRAB) has awarded **AAA** (Pronounced Triple A) rating in the Long Term to BRAC. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. **AAA** rated entities are judged to be of the highest quality, with minimal credit risk. MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds. Rating is based on BRAC's large scale of operation; effective and efficient allocation and utilization of resources; contribution to uplift the socio economic condition of the country through education, health services, social and legal awareness with its services to underprivileged, micro credit loan programs for the poor people, strong financial and risk management practices; commendable profitability level and portfolio quality; and strong brand image.

The rating considers BRAC's major development works including micro finance operation, education, health, legal & social empowerment, agricultural and environment programs. Rating is based on BRAC's large scale of operation; effective and efficient allocation and utilization of resources; contribution to uplift the socio economic condition of the country through education, health services, social and legal awareness with its services to underprivileged, micro credit loan programs for the poor people, strong financial and risk management practices; commendable profitability level and portfolio quality; and strong brand image. The rating reflects the excellent position of BRAC in terms of liquidity, internal fund generation, and access to alternative sources of funds.

BRAC's governance aspects, managerial factors and financial performance have the enduring support to build its present image to the underprivileged at home and abroad. BRAC's integrated health, finance and education programs are active in 70,000 villages in all of the 64 districts of Bangladesh, reaching an estimated three quarter of the entire population. Its health programs serve more than 100 million people, its micro finance programs assist more than 8.0 million members and its education programs reach more than 1.8 million children.

The rating also reflects the outstanding infrastructure of BRAC i.e. training department, evaluation department, research department, internal audit department, logistics department and computerized micro finance operation which helps BRAC to minimize the operational risk.

CRAB views that social enterprises of BRAC assist to expand its' reach, advance its' missions, and deepen its' capacity to innovate. BRAC's enterprises have allowed the organization to reach the poorest, most isolated villages in Bangladesh with novel, successful programs that address many different needs at once. The enterprises also give BRAC independence from donor funding. This financial independence is indeed very compelling, not only for organizations making its' way in the nonprofit world but especially for the clients it serves. Social developments are one of the BRAC's core programs along with microfinance, health, education and human rights and legal services. Until 2008 BRAC's No. of Polli Shomaj member reached at 0.80 million people. It's Human Rights and Legal Services (HRLS) program is dedicated to promote and protect



human rights through legal aid, legal representation and empowerment. BRAC Legal Aids Services provide free services to clients. Lawyers are paid by BRAC and monitored to ensure that they are protective in providing legal representation against exploitation or corruption.

BRAC addresses the environmental issues with initiatives such as Renewable and Alternative Energy Program (solar, wind, bio-gas etc.). By 2008, BRAC successfully installed 36,830 solar panels bringing renewable energy to 180,000 rural people. This program is currently financed by the Government of Bangladesh and World Bank through the Infrastructure Development Company Limited (IDCOL). Also there are Water Sanitation and Hygiene (WASH) programs and Social Forestry as well as its Paper Recycling Plant which directly contribute to the preservation of the country's environment. BRAC rehabilitated many SIDR victims during 2008. It is found that natural disasters had a negative effect on the operations of BRAC, which resulted in the long-term loss of part of its portfolio and disruption of group activities for a considerable time. To minimize the adverse situation, BRAC has kept excess reserve of BDT 406.82 million over its required reserves. Long experience of BRAC in its micro finance operation, line of leadership in different tiers as well as continued growth with operating and financial self-sufficiency continued to contribute in good governance practices in the organization and efficient operation of its micro-finance programs.

BRAC made major expansion in microfinance operations in 2008, increasing member base to 8.09 million borrowers from 7.37 million in 2007 registering 9.67% growth. Total loan disbursement under micro finance program was BDT 84,287 million during 2008 from BDT 62,329 million in 2007. Total income growth was 31% in 2008. The management of BRAC shows its concern about the Portfolio Quality as well as provides technical services to borrower. On 31 December 2008 total portfolio of BRAC stood at BDT 44,804 million whereas PaR [≥ 30 Days] stood at BDT 3,443.60 million, which was 7.69% of total portfolio. The loan portfolio growth decreased in FY 08: 24.06% compared to portfolio growth (FY 07: 49.5%). Portfolio yield was 25.4% in 2008.

The recent initiative of BRAC through revisit its vision and realign its logo with its vision is also views positively by CRAB The approach envisages by BRAC is comprehensive- with financial services, capacity building, and livelihood development as well as health, education and social justice- enabling people to realize their potential. As part of its new vision, a new logo has been evolved. Thus evolve of new logo convey the capability of BRAC to take courageous steps in line with social changes. The new logo incorporates the magenta colour to point out that most of BRAC work is women focused using a feminine colour; to convey the multi-dimensional approach of BRAC; a suggested movement that flows from the inside to the outside of the symbol conveying the scale and speed with which its program operates; using the name in small caps indicating a locked unit of the symbol and name. Since BRAC has no longer an acronym, in the logo the name BRAC is in small caps to start using it as a name.

CRAB believes that BRAC shows it mark to mix revenue generating business with programs through motivations, organizational cultures and resources. The AAA rating indicates the sustainability of BRAC's integrated program i.e. health, education, micro finance, environmental & legal aid and enterprises.



2.1 INDUSTRY POSITION

NGO-MFIs of Bangladesh are considered as major players of development sector. In most of the cases NGO-MFIs are providing micro credit loan to the under-privileged people without collateral. Along with micro credit service these NGO-MFIs are rendering various types of social and development works. Microfinance sector of Bangladesh is growing very fast in respect of branch expansion, employment generation, number of members and borrowers, loan disbursement, savings mobilization etc. 641 NGO-MFIs of Bangladesh are the major players of this sector. The country is the pioneer in micro-credit concept for poverty reduction, which brought the Noble prize in Peace in 2006.

Microfinance is considered as a poverty alleviation vehicle in rural Bangladesh, which is one reason for the relaxed attitude towards monitoring MFI activities. Until recently, NGO-MFIs as financial institutions remained outside the formal supervisory or monitoring system. Grameen Bank is the only formal financial institution established in 1983 under a special law. Microfinance deals with the design, execution, and performance of policies, programs, and services to build up the financial sector and build sustainable financial institutions that effectively reach the poor. The importance of building sustainable financial service systems can be summarized from three perspectives: 1) *financial sector development* to reduce the cost and risks of providing financial services to those who are not integrated into the formal financial sector because of low income, gender, ethnic identity, or remote location, lack of collateral 2) *enterprise formation and growth* resulting from access to credit and deposit services, and 3) *poverty reduction* as a result of access to reliable monetized savings facilities that help the poor smooth consumption over cyclical and unexpected crisis and, once some degree of economic security is attained, access to credit to improve productivity of their enterprises and new sources of livelihood.

The government of Bangladesh enacted "Microcredit Regulatory Authority Act, 2006" with effect from August 27, 2006 with a view to ensuring transparency and accountability in microcredit activities of the Microfinance Institutions (MFIs) in the country. Microcredit Regulatory Authority (MRA) was established under the act which is now empowered and responsible to implement the said act and to bring the microcredit sector of the country under a full-fledged regulatory framework. According to the Act, no MFI can carry out microcredit activities without obtaining license from MRA. Section 15(2) of "Microcredit Regulatory Authority Act, 2006" made it mandatory for MFIs who had microcredit activities before the effective date (August 27,2006) of the act to apply for license to MRA within six months (February 26, 2007) from the effective date of the act. Palli Karma Sahayak Foundation (PKSF), the government-sponsored apex institution created in 1990 to on-lend funds from government and international agencies on highly concessional terms to NGOs engaged in microfinance. PKSF plays a quasi-regulatory role in holding NGO-MFIs to certain performance criteria as a condition for its credits. It is to be underscored here that the Auditors of BRAC certifies the compliance of BRAC with the eligibility criteria for participating under Microfinance II, as provided for in the Subsidiary Loan Agreement between the Government of Bangladesh and PKSF.



EXHIBIT 1: Eligibility Criteria of PKSF

Eligibility Criteria	As of 31 December 2008	
	Required	BRAC Actual
Cumulative Loan collection Ratio (On Total dues)	95%	99.28%
Loan collection Ratio on Current dues (on running 12 month basis)	92%-100%	97.74%
Minimum Liquidity Ratio	20%	16%
Minimum Current Ratio	1.50	2.90
Minimum Capital Adequacy	20%	22.20%
Minimum Debt Service Coverage Ratio	1.25	4.06
Minimum Rate of Return on Capital	2%	11%

It can be observed from exhibit 2 that 57.20% growth of branch expansion and 116.41 % growth of number of employees do not match with the growth rate of number of members and borrowers of the sector. Unusual growth rate of branch network overnight just before the enactment of the law could be the result of some MFIs' inclination to avoid any probable regulatory restrictions regarding branch expansion. On the other hand, inclusion of total staff of the organization without segregating credit-staff and noncredit-staff has inflated the number of employees of the sector.

EXHIBIT 2:

SI No	Particulars	December 2004 (352 MFIs)	December 2005 (469 MFIs)	June 2006 (641 MFIs)	% Change from 2005
1	Number of Branches	6,106	7,733	12,156	57.20
2	Employees involved	48,081	76,104	164,700	116.41
3	Number of Borrowers (in million)	11.14	13.98	17.18	22.86
4	Loan Outstanding (in million)	43,406	56,059	75,199	34.14
5	Total Savings (in million)	17,294	21,005	27,636	31.57

The average member size and borrower size of a branch are 1,883 and 1,413 respectively. The average credit per borrower is 3.5 times higher than the average savings per member. However, there are a number of institutions that have more savings than outstanding loan. Service charge on credit varies from 10% to 20% on flat method. The partner organizations of PKSF generally charge 12.5% on PKSF funded credit program. Average interest rate on members' savings is 5%, though it generally varies from 1% to 5%. MRA's field inspection reveals that some MFIs do not pay interest on savings at their committed rate. MRA addresses this failure of commitment with due emphasis. Recovery rate of this sector is satisfactory (above 90%).

As per Bangladesh Bank statistics for June 2008, the microcredit operations of large microfinance institutions (MFIs) show an overall suitable trend in terms of disbursement and recovery of loans over the last few years (Exhibit 3). On average, growth of loan disbursement of the four large MFIs, which occupy more than 80 percent of microcredit disbursement and 70 percent of outstanding loans, was 27.8 percent during FY04-FY07.



During H2 FY08, total disbursement increased by 26.5 percent over the same period of FY07. This moderate growth was due to relatively high growth in disbursement of BRAC (42.9 percent), followed by ASA (20.1 percent) and Grameen (16.8 percent) while disbursement growth was negative for Proshika.

In terms of recovery, the average growth over FY04-FY07 was 27.4 percent, which is consistent with the growth of loan disbursement during the period. During January-June FY08, the growth of overall loan recovery was 25.5 percent higher than during the same period of FY07 due to the high growth of BRAC (57.2 percent), followed by ASA (13.9 percent). The slow down of loan recovery due to two consecutive floods and the devastating cyclone (Sidr) in H1 FY08 required the MFIs to speed up loan recovery during H2 2008. The flow of loans outstanding shows a growth of 20.5 percent in January-June FY08 over the same period of the previous fiscal.

EXHIBIT 3: MFI Position

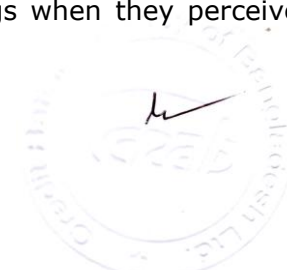
(billion Tk)

Institutions	FY04	FY05	FY06	FY07	FY07	FY08	Growth of (ii) over (i)
					Jan.-Jun. (i)	Jan.-Jun. (ii)	
1. Total disbursement	76.0	95.3	129.6	165.4	84.9	107.5	26.5
Grameen Bank	23.4	31.5	45.9	53.7	24.8	28.9	16.8
BRAC	23.3	29.1	37.0	52.7	29.9	42.7	42.9
ASA	26.1	31.9	43.6	55.7	28.7	34.4	20.1
Proshika	3.2	2.8	3.1	3.2	1.6	1.4	-13.0
2. Total recovery	69.9	85.8	116.4	153.0	76.1	95.5	25.5
Grameen Bank	19.8	25.5	37.7	51.2	24.2	25.7	6.5
BRAC	23.2	29.4	37.5	48.1	25.7	40.4	57.2
ASA	23.0	27.7	37.7	50.3	24.5	27.9	13.9
Proshika	3.9	3.2	3.5	3.4	1.7	1.5	-14.6
3. Loans outstanding	49.9	60.8	80.6	98.8	190.8	229.8	20.5
4. Loans overdue	2.4	3.1	3.3	3.7	6.8	11.2	65.8
5. Overdue as percent of outstanding	4.8	5.1	4.1	3.7	7.1	9.8	

Source: *Bangladesh Bank Quarterly*, various issues, Bangladesh Bank.

Experts in the field observe that the regulatory environment for microfinance institutions (MFIs) is important if the microfinance sector is to achieve significant outreach on a sustainable basis. On the one hand, if MFIs are to flourish they should be able to operate relatively freely without unnecessary restrictions, and charge interest rates and fees that are sufficient to cover their costs. On the other hand, to encourage MFIs to meet certain minimum performance and reporting standards and to improve their performance over time it is appropriate to have some kind of framework (Berenbach and Churchill, 1997).

Macroeconomic goals are achieved through financial regulation and supervision, which ensures the solvency and financial soundness of financial institutions in an economy. There are moral hazard, which brings the regulation and supervision of financial institutions in front. A primary objective of regulation is to provide the client (in particular those making deposits) protection against excessive risks that may arise from failure, fraud, or opportunistic behavior on the part of the institution providing financial services. Objectives of long run sustainability as well as profit-making objectives can lure financial intermediaries into investing in excessively risky loans at high interest rates, thereby putting deposits at risk. In the case of MFIs, particularly those where neither the Executive Committees nor the Board of Directors have any substantial investment in the institution, there is a clear moral hazard. The risk to the depositor's savings is greater when they do not have access to the withdrawal of those savings when they perceive that they are at risk.



Thus Microfinance Research and Reference Unit (MRRU) was set up in 2000 at Bangladesh Bank, which prepared a set of guidelines which were implemented by the Unit. Subsequently, on the basis of the suggestions of the MRRU, the Microcredit Regulatory Act, 2006, was passed under which a separate regulatory authority for microcredit, Microcredit Regulatory Authority headed by the Bangladesh Bank's Governor was established. The law made it mandatory for MFIs to obtain license for carrying out microfinance operations. The MRA has been empowered to chalk out guidelines relating to microcredit operations, internal and external audit of accounts, collection of deposits and use of earned profit, among others. The MRRU has been changed into a Secretariat of the MRA. It is imperative to find cost-effective ways of improving the standards of MFIs operations while at the same time avoiding restrictions that impair their efficiency or effectiveness and meanwhile encouraging them to be innovative.

Accordingly 4,236 NGO-MFIs have applied to MRA for license by February 26, 2007. For primary selection, the authority had set a threshold level for the MFIs of having either 1000 borrowers or BDT 40 lacs principal loan outstanding, and a little over 600 MFIs have been selected primarily under the criteria. Institutions that started microcredit program after the effective date of the law were not included in the primary selection. Rest of the institutions have been allowed time up to June 30, 2009 to fulfill the aforesaid criteria. This publication is based on the information provided by the primarily selected institutions. List of all NGO-MFIs who have applied to the Authority for license has been furnished in this publication.

BRAC is not involved in microfinance program only. It has realized through experience, that people using credit also wanted other services, especially a safe place to save and technical collaboration. This disclosure broadens the spectrum and options for low-income men and women, acknowledging the demand for financial and advisories services for their business and household strategies. The scope for improvement in this area, therefore, encompasses a wide variety of people, enterprises and activities. BRAC has a very important role in providing an array of services not only to micro entrepreneurs but also to others not concerned in a small business through its micro credit program.

EXHIBIT 4: BRAC AT A GLANCE ON 31st DECEMBER, 2008

Legal Form	Years of operation	Active Borrowers	Full time Staff	Village Organizations
NGO & MFI	37 Years	6.37 Million	51,914	293,016

EXHIBIT 5: PROGRAM COVERAGE BY BRAC

	2006	2007	2008
Districts	64	64	64
Villages	69,421	69,421	69,421
Population covered	110 million	110 million	110 million
Field office	3,054	3,394	4,584
Training centers	22	22	21



EXHIBIT 6: GROWTH OF MAJOR INDICATORS OF BRAC

Particulars	2005	2006	2007	2008
Total Asset	21.29%	24%	54.06%	11.88%
Total Loans and Advances	22.07%	36.76%	118%	7.56%
Total Income	21.23%	29.34%	19.17%	34.84%
Total Expenditure	14.10%	28.63%	30.09%	34.53%

EXHIBIT 7: MICRO FINANCE PROGRAM: OPERATIONAL HIGHLIGHTS OF 2008

Savings of VO members	Loan Portfolio	Cumulative Loans Disbursed	Average Loan Size per Borrower
BDT 15,765 Million USD 231 Million	BDT 44,903 Million USD 658 Million	BDT 355,026.88 Million USD 5,872.70 Million	BDT 16,669 USD 244.23

EXHIBIT 8: BRAC MICRO FINANCE OPERATIONS: KEY FINANCIAL RATIOS OF 2008

Portfolio at Risk (>=30 Days)	Portfolio at Risk (>=180 Days)	Financial Cost Ratio	Operational Self Sufficiency	Yield on Portfolio
7.69%	5.16%	8.14%	108.8%	25.4%
Gearing Ratio (x)	Loan Loss Provision Ratio	Funding Expense Ratio	Total Income to Average Total Assets	Total Expenses to Average Total Assets
3.77	3.55%	24.90%	24.15%	21.82%
Return on Average Total Assets	Return on Average Total Equity	Cost per Borrower	Capital Asset Ratio	Deposit to Loan Ratio
2.33%	11.17%	BDT 701.01	20.98%	35.18%
NPL Ratio	NPL coverage Ratio	Gross Loan to Total Assets	Operating Expense Ratio	Write Off Ratio
9.20%	81.52%	96.22%	10.04%	1.61%

Notes:

1. All figures pertain to the organization's microfinance program as on 31 December 2008.
2. Active clients refer to those who save with BRAC MFI and attend centre meetings; active borrowers refer to the clients who have loans outstanding. Other income includes transfer from donor funds, interest on STD etc.
3. The PAR₃₀ and PAR₁₈₀ figures above are before write-offs in December 2008.
4. The loan repayment ratio has been calculated from MIS reports generated by BRAC.
5. Dollar conversion rate: USD 1 equivalent BDT 68.0.



3.1 ORGANIZATIONAL BACKGROUND

BRAC, a national private development organization, was founded in 1972 by Mr. Fazle Hasan Abed. Mr. Abed was the first Executive Director and now Chairman of BRAC. It is registered under the Societies Registration Act 1860. Although it was first set up to resettle internal 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 Limited and also earns from various income generation projects such as Aarong Rural Craft Centre, BRAC Printers and BRAC Dairy and Food Project, BRAC Tea Estates, and various program support enterprises such as poultry farms, feed mills and prawn hatcheries.

Since 1986 BRAC has been active in providing human rights education and legal aid to the poor. BRAC is broadening its horizon in order to play an effective role serving the poor voiceless. BRAC render services education, health, micro-credit and training in successful small enterprise development for under privileged people. Now it started to assist poor and vulnerable people working with courts and judiciary, the police. To further strengthen the voice of marginalized people the organization recognized the need to invest in building a broad based coalition of right based development partners capable of pressing for collective bargaining for the rights of the poor. BRAC has maintained its focus on microfinance and has grown steadily both in terms of outreach and portfolio outstanding. A detail performance analysis of BRAC different segments are given in the following section chronologically. With the increase in BRAC's outreach, the number of its branches/area offices has also gone up. BRAC's development programs can be divided into four segments here. Also BRAC invested in different financial institutions and stretched its operation worldwide which is focused in this report too.

Serving more than 110 million people per year through its health, education, and economic development programs, BRAC is one of the largest nonprofit organization in the world. Yet it doesn't receive the most charitable donations.

The organization generates 73 percent from own financing and 27 percent from Donor of its \$535 million expenditure in the year 2008. The revenues have allowed the organization to develop, test, and replicate some of the world's most innovative antipoverty programs. BRAC's successes resonate throughout the country and the world. Only 25 years after its founding BRAC earning most of its funding through its businesses. Somewhat ironically BRAC become less needy of donor funding thus became even more attractive to donors. Also BRAC provide fund to PKSF and PKSF distributes the fund to many NGOs in Bangladesh.

BRAC's social enterprises have reaped enormous profits while also benefiting the organization and its clients. BRAC has succeeded by honing the fundamentals of social enterprise: build a strong organization first, choose businesses wisely, know when to let go of struggling businesses, and listen closely to stakeholders.

Emboldened by the oral rehydration program, Mr. Abed realized that BRAC could use funds from social enterprises to pilot and spread other types of programs throughout Bangladesh. While the oral rehydration campaign was in full force, BRAC launched its second social enterprise, the Aarong Craft Shops. Aarong helps 65,000 rural artisans



market and sell their handicrafts and has become the most popular handicraft marketing operation in Bangladesh. Using revenues from Aarong, BRAC began testing microfinance and primary education initiatives. When the oral rehydration campaign concluded in the 1990s, BRAC was ready to scale up its most successful microfinance and education programs.

Today, BRAC's integrated health, finance, and education programs are active in 70,000 villages in all of the 64 districts of Bangladesh, reaching an estimated 75 percent of the entire population. Its health programs serve more than 100 million people, its microfinance programs assist more than 8 million members, and its education programs reach more than 1.8 million children.

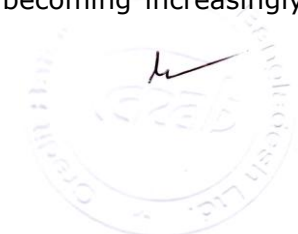
BRAC spent most of its first decade building its infrastructure, which now includes a training department, an evaluation department, an internal audit department, and a logistics department. Consequently, BRAC weaned itself from donations very slowly. Established in 1972, BRAC received all of its funding from donors in 1980. Even 11 years later, BRAC generated only 3 percent of its total budget through social enterprises. Only 25 years after its founding was BRAC earning most of its funding through its social enterprises.

As BRAC expands, it leans heavily on its organizational foundation. Take BRAC's training department. BRAC established its training division in 1978, when the organization had fewer than 300 staff members and revenues of less than \$1 million. Over time, the training division became responsible for the professional development of all BRAC staff, fostering an entrepreneurial, business-oriented culture. For example, BRAC developed a middle-manager training program that teaches analytical skills and includes a social venture plan competition. BRAC has pursued numerous social venture ideas that arose out of this competition, such as a model high school. The organization currently devotes roughly 10 percent of its personnel budget to training. It also continually updates its programs, with recent offerings such as Management Skills and Effective Meetings.

BRAC's internal audit and financial monitoring department also smoothes the path for sustainable social enterprises. In 2008, for instance, the department conducted internal audits in 8,780 locations. When the department audited the microfinance program, it found that some branch managers were giving a second loan to clients who could not pay back their first loan. Because of this finding, BRAC computerized its entire microfinance program so that it could more closely monitor all of its loans and curtail ineffective practices.

In recent years, BRAC has expanded into Afghanistan, Sri Lanka, Southern Sudan, Tanzania, and Uganda. As was the case in Bangladesh, the organization is first building strong organizations and saving the launch of social enterprises for later. BRAC also has existence in UK and USA. BRAC UK and BRAC USA were created as partners to help and mobilize support for BRAC's international work.

In 1998 BRAC established the BRAC Dairy, which primarily purchases and markets the milk that its micro lenders produce. To collect and process the milk for the dairy, BRAC has set up 85 collection & chilling centers across Bangladesh. The BRAC Dairy and milk collection centers employ more than 500 people. In 2007, the project generated \$1.15 million in surplus cash, which was enough not only to support the workers and dairy farmers, but also to expand operations. The BRAC Dairy is also becoming increasingly



competitive with other Bangladeshi dairies: Its market share increased from 20 percent in 2006 to 35 percent in 2007.

Meanwhile, BRAC discovered that its borrowers were not profiting much from their cattle in part because the breeds of cattle to which they had access did not reliably produce much milk. To improve the breeds of livestock throughout Bangladesh, BRAC created an Artificial Insemination (AI) program in 1998. BRAC operates one bull station and a network of 70 storage facilities across the country, training more than 1,500 AI workers. These workers not only deliver high-quality semen and inseminate cows, but also provide wrap-around services such as vaccination, pregnancy diagnosis, and calf delivery. BRAC pays the workers a fixed fee per insemination, which means that the more work the AI worker completes, the greater is his/her income. BRAC's AI program generated \$60,000 in profits in 2007. At the same time, it not only granted job skills and income to people across Bangladesh, but also supported the micro entrepreneurs, dairy and chilling-center employees, and consumers—many of whom are also poor—further down the value chain. BRAC has shut down most of its money-losing social enterprises; however, it sometimes preserves those that make outsized contributions to poverty alleviation. For example, some of BRAC's milk-chilling stations are not collecting enough milk to break even in the near term. Yet the organization keeps the stations open because they are located in extremely poor areas that would suffer greatly from the removal of access to fair prices.

Similarly, as part of its mission, BRAC wanted to improve teacher training and curricula in its network of more than 64,600 one-room rural schools in 2009. The organization decided that high-speed Internet access was the best way to get information to teachers. Yet Bangladesh did not have nationwide high-speed coverage. So, BRAC partnered with San Francisco-based gNet to create bracNet, which is building Bangladesh's high-speed network from scratch. As with other BRAC-run social enterprises, bracNet is expected to become a sustainable enterprise.

BRAC shows that nonprofit organizations can launch social enterprises that work on a large scale. Much of BRAC's success stems from the leadership and expertise of its founder. Recently, Abed has been recognized with several awards, including the 2007 Henry R. Kravis Prize in Leadership. On December 31, 2009 Founder and Chairperson of BRAC, Fazle Hasan Abed, is knighted by Her Majesty Queen Elizabeth II for services in tackling poverty and empowering the poor in Bangladesh and more globally. Not all nonprofits are in a position to mix profits with programs; however, BRAC shows it mark to mix revenue-generating business with program through motivations, organizational cultures, and resources. Social enterprises of BRAC assist to expand its reach, advance their missions, and deepen their capacity to innovate. BRAC's enterprises have allowed the organization to reach the poorest, most isolated villages in Bangladesh with novel, successful programs that address many different needs at once. They also give BRAC independence from donor funding. This financial independence is indeed very compelling, not only for organizations making their way in the nonprofit world but especially for the clients they serve. Bangladesh is now enjoying such strong economic growth that it could join the ranks of middle-income countries by 2016, according the World Bank projection.

Recently BRAC revisited its vision statement which spells "A world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential". The approach envisaged by BRAC is comprehensive- with financial services,



capacity building, and livelihood development as well as health, education and social justice- enabling people to realize their potential. As part of its new vision, a new logo has been evolved. Thus evolve of new logo convey the capability of BRAC to take courageous steps in line with social changes. The new logo incorporates the magenta colour to point out that most of BRAC work is women focused using a feminine colour; to convey the multi-dimensional approach of BRAC; a suggested movement that flows from the inside to the outside of the symbol conveying the scale and speed with which its program operates; using the name in small caps indicating a locked unit of the symbol and name.

4.1 BRAC Education

The BRAC Education Program (BEP) is the fourth phase (2004-2009) of an ongoing education program that began in 1985. Each phase has been consistent in its overall aim to provide educational opportunities to children and young adults who are otherwise not served or poorly served by the mainstream educational system. The program was found to be efficiently managed and capable of delivering high quality school based education from pre-primary to post primary, and out of school education to adolescents and adults. BEP has also made significant links with the Government at local and national level.

The BRAC primary school remains the largest component of the program. The target group is the poor, those living in remote areas, girls who have dropped out or never enrolled in primary school, children from ethnic minority groups and children with disabilities. As of September 2009, 4.11 million children have graduated from the BRAC primary system and of them around 90% have made the transition to the formal system.

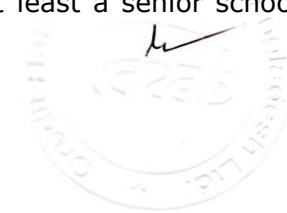
Currently there are various types of non-formal primary schools operating within the BEP, which together provide education for almost one million students. These includes; BRAC Primary Schools (BPS), BRAC Pre-Primary Schools, BRAC Adolescent Primary Schools (BAPS), EIC Schools for indigenous children and schools operated by partner NGOs under the Education Support Program (ESP) with financial and technical support from BRAC. The features of the BRAC Education Program by type are presented in the exhibit below:

EXHIBIT 9: BRAC Education Program

School type	Age of entry	% of Girls	Class size	Grades covered
BRAC Primary School	8-10 years	60-65	30-33	I-V (in 4 years)
BRAC Adolescent Primary School	11-14 years	60-65	30-33	I-V (in 4 years)
BRAC Ethnic School	8-12 years	60	22-30	I-V (in 4 years)
Education-Support-Program (BRAC Supported, run by other NGO's)	8-10 years	65-70	30-33	I-III(in 3 years)

Pre-primary school

In 1997, BRAC launched pre-primary school program by setting up 40 pre-primary schools whereas at present BRAC has 26,350 pre-primary schools. The pre-primary schools run for only one year. There subjects are taught Bangla, Maths and Science. The class size is limited to 26-30 children compared to 30-35 in primary schools. Each pre-primary school is run by a locally recruited women teacher, who is likely to be familiar with the children. The preference is for the teachers who have at least a senior school



certificate. These teachers are always concerned about students' educational development and try to prevent students from drop out. Till 2008 drop out ratio was 1.6% for pre-primary schools. One estimate showed 6.3% of total primary students in Bangladesh were enrolled in BRAC primary schools. (Chowdhury et al. 1999). BRAC School constituted nearly 20% of the total students outside state owned primary schools. In 2008, 553,085 children graduated from BRAC's pre-primary schools, of which 548,661 successfully found entry into government primary schools.

BRAC Ethnic School:

BRAC has adapted education program for ethnic minorities starting from 2001. Children from Chakma and other tribal groups were enrolled in primary schools operated by the education program developing a new curriculum. The prime objective of the curriculum was to assist the ethnic children to bridge the linguistic gap and become proficient in Bangla on their own terms. Ethnic children attend both mixed and ethnic only facilities. In 2008, the tribal region saw a materialization of 2,100 exclusively ethnic schools.

Education program for children with special need:

In 2003 onwards BRAC added the education program for the children with special needs. To ensure their access to the education those children were provided with wheel chairs, crutches, hearing aids, glasses and ramps to make school building accessible to physically challenged children. The number of special needs children enrolled in pre-primary schools almost tripled from 7,047 in 2007 to 18,095 in 2008. The number rose from 15,914 in 2007 to 19,492 in 2008 experiencing 22% growth. In cumulative it is around 45,309 children with special needs of pre-primary and primary schools have been helped to pursue their education.

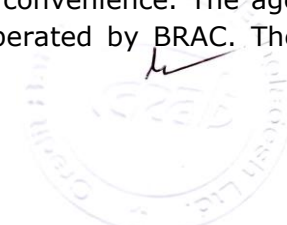
Primary schools

BRAC has initiated to improve education for the under-privileged begins in 1985 by setting up 22 one room primary schools at present BRAC has 38,250 primary schools. These are single teacher school with one classroom. A group of 30-33 students completes full cycle of primary education of five academic years. From the following exhibit it is understandable that coverage of BRAC schools has increased a lot from its beginning. Using Non-formal education method BRAC's primary school model has gained wide spread attention because of its effectiveness in capturing the interests of under – privileged children. With assistance from Education Program, 714 partner NGO's currently operate 8,250 primary schools patterned after BRAC. Number of total graduate passed from BRAC Primary Schools up to 2008 was 3.80 million. Students drop out ratio was 6.8% from inception to 2008.

EXHIBIT 10:

Primary school	2006	2007	2008	Sept 2009
Currently running	32,000	32,000	38,250	38,250
Current students (In Mil)	0.98	0.98	1.18	1.12
Graduates (In Mil)	3.49	3.80	3.80	4.11
Schools for indigenous children	2,319	2,250	2,100	2,015

BRAC's primary schools charges no fees so as educational materials are free. School timings are flexible, where children can attend according to their convenience. The age of entry is set at 8-10 years for the standard primary school operated by BRAC. The



quality of BRAC’s primary education system is supported by the Education Development Unit which is responsible for updating and revising learning materials and teaching guides. The syllabus comprises of mathematics, Bangla, English, science and social studies along with 5 years of schooling (grades i-v) can be completed within four years. Class size is small (30-33) and ethnic schools being even smaller (22-30). Girl students account for over 60% of enrolment. Teachers receive training of inception and in service refresher courses. The Education Development Unit of BRAC is responsible for updating and revising learning materials and teaching guides. The Capacity Development Unit is accountable for training teachers and management and management.

Secondary School

Under the post primary basic education project the secondary education level started in 2001. The main objective is to bring a qualitative change in the teaching and learning in secondary school. BRAC provided mentoring training to 27,090 students for developing self esteem, leadership quality and capacity development for peer support.

EXHIBIT 11:

Category	2006	2007	2008	Sept 2009
BEP teachers	53,205	53,379	65,359	69,932

Up to December 2008, BRAC has held workshops with 10,490 head teachers (HT) and Assistant head teachers (AHT) and SMC members. It also provided management training to 4,573 HT/AHTs. To improve their skill BRAC provided training to 7,297 mathematics and 8,100 English and 4,228 science teachers. Under the teacher’s development forum, based on their subjects teachers used to share their experience and find solutions to problem faced while giving classes. A Master trainer arranges forums which bring together teachers from 8-10 schools 3-4 times a year.

Medhabikash (Promoting talent)

Medhabikash is an innovative intervention of the BRAC education program. Students with financial pressures and challenges and high probabilities of dropping out of school are targeted. These students receive financial assistance to support their college tuition fees. Eligibility is defined by family income (not exceeding BDT 3,000 per month), land (not exceeding 50 decimals) and GPA of 5 is acceptable. For BRAC graduates family income not exceeding BDT 3,000 per month, land not exceeding 100 decimals and GPA of 4.5 is acceptable. Up to year 2008, total 759 students have been selected for this program and 350 students successfully completed HSC and among them 273 students graduated from BRAC primary schools.

Adolescent Development Program

The adolescent development program started in 1993 set up for older children. During course of life many girls can not continue their primary education and are dropped off. Thus BRAC education program opened the adolescents club giving girls to socialize, play indoor games, sing, dance and exchanges views and experiences. This programs main objective is to improve quality of life of the participant and social awareness of the participant belongs to rural communities.



Gonokendro

In 1995 Gonokendro started as community libraries as part of the continuing education program. They are established with BRAC and community financing. Within one year of establishment, Gonokendros are registered as trusts and became self financing in terms of operating expenses. Each Gonokendro contain at least 1,000 books, 2-3 magazines, daily newspapers. These libraries are usually managed by locally recruited women librarians. Recently, internet services have been introduced in 10 Gonokendros in collaboration with brac.net Up to December 2008, 2,002 Gonokendro were in operation with 762,807 subscribers. 49% of subscribers are female. 875 Gonokendros are equipped with IT facilities where 44% female subscriber received training. A total of 35,100 people received IT training from these Gonokendro. The skills development training organized by Gonokendro has trained 59,172 youth (54.40% female) in 2008.

OVERALL ASSESSMENT OF BRAC EDUCATION

Funding for the five year BEP (2004 – 2009) is supported by a consortium of 5 donors (CIDA, DFID, NORAD, EKN and NOVIB) covering the revised budget of US\$ 187.02 million including US\$ 5.7 million which BRAC provides from its own resources in 2009.

The Education Program of BRAC intends to support the Government of Bangladesh's (GOB's) efforts to achieve EFA in Bangladesh. The BEP's strategy over the next few years in addition to being an implementation-based organization is to move towards a resource support NGO that collaborates with and assists the GOB in implementing and improving its education policies.'

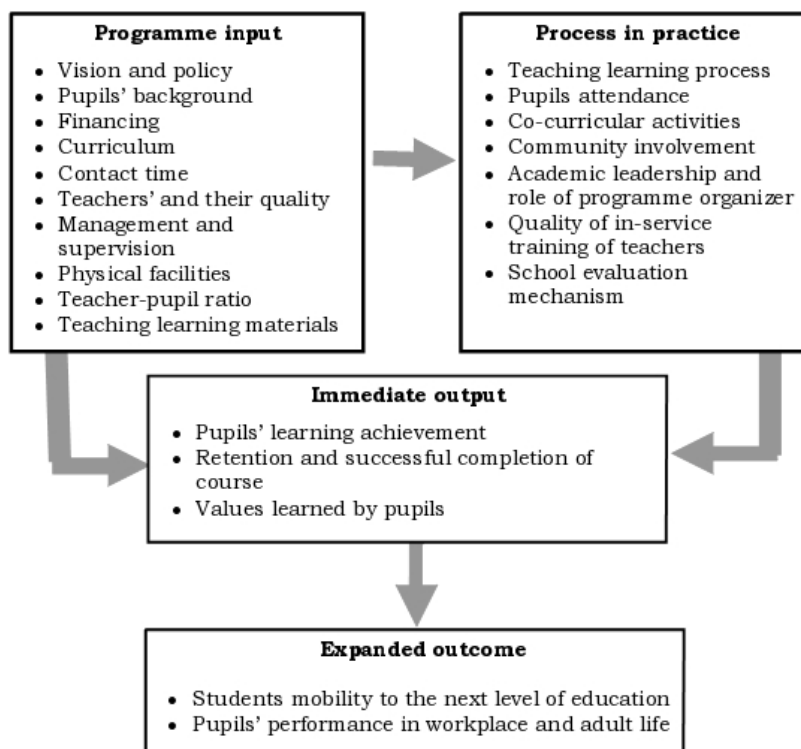
BRAC gradually reducing its implementation role in running schools is becoming instead a national resources centre, providing advice and input to the GoB and other organizations/institutions on all educational matters. CRAB considers both immediate as well as long term output through comparing the present with the past and extrapolating the present condition looking at the future expectation. CRAB views the BRAC's education model a good quality due to healthy and motivated students (low dropout rate i.e 5-6%), coverage, competent teachers, relevant curriculum, good governance and equitable resource allocation which are the key characteristics of quality education.

The major features of BRAC schools were as follows:

- Single room, one female teacher school with 33 students, 70% of whom are girls;
- Out of school children aged 8-10 years were eligible to enroll;
- It covered three years primary curriculum;
- School timing was flexible;
- Parents teacher meeting once a month; and
- Teachers and the program organizer's home visit to absentee pupils.

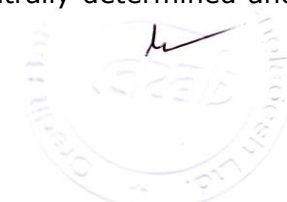


INPUT-PROCESS-OUTPUT (IPO) model of quality assessment of BRAC Education fits into the following framework:



BRAC, as a national development organization has its vision towards long-term issues of poverty alleviation and empowerment of the poor. The activities of BRAC education program mainly target the children and the adolescents. It includes both in school and out of school activities for the poorer communities. Guided by the national education policy and international goals and targets for compulsory education for all, education policy in BRAC is mainly made at the central level. The senior management of the program prepares the policy, which is translated into program proposal for donors. No proposal can go for implementation without an approval of the Governing Board. It is understood that donors funding policy also act as one of the guiding factors in framing the proposal. BRAC intakes more first generation learners compared to formal sector. During 2006, according to the BRAC research paper 42% of the formal school students were first generation learners where as it was 48.4% in case of BRAC School. In 1991 BRAC modified its curricula to match with the national curricula. Teacher-student contact hour in BRAC is relatively higher than other schools. Although the BRAC management centrally adopts the overall policy, but a decentralized mechanism has been developed for implementation of the program at field level. BRAC education policy is not independent of the government policy, international goals and targets regarding EFA and intention of the donors in this regard. Finance, physical facilities, teacher-pupil ratio, and teaching learning materials also indicate the quality of the education program.

The first three factors are strictly controlled from the head office. For instance, teacher student ratio is mostly same in all BRAC schools (30-33 pupils per teacher) and schools are supposed to be arranged in a fixed sized rented house constructed locally. Moreover, cost per student is also centrally determined and



school managing committees can not collect extra money from the community. The program is fully dependent on donor support. Teaching and learning materials are also supplied from the head office. BRAC provides all necessary textbooks, supplementary books, copybooks, paper, pencils, etc. to all the students free of cost. However, there is flexibility for the teachers and the POs to introduce some hand-made or locally found teaching aids.

Some studies documented grassroots level innovations in introducing teaching learning materials in BRAC schools. The parents of BRAC school students also bear some costs of education of their children, however much lower than that of the other primary schools. At the national level, the average yearly private expenditure per pupil is almost equal to what comes from public fund. It was estimated that government school student had to spend BDT 522 per year for their education and BDT 391 for a non-government school student in rural areas. On the other side per year BRAC approximately spend BDT 1,500 for each student. In BRAC schools there are provision for free stationeries and supplies provided by BRAC. It can be noted that textbooks are free in all three types of schools. Through community involvement and monitoring by the teachers pupil's attendance in BRAC is as high as 97% vis a vis around 60% in formal primary schools. There are co-curricular activities and on average 5% of total class time was used.

In terms of analyzing achievement of the program, various study report suggests a mixed outcome. Competency level of the graduates as a whole could be placed in moderate level in some arena and high level in few arenas. However cost per competency achievement reflects that cost of education is zero for the BRAC schools. In context of parents of BRAC school students who don't have to spend for his/her children but in case of government schools it was approximately BDT 189 and BDT 163 for the registered non govt. school students. The drop out rate in BRAC schools would not be more than 5-6%. Students' mobility to next level of education is outstanding; a study also suggests that over 90% of the graduates of BRAC enrolled in formal schools after completing education in BRAC schools.

Values learned by pupil and performance in workplace and adult life. The impact of education was found in three broad areas, viz., social, economic, and women's empowerment:

- Former BRAC School students performed equally with their counterpart formal school graduates; however, they did significantly better than those who had no schooling. The formal school students were economically better-off at the childhood but the BRAC graduates were able to catch up at the adult stage,
- In most cases, the males were ahead of their female counterparts. However, the females were found more conscious about their own as well as their children's health and hygiene issues,
- Individual level impact was found pronounced than the household level impact,
- Knowledge-based performance was higher than the attitude and practice-related impacts, and
- Social impact was more pronounced than economic and empowerment effects.



5.1 BRAC Health

BRAC's health program started its journey from 1972. The main objective behind this program was to reduce mortality among the poor and under-privileged people. Among the problems identified in health sector of the country were the lack of knowledge and access to health care, and inability to obtain the services among the poor. Over the time the health program of BRAC has changed its focus promoting various projects thru which health care will be affordable and accessible for the target population. The health program of BRAC has made partnership with government of Bangladesh and national and international organizations in effort to improve health care for the poor.

EXHIBIT 12:

Essential Health Care	2006	2007	2008	Sept 2009
Working Districts	64	64	64	64
Population Covered (In million)	31	92	92	100
BRAC Health Centers	-	30	31	31
Malaria total case tested	90,374	105,919	147,390	153,701
Pregnant women received ANC (In million)	0.52	1.62	1.35	3.47
Tuberculosis population covered (In million)	83.2	86	88.5	88.5
Community Health Volunteers	68,045	68,095	74,000	85,000

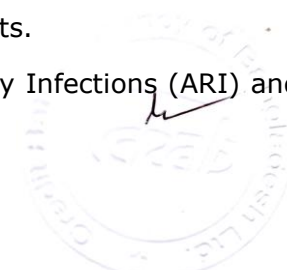
In the 90's women's health were dealt with various projects such as Women's Health and Development Program, Reproductive Health and Development Program, National Nutrition and Family Planning Facilitation Project, and the Essential health Care Program. Until now BRAC health care has reached over 100 million people of Bangladesh. These achievements are made possible by the work and dedication of 85,000 community health volunteers and 7,000 health workers and 4,000 staff members. For convenience of the health care facility to be reached to the under-privileged population these services are grouped into core, partnership, facility based and pilot-initiatives.

Essential Health Care

Since 1991, BRAC has initiated the Essential Health Care (EHC) Program particularly for women and children. The program currently reaches a population of over 100 million in rural areas and urban slums. This EHC program currently covers seven components which are following:

- Health and nutrition education.
- Water sanitation and hygiene.
- Family planning
- Pregnancy related care
- Immunization.
- TB control
- Basic curative care for 10 common illnesses in 64 districts.

Under the same program the activities of Malaria Acute Respiratory Infections (ARI) and



Promotion of Safe Delivery Practices are limited to 13 and 20 districts respectively. Therefore other major achievements in 2008 were family planning methods provided to 11 million eligible couple, antenatal care (ANC) at least once during their pregnancy to around 1.41 million pregnant women and Acute Respiratory Infections (ARI) treatment to 1.31 million children under 5 years old.

Essential Healthcare for Ultra poor

BRAC has initiated special program designed to improve the health of ultra-poor families. This program is attached with the CFPR-TUP program. It provides health awareness training, refers to hospital and clinic and offers financial assistance for services to its beneficiaries. In 2008, EHC services distribute stipend for health treatments to 234,162 patients, 10,272 pregnant women received antenatal care with 98.3% received immunization. In collaboration with Sight Savers International Christian Service Society and other eye care facilities, eye camps were arranged in 10 districts and provided different services to 17,763 patients. A total of 32,481 slab latrines and 1,883 deep tube wells have also been provided to the ultra-poor beneficiaries in the operating areas.

Tuberculosis Control Program

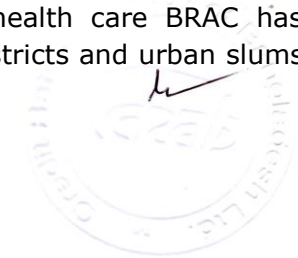
TB is one of the leading causes of death among adults in Bangladesh, which ranked 6 among 22 high burden TB countries. Since 1984 BRAC started its TB Control Program in Manikganj district as a pilot community based project. Within 1994 it has expanded and presently covers 88.5 million people in 288 Upzillas of 42 districts. As one of the Principal Recipients of the Global Fund for Tuberculosis, AIDS and Malaria, BRAC has signed agreements with 28 NGO partners. In 2008, a total of 748,480 suspected patients were examined and 90,371 persons were diagnosed with TB. BRAC's case detection rate was 78% and treatment success rate was 94%. In 2008 BRAC has received donation from The Global Fund and The Int. Union against Tuberculosis and Lung Disease which was 4.27% of BRAC's whole donation amount in 2008. (6.44% donation out of BRAC's total donation in 2007)

Malaria Control Program

During 1998 BRAC's Malaria Prevention and Control program (MRCP) began in khagrachari districts and subsequently expanded to 13 districts, which account for 98% of reported cases in the country. At present this program works in close collaboration with the government, WHO and ICDDR. BRAC is a leading member of a 21 member NGO consortium which has been set up to assist the governments' efforts to control malaria. This program offered diagnosis and treatment. In 2006, 90,374 malaria cases treated under this program. In 2008, a total of 37,812 uncomplicated falciparum malaria cases and 5,676 vivax cases were successfully treated. A total of 554,101 Long Lasting Insecticidal Nets (LLINs) were distributed in the malaria endemic upzillas of the 13 target districts. This program is financed by The Global Fund 1.82% and 2.96% donation of BRAC's total donation in 2008 and 2007 respectively.

Maternal, Neo Natal and Child Health projects

BRAC first established its maternal, neo natal and child health (MNCH) initiative in Nilphamari districts in August 2005. The status of maternal and child health is unacceptably poor and the conditions in urban slums are dismal often worse than rural areas. To face the daunting challenge of maternal and child health care BRAC has launched new maternal, neo natal and child health care in rural districts and urban slums



of Bangladesh. The first one was set up in Nilphamari district in August 2005. Under this project 83% pregnant women received 3+ antenatal visits; 58% of deliveries were attained by trained health workers and 80% mother received post natal visits within 24 hours. The full treatment was free for maternal and Neo-natal health. The experience gathered from the Nilphamari project used to develop two more new projects. The rural project started in February 2008 in partnership with UNICEF, financial support from DFID, AUSAID and the Embassy of the Kingdom of Netherlands (EKN). Bill & Melinda Gates Foundation also patronize this project. The project designs calls for implementation and expansion in further 6 districts.

Manashi (Urban)

This project launched in 2007 for reducing mortality and morbidity in urban slums is funded by the Bill and Melinda Gates Foundation. This project is setting up in phase to serve slum populations in Dhaka, Chittagong, Sylhet, Barisal, Khulna and Rajshahi cities including some semi-urban areas. Delivery centers were established to provide privacy, maintain improved hygiene and cleanliness at the facilities. One delivery center covers a population of 10,000 and is staffed by two full time birth attendants supported and supervised by Manoshi midwives and doctors. At present 241 delivery centers are in operation.

Facility Based Services

Shushasthaya (BRAC Health Centers)

Started since 1995 these health centers targeted to strengthen community based health care and provide better curative services for low privileged areas. Currently 31 Shushasthaya are in operations across Bangladesh and concentrated in 11 districts in the central and northern districts of Bangladesh. Nine BRAC health Centers have upgraded facilities that offer comprehensive emergency obstetric and neo-natal care service. During 2006, a total of 188,375 patients of whom 35% were BRAC VO members received care from Shushasthaya. The centers provided 110,308 medical contacts, 76% of which were female and conducted 4,530 deliveries, 1,632 caesarian sections and 105,321 pathological tests in 2008. Still some of Shushasthaya centers have to postpone its services due to unavailability of doctors.

Limb and brace filling Centers (BLBC)

In 2000 BLBC was established to provide low cost, user friendly, quality artificial limbs and braces and physiotherapy to enhance mobility of the disable. In 2008 a total 2,430 patients received different types of services from the center. Mainly Red Cross provided donation for BLBC.

Pilot Initiatives

Under this pilot initiative it includes Micro Health Insurance Program, HIV/AIDS Program and Nutrition initiatives. These projects were implemented in different districts of Bangladesh. Micro health insurance program is introduced for poorer family access to affordable quality health care. About 947 families were enrolled in this project in 2008. BRAC leads a four- NGO consortium in implementing the HIV/AIDS Targeted Intervention project in Sylhet, Chittagong and Barisal city corporation areas. This project is successfully run in 2008 and planned to integrate with the project under Ministry of Health and Family Welfare. The nutrition initiative promotes nutrition for expecting



mother and lactation. The project is mainly concerned with communication with the mother during their pregnancy for bringing about attitudinal and behavioral change.

EXHIBIT 13:

Projects	Number of Patients received treatment up to Dec. 2008
EHC (General)	18,299,672
CFPR-EHC (Ultra poor)	529,426
MNCH (Rural)	125,982
Manoshi	34,980
Tuberculosis	338,194
Malaria	58,718
Shushasthya	616,240
BLBC	7,048
Reading Glasses for improved livelihood	14,358
Total Patients	20,024,618

EXHIBIT 14: Client Flow

SI	Projects	Client flow of Health Programs			
		2005	2006	2007	2008
1	EHC (General)	39,98,591	40,10,085	39,87,097	63,03,899
2	CFPR-EHC (Ultra poor)	27,022	93,585	180,392	228,427
3	MNCH (Rural)	0	18,057	52,523	55,402
4	Manoshi	0	0	5166	29814
5	Tuberculosis	72,547	87,078	88150	90,419
6	Malaria	0	0	14,536	44,182
7	Shushasthya	213,535	188,375	104,022	110,308
8	BLBC	1,115	1,597	1,906	2,430
9	Reading Glasses for improved livelihood	0	209	5,417	8,732
	Total	43,12,810	43,98,986	44,39,209	68,73,613

EXHIBIT 15: *Cost Recovery of Health Projects

Projects	2005	2006	2007	2008
Shushasthya	59%	61%	45%	54%
BLBC	77%	81%	98%	107%

*Other projects are financed by Donors therefore, cost recovery is not calculated. BRAC finances the above mentioned projects therefore, cost recovery is calculated. *Source: MIS (BHP) and Accounts Department*



6.1 Social & Legal Empowerment

BRAC is a holistic organization which tackles poverty on multiple fronts, one of which is legal empowerment.

EXHIBIT 16:

Particulars	2006	2007	2008	Sep 2009
No of Polli Shomaj	10,440	12,370	12,260	10,071
No. of Union Shomaj	706	744	838	762
No. of HRLS Graduates	3.04 million	3.40 million	3.50 million	3.46 million

Polli Shomaj

Polli Shomaj provides a platform to Social Development Program to inform and build awareness amongst the rural poor, promote democratic practice and build awareness amongst the rural poor, promote democratic practice and encourage participation of the poor in the rural decision making process and engaged in collective action to ensure local government accountability.

Union Shomaj

A Union Shomaj is a federation of Polli Shomaj at the union level. It enables the rural poor to lobby directly with their Union Porishad (union level council) and access government resources.

Governance

Capacity Development of Union Porishod (CDUP)

CDUP stressed on strengthening the capabilities of women representatives. CDUP activities are carefully implemented through structured process involving the following steps:

a) Training for Capacity Development

Female representative from selected areas participates in a 5 day skills development training workshop provided at BRAC's dedicated training centers. A total of 5,968 female members have received training up to 2008.

b) Creation of Upazilla Forum

On the last day of capacity development training workshops a Upazilla forum is created consisting of all members attending the training. The objective of creating a upazilla forum is to achieve transparency and accountability at the union porishad level. By the end of 2008, 179 Upazilla forums were formed and are already functioning.



c) Upazilla forum meeting

Upazilla forum meetings are held once in every two months at the upazilla porishad (the sub-district level government office). Many of the top local government officials including the head of the sub-districts level government are present in this meeting. 2,273 upazilla forum meetings were held in 179 upazillas in 2008.

d) Gender sensitization workshop

The Upazilla chairman and elected male and female members participate in a two day Gender Sensitization Workshop. 8,717 participants attended these workshops in 2008.

Ward forum meeting

Women members conduct a Ward forum meeting every month to address issues and problems in each ward. These meetings help to raise awareness, disseminate information to the community regarding issues concerning laws preventing early marriage, dowry, domestic violence and abuse, as well as information about the availability of government resources for the community. Until 2008, 94,110 ward meetings have been held in 179 upazillas.

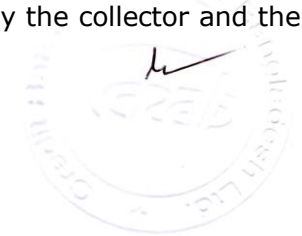
EXHIBIT 17:

Description	Areas where social development program activities on community mobilization only	Areas where social development program activities on both community mobilization and local government
Polli shomaj prepared and submitted a list of its members to union porishad	73%	90%
Selection from polli shomaj submitted list	70%	88%
Final selection from polli shomaj submitted list in comparison to total allocation	15%	27%

BRAC's Social Development Program recognizes the power of information in addressing many of the social inequalities existing in rural Bangladesh. The need for knowledge about the rights of citizens information about local government rules and procedures, resources available through various government program are the key to building confidence among poor, enable them to gain greater control over local resources and their own lives. BRAC uses popular theater and community radio for information dissemination.

New initiatives
Collection of holding taxes by Polli Shomaj

The Union Porishad (UP) of local government of Bangladesh is officially entrusted with the authority to collect taxes on non-agricultural holdings. BRAC's Social Development Program has identified this as an entry point for Polli shomaj to get involved in local governance. By collecting holding taxes on behalf of UP, a Polli shomaj assists local government and also gets commission money (A % of tax shared by the collector and the



Polli shomaj to which he/she belongs). By December 2008, 11 Polli shomaj had signed formal agreement with their Union Porishad to assist in holding tax collection.

Human rights and legal services (HRLS)

The BRAC HUMAN RIGHTS AND LEGAL SERVICES (HRLS) program is dedicated to promote and protect human rights through legal aid, legal representation and empowerment. It is especially concerned with ensuring the rights of the poor and marginalized amongst who are particularly vulnerable. From its inception since 1986, HRLS has sought to protect the poor from discrimination by providing legal aid and re-presentation. All BRAC Legal Aids Services are provided free to clients. Lawyers are paid by BRAC and monitored to ensure that they are protective in providing legal representation against exploitation or corruption. BRAC is the largest NGO based Legal Aid program in the world. Currently HRLS operates 539 clinics in 61 districts of Bangladesh. Lawyers at BRAC clinics assists individuals to prepare for their cases before taking them to court. BRAC has extensive network of partners thus enable to tackle challenging issues like fatwas and acid throwing. HRLS has provided legal aid support to 340 victims of acid throwing. Until now HRLS graduates (Number of women educated about existing laws and their own rights) is 33,81,665 who have been trained about how the judicial system works. BRAC also organized 11,857 workshops for community leaders and trained 5,349 on gender issues and human rights. Using court and alternative dispute method resolution method, HRLS was able to process 55,347 complaints out of 107,327 up to 2008 from its inception.

BRAC Advocacy and Human Rights Unit (BAHRU)

BAHRU seek to change perspectives among individuals' communities, organizations and government officials on the need to alter policies and practices in order to improve existing human rights situation in Bangladesh. The unit was established in 2002 with the specific mandate to create wider awareness about the problems of the ultra poor in accessing justice and their human rights. BAHRU activities are of two types: A) Social Communication activities. B) Media Mobilization activities. In 2008 BAHRU organized 4,030 local theatre show, 11,200 community meetings, 793 workshops, 1,728 quiz contests of rural school, 36 debates in colleges, 5,718 video shows, 132 live audio shows, 39 round table workshops with media and various activities.

OVERALL ASSESSMENT OF SOCIAL & LEGAL EMPOWERMENT:

Legal empowerment is a process and a goal that involves the use of law to increase the control of disadvantaged populations over their lives through a combination of education and action which is visible in the BRAC operation. Due to the program, changes have taken place that demonstrates improvements in the lives or position of women or the poor in some way. Legal empowerment processes of BRAC conceptualize into four strategic programmatic categories as highlighted below:



Culture	Structure	Content	Application
Legal education, legal literacy, and consciousness raising programs.	Legal advocacy, legal aid, legal assistance, and providing legal services.	Legal advocacy and legal reform.	Monitoring enforcement, documenting discrimination, and developing public interest litigation cases.
Goal of reforming the legal culture, i.e. empowering women and others with knowledge of their rights.	i.e. enabling women and other marginalized groups to access the formal and informal structures of justice delivery.	Agendas aimed at changing the content of the law in order to benefit women and other marginalized groups.	Ensuring that laws and policies meant to benefit women and other marginalized people are enforced properly.

Research study shows that legal empowerment work in Bangladesh could be seen from macro, meso, and micro levels in order to see inter-linkages between formal and informal institutions and how those are fostered by the NGOs (Exhibit below). Clients seeking legal services can access alternative dispute resolution at the micro level, they are offered legal aid at the micro level which brings them into contact with the courts at the meso level, and some of these cases are public interest litigation cases which brings issues to the macro level challenging governmental practices and national laws. This allows clients to scale-up within the NGO providing the legal service. A comparative study of four NGOs involved in the process is depicted below:

	BLAST	BRAC	MLAA	NU
Macro level	→ Public Interest Litigation			
Meso level	→ Legal Advocacy → Reforming the <i>Shalish</i> → Community Outreach → Networking with Legal Community	→ Community Outreach	→ Community Outreach → Networking with Legal Community → Intervening with the UP village court and UP Arbitration Council	→ Community Outreach → Networking with Legal Community
Micro level	→ Alternative Dispute Resolution (ADR) and legal aid	→ ADR and legal aid	→ ADR and legal aid	→ ADR and legal aid

BRAC does not involve in macro level, through community outreach, Alternative Dispute Resolution (ADR) and legal aid it involves in meso and micro level.

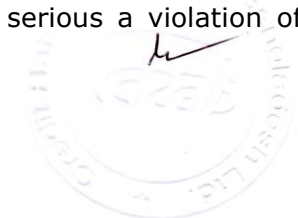


EXHIBIT 18 : Achievements up to 2008: Program Beneficiaries

Programmatic Area	Achievements
A. Empowering the Rural Poor (Rural Institution Building)	
No. of <i>Polli Shomaj</i> members	796,900
Local government services/resources accessed (safety net programs i.e. VGD/VGF/govt. allowances, IGA training etc.)	1,428,497
Actions taken against social injustice/human rights violations (dowry, child marriage, illegal divorce, etc.)	70,952
Engagement in social welfare activities (birth/marriage registrations, rural infrastructure development, social forestry, etc.)	544,859
Leadership achieved by <i>Polli Shomaj</i> members (membership in school/market/ <i>shalish</i> committees etc. and Union <i>Parishad</i>)	78,764
No. <i>Polli Shomaj</i> /Union <i>Shomaj</i> members received capacity building support	123,322
B. Strengthening Local Government	
No. of female Union <i>Parishad</i> members trained	5,968 (44% of total)
C. Awareness and Access to Information through Popular Theatre	
No. of rural artists enrolled in Popular Theatre groups	3,770
No. of drama staged	111,309
No. of participants/audience of drama shows (approximate)	35,212,399
D. Addressing Human Rights Violation Issues	
No. of incidents reported to BRAC	5,220
Support given to victims (through coordination with BRAC programmes, ASF and other organizations)	1,770

These community outreach initiatives are crucial in terms of providing training in rights and providing forums for discussion. Education is a pre-requisite and is not enough on its own to constitute empowerment. Education and training in the law is important work and provides a foundation for other empowerment work that other NGOs undertake.. Providing training in legal literacy is supplying an important service aimed at increasing demand for other legal services.

BRAC provides alternative mediation and legal aid. BRAC operates two legal aid programs in conjunction with two partner NGOs. Ain-O-Shalish Kendro (ASK) and BRAC operate a program called the BRAC/ASK Joint Legal Aid Program. BRAC and the Bangladesh National Women's Lawyers Association (BNWLA) operate the BRAC/BNWLA Joint Legal Aid Program as well. BRAC staffs are involved in the day-to-day operations of the legal clinic. ASK conducts intensive 12 day training sessions for the BRAC staff aiming to familiarize them with laws, court procedures, and filing police reports. ASK supervises and monitors the program through clinic visits, client workshops, coordination meetings, and communicating suggestions to the BRAC head office on how to improve the program. Cases received concerned marital conflicts, primarily dealing with dowry, dower and maintenance, polygamy, divorce, hila marriage, physical torture, land related matters, money related matters, rape, acid throwing, kidnapping, trafficking, and fraud. If arbitration fails or if the matter is too serious a violation of



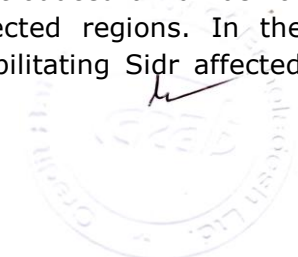
human rights for arbitration, such as rape or acid attacks, ASK selects legal aid lawyers to take the case to formal court and oversee the work of BRAC staff members on the cases. BRAC group members can seek advice directly from the legal aid lawyers and the lawyer's fees are covered by BRAC. BRAC staffs are required to follow-up on every case six months after the settlement or mediation agreement was reached.

The BRAC legal aid program operates as a component of a program called Targeting the Ultra Poor (TUP). BRAC clients through TUP and micro-credit groups are told of the legal aid program and given legal literacy education. This is a highly integrated program according to the ADB ideal model combining areas of development; however, the downside is that the TUP program may sometimes overshadow efforts to support the legal aid program. One assessment shows that BRAC's implementation of an alternative legal aid and dispute resolution mechanism faces challenges as well. The study found a great deal of fluidity between the local Shalish, the Union Parishad, and BRAC's legal aid services for the limited number who were aware of BRAC provided legal aid. The study revealed that the majority of BRAC justice-seekers had first attempted to access justice through the traditional village Shalish before approaching BRAC and that a significant minority returned to the Shalish after attempting to resolve their conflict with BRAC. It was also found that there were strong social pressures on community members to keep their conflicts within the community, and taking a conflict to BRAC is seen as going outside the community. Local elites also socially shun people who bypass the Shalish and go directly to BRAC for justice. BRAC is also more expensive in terms of travel costs and required documentation than the *Shalish*; however bribing the *Shalishkars* is a serious expense in the traditional *Shalish*.

7.1 Environment

BRAC has introduced an environmental cell at the Research and Evaluation Division of BRAC in 1996. BRAC initiatives such as the Renewable and Alternative Energy Program (solar, wind, bio- gas etc.), Water Sanitation and Hygiene (WASH) Program and Social Forestry as well as its Paper Recycling Plant directly contribute to the preservation of the country's environment. Most of the initiatives taken by BRAC are directly linked to the different environmental components such as: Ayesha Abed Foundation (textile, dyeing, handicraft), different agricultural projects, poultry and livestock, poultry farm, fisheries, sericulture, social forestry and nursery, Shushasto, TB Lab, and income generating programs of the program participants. However, recently many more programs have been developed in BRAC like hand-made paper mill, chalk factory, shoe factory, napkin factory, feed mill, seed processing center and nursery that also affects the environment. The solar program is currently financed by the Government of Bangladesh and World Bank through the Infrastructure Development Company Limited (IDCOL).

Bangladesh has to suffer natural calamities once in every year. In the end of the year 2007, cyclone SIDR, category 4, hit Bangladesh causing a breach in coastal and river embankment, flooding low-lying areas. Cyclone SIDR caused extensive damage to standing crops, housing, roads, bridges and other infrastructure. 31 of Bangladesh's 64 districts were affected by the storm mainly within the administrative divisions of Barisal and Khulna. To help restore the livelihoods of survivor, BRAC introduced a number of agricultural and non-agricultural interventions in the Sidr-affected regions. In the following exhibit information on the activities of BRAC for rehabilitating Sidr affected



people is given. BRAC took initiatives through creating immediate opportunity for employment post disaster.

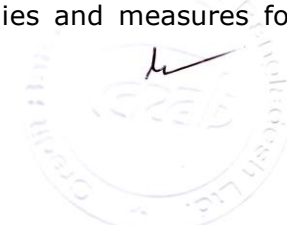
**EXHIBIT 19:
Information on the activities of BRAC performed to rehabilitate
the SIDR victims from November 2007 to December 2008**

Sl. No.	Particulars	Number/Quantity
1	House construction	1,302
2	House repair (with assistance from BRAC)	-
3	House repair (with grants)	2,645
4	Pond-sand-filter (PSF) construction	114
5	Pond-sand-filter (PSF) repair for drinking water	246
6	Hand pump (tubewell) repair for drinking water	200
7	Cyclone shelter under construction	17
8	BRAC distributed free of cost	
	a. Emergency food package (Tk. 500/family)	151,195
	b. Blanket	41,325
	c. Cloth (old and new)	119,718
	d. Nutrition supplement to child, pregnant and lactating mother	85,024
	e. Water purification tablet	69,503
	f. Treatment	37,023
	g. Sanitation	21,752
	h. Power tiller for land preparation	351
	i. Low lift pump for crop irrigation	197
	j. Sprayer for controlling insect-pest attack	165
	k. Subsistence allowance to buy essential items (Tk. 1000/family)	2,811
	l. BRAC primary and pre-primary school reconstruction	814
	m. Secondary school repair and maintenance	150
	n. Books and supplies for primary and pre-primary schools	12,952
	o. Books for secondary school students	21,952
	p. Laboratory supplies for secondary schools	41
	q. Gonokendra and information technology	44
9	Rice inputs (acre)	60,091
10	Maize inputs (acre)	10,147
11	Vegetable/fruit inputs (acre)	7,587
12	Betel leaf inputs (acre)	907
13	Fodder seeds (kg)	24,485
14	Beneficiaries received goat	7,238
15	Beneficiaries received cow	4,858
16	Beneficiaries received cash grant for tree nursery	1,658
17	Beneficiaries received cash grant for homestead plantation	96,691
18	Beneficiaries received cash grant for rickshaw-van	2,724
19	Beneficiaries received cash grant for small business	6,034
20	Beneficiaries of cash for work (person-days)	198,883

Water, Sanitation & Hygiene

BRAC's essential health care program included WASH program was created to improve water, sanitation and hygiene facilitates for all. The goal of the proposed program is to ensure that 17.6 million people—spread over 150 Upazilas - have access to sanitation services that are effectively used, including consistent hygiene practices. In addition to this, more than 8.5 million people were provided with safe water supply services. The programs ensured that existing water supplies were sustained, well maintained and managed by the community. Overall strategy of this WASH program was the participation and collaboration at the union and the village level where improved hygiene practices would be the backbone of the program supported by improved sanitation and safe water supplies. The second strategy was to stimulate bottom-up participation and planning through purpose-organized WASH committees at the village level whose members represent the entire village (and particularly the poor and women), including other committees and other agencies or NGOs that may be active in the village.

At the Union Level, BRAC would provide support to and collaborate with the Union WASH committees that set up by the Local Government Department. This program preparatory phase lasted 2 years during which the main activities were experimented to develop effective, community driven, large scale and sustainable strategies and measures for



improving access to sanitation and safe water supply. The program was run through interaction at household, institutional, community, Administrative and Partnership levels. For this WASH program has trained WASH staff, developed materials for training upazilla officials and village wash committee members. Cluster meetings are organized for raising awareness among the community on the use of safe water, sanitary latrine, and good hygiene practices.

In 2008, 13,492 such committees were successfully established. At the union level BRAC conducted 734 Union advocacy meetings attended by 7,365 male and 31,154 female. With contribution from the government, BRAC along with other NGOs and local communities installed 15,20,265 sanitary latrines. BRAC also provided loans to 73,283 families while 35,269 hardcore poor families were given latrines free of cost. In 2008, 746 deep tube wells were installed to provide access to safe drinking water to communities.

Disaster, Environment and Climate Change (DECC)

BRAC's Disaster, Environment and Climate Change (DECC) program was created during 2008. DECC is the outcome of cyclone Sidr. BRAC realized that traditional response to assist affected people is not enough after any natural calamities occurred in Bangladesh. The DECC program comprises an interdisciplinary core team committed to developing capabilities for promoting better disaster preparation and management. DECC educate BRAC's employees and communities within who it works on the issues related to the environment, natural disaster.

Alternate energy

Solar energy

BRAC has been experimenting with solar energy since 1998. At first as a small project it was established in one of its training center. Another attempt was to provide solar power units to a number of rural poor households for free. This effort was supported with BRAC's own funds. From 2002-07, BRAC piloted the Solar Home System's project to install 20,000 solar panels with the support from IDCOL funded by the GOB and WB. Currently the majority of better-off households are able to purchase solar energy units. However a considerable number of households who spend from BDT 250-300 a month to purchase kerosene for lighting could be brought under into this program if a more flexible scheme of payment was to be introduced. These solar units are usually acquired by mid-size poultry farm and fishery projects, thereby contributing to income. BRAC has so far installed 38,872 solar home systems. In 2008, a total of 9,524 solar home systems were installed.

Biogas

Another one of BRAC's energy centric program commenced in 2005 by conducting an action oriented research project on Rural Electrification through Biogas Generation named Project Emergence. The objective of this pilot project was to develop a sustainable business model that can be provide bio-gas-generated electricity as well as the bio-energy generation by-product of high grade fertilizer, to the people who live in the 50,000 Bangladeshi villages outside the established power Grid.



Recycle plants

Water treatment plant

The AYESHA ABED FOUNDATION is run by BRAC. It is recognized not only as a humanitarian organization but also as a comprehensive concern to build a hazard free environment. This plant executes dyeing, printing and washing activities. The organization's environment friendly small scale effluent water treatment plant was completed on 15th January 2006. Setting up this plant was an ideal solution to countering the Foundation's otherwise traditional modes of water treatment. The AYESHA ABED FOUNDATION Manikganj Effluent Water Treatment plant is now running successfully without any signs of exhibiting negative environmental effects. Up to 2008 20 thousands litres of water was produced everyday in the Ayesha Abed Foundation plant in Manikganj.

Recycled home made paper

BRAC recycled handmade paper project started in February 2000. This project, which employs mostly female workers, synthesizes paper from the following variety of materials – old paper, stalk of wheat, hay, water hyacinth, caustic soda, barley, glue, cotton, and thread. These materials which came from several projects and branch offices under BRAC are used to manufacture thin paper sheets, thick paper sheets, boards, art paper, and jewelry boxes of different size, exercise books, pencil boxes, note pads, photo frames, and visiting cards etc. The products are supplied to BRAC's head office, BRAC University, Aarong and BRAC's various divisional offices.

Environmental research unit

The Environmental Research Unit (ERU) was set up in 1996 and has been conducting impact assessment studies, action research and environmental evaluations of different program.

OVERALL ASSESSMENT OF ENVIRONMENTAL INITIATIVES

Environmental investigations and assessment were done before for all income generating activities run by micro credit borrowers. Nevertheless, there are several programs established which have not been evaluated before. It was found that, re-visited programs are being implemented most of the recommendations made before to make their activities environment friendly and sustainable. Study also recognized that some of the programs have different kind of environmental and occupation health problems that could be minimized with little effort. Following sections highlights good and bad practices of studied programs in light of environment, health and safety.

Selected BRAC's Program Support Enterprises (PSE) were assumed to have some kind of consequence on health and environment (e.g. seed farm, seed production, seed processing center, feed mill, poultry farm etc.). It was found by a study that, almost all PSEs are located in proper place with a safe distance from the residential area. Most of the enterprises were found to be maintaining buffer zone and/or green belt around the establishment. Ambient environment and occupational safety were well maintained in most cases. There are fixed place for solid and hazardous waste disposal, and usually wastes are buried under soil, which is considered better than open dumping in the country context.



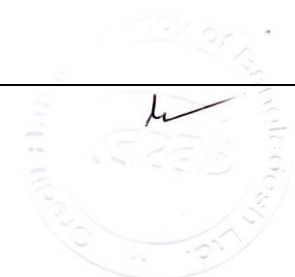
Liquid waste found to be diluted and drained out in specific places where necessary and few big establishments like AAF who produce huge amount of liquid waste have constructed waste water treatment plant (WWTP). No enterprises were found to use any kind of ban pesticides or chemicals. Disinfectants like potash, bleaching etc. were being used to sterilize working environment. Autoclave was used in laboratory and napkin factory to disinfect materials.

Workers were provided with protective devices, as needed e.g. gloves, masks, aprons etc. All enterprises were found to be maintaining environmental hygiene that might be for economic benefit of the enterprises. However, those practice ultimately posing positive impact to the environment and health. Employment of rural poor women and NFPE graduate adolescent girls in PSEs would play important role in poverty alleviation and women empowerment. There was no child labour found in any of the enterprises. Moreover study could not identify any hazardous enterprises or activities, which is prohibited by environmental regulations of Bangladesh (Quayum and Akter, 2006). In some enterprises regular health check up are done for the workers and some kind of incentives are given when needed (e.g. AAF, shoe factory, poultry farm etc.).

TUP, and/or village organization level programs usually do not pose adverse impact to the environment. Involvement of TUP and micro finance borrowers in nursery, vegetable cultivation, aquaculture and seed production are found environment friendly. Most of the activities encourage local species and hybrid of local good quality varieties. Farmers were well trained in their field of work and are aware of environment and health safety measures, though some of them found reluctant to follow safety measures. BRAC program staff regularly visit farmers/ VO to follow up their activities and provide assistance when necessary. In some cases it was found that BRAC helps to develop market linkage with rural poor growers and entrepreneurs. In some cases BRAC directly purchases the products from growers.

Comparing to the extent of work and diversity of programs there was very few bad practices identified i.e. uses of fertilizer and pesticides etc. However, those little practices were addressed in recent years based on the recommendations of the environment study.

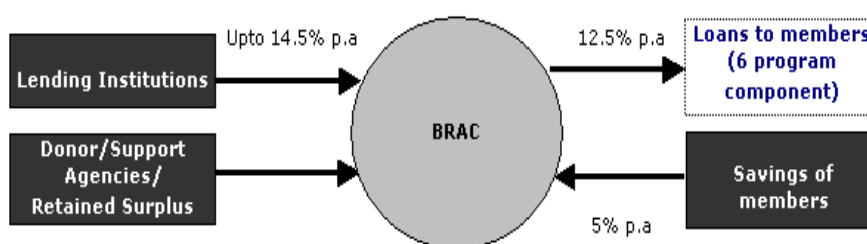
CRAB views the environmental issues are a part of BRAC objectives and BRAC over the period of its long journey shows its eagerness to address the environmental issues. It is a regular practice of BRAC to conduct environmental assessment of BRAC development programs operated by BRAC village organizations (VO) and BRAC Program Support Enterprises (PSEs). Selected old and newly established programs were also assessed for this purpose. It was evident from field investigation and assessment that, most of the programs have different kind of environmental and occupational health problems. Study also recognized that almost all old programs are following few recommendations made by the Environment Group in 1996 to 1998. There are several programs established which have not been evaluated before and those program also found environmentally sound in most cases. Nevertheless, considering all the environmental factors those are usually used for environmental guidelines, showed that there is still lot to do to meet the environment, health and safety requirements for few programs.



8.1 MICRO FINANCE OPERATION (MFO)

Credit operations of BRAC are carried out through a Revolving Loan Fund (RLF). The sources of RLF are retained earnings, Donors’ funds, group savings, loans from banks and PKSF and recently from securitization of micro credit receivables. Loans realized are credited to and form a part of the RLF for extending further credit. This process of lending, recovery, and further lending ensures that credit facilities are eventually available to all Village Organization (VO) members. Frequent borrowing and payments allow the borrower to take higher loans. The flow of funds to and from the organization is illustrated in the following diagram:

Exhibit 20: Fund Flow



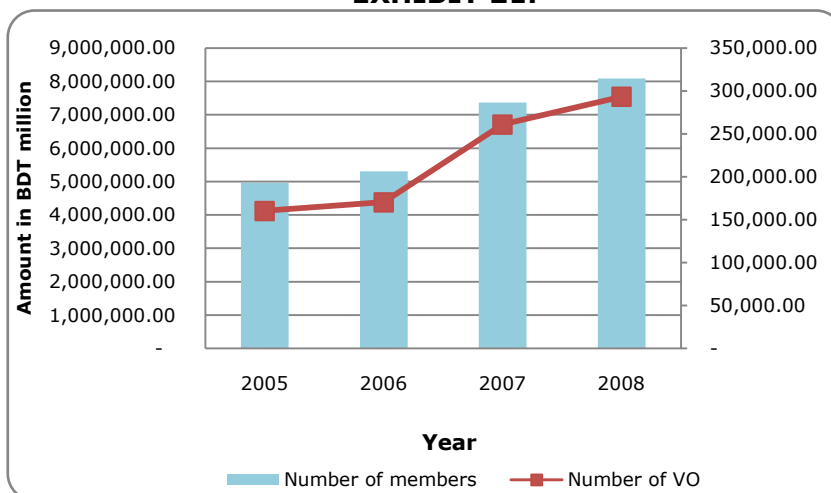
VILLAGE ORGANIZATION (VO)

The Village Organization (VO) is the nucleus of BRAC’s poverty alleviation efforts. It is the gateway through which BRAC introduces its services to its members. The VO is heart of BRAC’s credit program approach. It is an association of poor, landless people that come together with the assistance of BRAC to try and improve their socio-economic position. BRAC opens Area Office through conducting door-to-door survey to identify the target population of the area. Generally the target area ranges within a 5-6 km radius of the area office.

The staff members of BRAC give orientation at the time of VO formation and each VO is sub divided into small groups comprising five members with a leader. The VOs have a management committee consisting of an elected chairperson, a secretary, a treasurer and leaders of the small groups. Normally there are 30-40 members in a VO. Once a VO has a minimum of 20 members, activities may start. Aside from microfinance, these VOs offer a gateway for members to BRAC’s other interventions in health, education and social development. To better serve the diverse groups, the program uses a “credit ladder” approach and has developed targeted financial services at each tier. The Microfinance Program covers all 64 districts of Bangladesh with its 293,016 Village Organizations. The programs are designed for 3 segments of poor people, viz. extreme poor, moderate poor and vulnerable poor, with different products for each class.



EXHIBIT 21:



For extreme poor the products are **Challenging the Frontiers of Poverty Reduction-Targeting the Ultra Poor (CFPR-TUP)** and **Income Generation for Vulnerable Group Development Program** and (IGVGD). CFPR-TUP program covers poorest class of population. This program is planned to reach 860,300 ultra poor households over five years. The program participants are women from ultra poor households. There are four linked components. The participants get enterprise development training, social development training and essential health support. The IGVGD program offers a vital link for its members to mainstream development activities through the provision of micro credit, which allows them to utilize the skills training they receive under the program, by setting up income generating activities. This program involves providing food subsidy and credit support to its member women as well as the following capacity building schooling, which is enterprise development training and social awareness training.

In the Exhibit 21, movement of BRAC Village Organizations and members trend from FY05 to FY08 is plotted. It is seen that VO has reached at 293,016 Village Organization (VO) with 8.09 million members having 10% growth, 96 percent of VO members were women at the end of December 2008. Members are recruited by BRAC staff, with the requirement that member households meet three criteria: ownership of less than 50 decimals of land; dependence on manual labor to make a living; and total assets amounting to less than the value of 50 decimals of land.

MICRO CREDIT SERVICES

Savings: BRAC has initiated two types of savings deposits namely (a) Own savings and (b) Compulsory savings, with a view to facilitating and encouraging savings by people in rural areas.

Own savings: On an average every VO members are required to save minimum BDT 5 every week. The amount to be deposited weekly is fixed by the VO members at the beginning meeting of the year. A member may deposit a maximum amount of BDT 200 per week.

Compulsory savings: When loans are disbursed to VO members, 5% of the loan sanctioned is deducted at source at inception and recorded under "saving deposits" of the VO member loan. This deducted amount is considered as "deposit against loan disbursed". The interest rate for the savings is 5%.

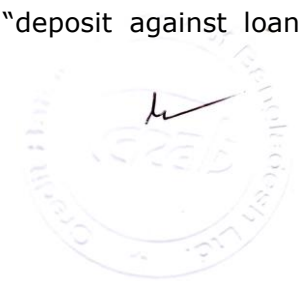
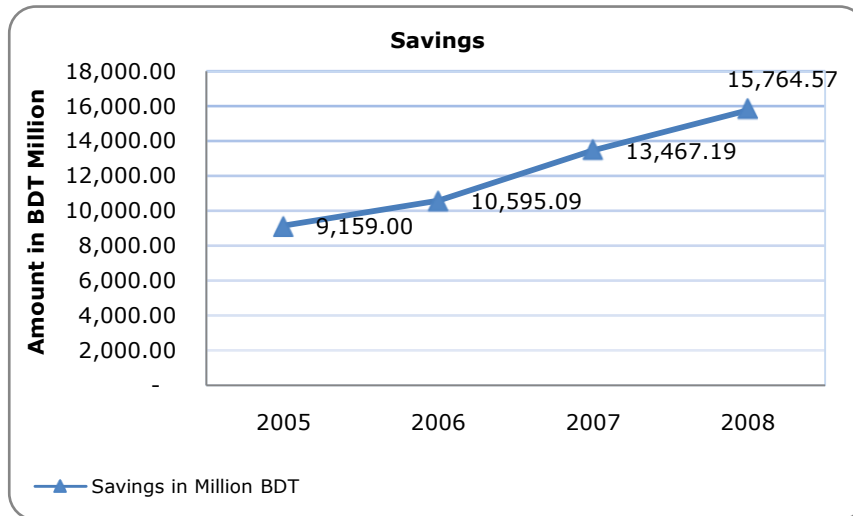


EXHIBIT 22:

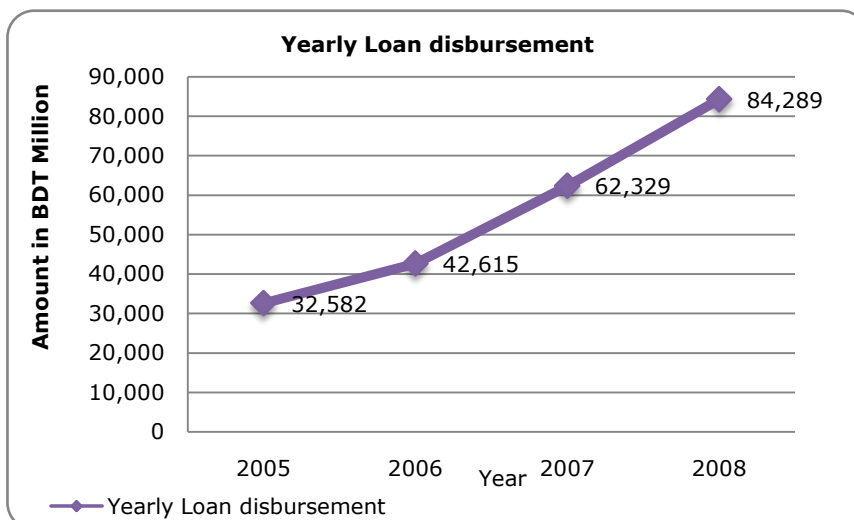


The Exhibit 22 reflects the upper trend of savings indicating effective savings mobilization efforts of BRAC, which reached at BDT 15,765.00 million by the end of December 2008, registered a growth of 17.06%. But percentage of growth was lower than 2007. It is to be mentioned that the savings mobilization is due to increase of number of members as well as BRAC’s effective procedures. The interest rate for the savings was 5.0%.

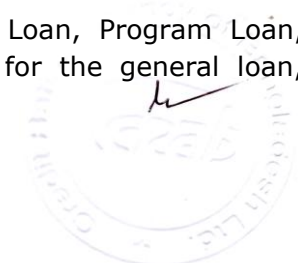
CREDIT PROGRAM

BRAC provides credit to its VO members to initiate different income generating activities. An individual member must have some savings with BRAC to be eligible for getting collateral free loans. Though when the loans are disbursed to VO members, 5% of the loan sanctioned is deducted at source at inception and recorded under savings deposits of the VO member loan.

EXHIBIT 23:



The loan products of the micro-finance program are: General Loan, Program Loan, Housing Loan and Rural enterprise Loan. The rate of interest for the general loan,



program loan in 2008 was 12.5% and the housing loans are for two years with a 10% flat interest rate.

LOANS PRODUCTS:

Credit Ladder	Definitions of Target Group	Terms & Conditions/ Prerequisites	Product Details
	Dabi targets women from households: <ul style="list-style-type: none"> • That own no more than 1 acre of land (including homestead) • That earn their living by selling their manual labor • That live permanently in the area 	Dabi and Unnoti members must <ul style="list-style-type: none"> • Attend weekly VO members regularly • Save regularly • Not be related with other NGOs 	<ul style="list-style-type: none"> • Loan sizes range between BDT 7,000-60,000 • Interest rate: 12.50% - 15% flat¹ • Repayment: 46 equal weekly installments over a period of 1 year
Unnoti	Unnoti targets women from households: <ul style="list-style-type: none"> • That own more than one acre of land • Involved in farm/non-farm enterprises • That live permanently in the operating area 		<ul style="list-style-type: none"> • Loan sizes range between BDT 15,000-100,000 • Interest rate: 12.50% - 15% flat • Loan terms: 12 and 18 months • Repayment: equal monthly installments
Progoti	<ul style="list-style-type: none"> • Progoti targets men and women who operate existing micro enterprises and are looking to expand Or <ul style="list-style-type: none"> • Are Dabi or Unnoti graduates or other looking to start a micro enterprise 	Progoti members must <ul style="list-style-type: none"> • Have good entrepreneurial skills • Open a bank account in order to receive their loan 	<ul style="list-style-type: none"> • Loan sizes range between BDT 50,000-300,000 • Service charge: 12.50% - 15% flat • Loan terms: 12, 18, and 24 months • Repayment: equal monthly installments

BRAC Micro finance client dropout rate has been improving over the years. During 2007 it was 16%. Whereas, new clients increased to 13.69 million in 2008 and client drop out ratio was 7.43%. There are strong bondage existing between the clients and BRAC. The management of staff is specialized in each segment. There are separate management sections for Microcredit, Health and Social Development. Initially, all BRAC staff undergoes a common training program for introduction to BRAC and its various programs, core values and method of work. Subsequently, staffs receive more specialized trainings, which are directly relevant to their specific program work. Staffs periodically get new training for new skills or to keep up with new developments within their field or within the organization.

¹ Service charge : Jan 2007 – Sept 2008 was 12.5%

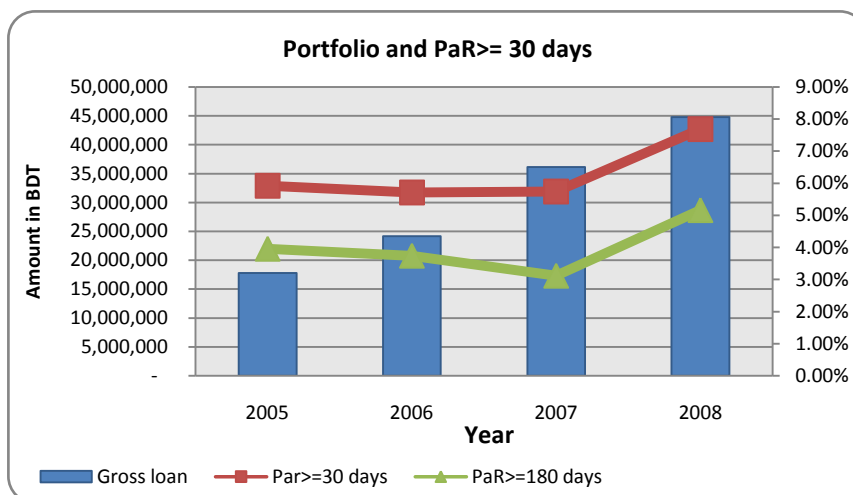


FINANCIAL ANALYSIS

The indicators presented in this report are categorized into five main classes: portfolio quality, efficiency and productivity, financial management, profitability and sustainability. There are other aspects like performance of micro-finance institutions; various important indicators are taken together, provide a reasonable overview of the performance, risk and financial condition of BRAC.

PORTFOLIO QUALITY
PORTFOLIO AT RISK (PaR)

For BRAC, a micro finance institution, whose loans are typically not backed by bankable collateral, the quality of the portfolio is absolutely crucial. The most widely used measure of portfolio quality in the micro finance industry is Portfolio at Risk (PaR), which measures the portion of the loan portfolio “contaminated” by arrears as a percentage of the total portfolio. The number 30 and 180 indicate days of arrear above or equal to the indicated days.

EXHIBIT 24:

EXHIBIT 25:

Particulars	2005	2006	2007	2008
Portfolio Growth	22.87%	35.67%	49.51%	24.06%
PaR > = 30 Days Growth	-40.55%	4.04%	2.15%	5.44%

It is seen from the exhibit above that as of 31 December 2008 total portfolio of BRAC stood at BDT 44,804 million whereas PaR [≥ 30 Days] stood at BDT 4,122.89 million, which was 7.69% of total portfolio. The loan portfolio growth decreased in FY 08: 24.06% compared to portfolio growth (FY 07: 49.5%). The portfolio is consistently increasing however portfolio risk amount shows a mix trend over the last four years. In the exhibit below PaR [≥ 30 Days] and PaR [≥ 180 Days] as well as PaR [≥ 30 Days] and PaR [≥ 180 Days] after adjusting renegotiated loans is calculated. Late loans have been treated as Renegotiated loans. Loans, which remain outstanding after one month of their maturity period, are considered as late loans. The Renegotiated loan amount is included in loss loan amount. Thus it is deducted from loss loan amount to segregate the analysis in the following exhibit 26.

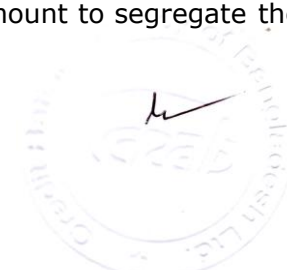


EXHIBIT 26:

Ratio	2005	2006	2007	2008
PaR >=30 Days	3.61%	3.76%	3.84%	4.05%
PaR >= 180 Days	1.65%	1.79%	1.22%	1.52%
Including Renegotiated Loans				
PaR >=30 Days	5.92%	5.71%	5.74%	7.69%
PaR >= 180 Days	3.96%	3.74%	3.12%	5.16%

Around 24% portfolio loan growth as well as 85% arrears occurred due to fluctuating income of the micro credit borrowers which directly contributes to the increase of Portfolio at Risk. The slow down of loan recovery is still affected by two consecutive floods and the devastating cyclone (Sidr) of 2007.

EXHIBIT 27:

RISK CLASSIFICATION	2007		2008	
	31st December	%	31st December	%
Microfinance portfolio of BRAC	(Amounts in BDT)		(Amounts in BDT)	
A. Standard (current)	32,193,280,367	89.14%	40,682,070,341	90.80%
B. Watch list (1-30 days)	1,851,422,802	5.13%	679,353,369	1.52%
C. Sub standard (31-180)	945,253,720	2.62%	1,131,725,168	2.53%
D. Doubtful (181-350)	65,328,747	0.18%	99,754,946	0.22%
E. Loss (> 350 days)	1,060,878,615	2.94%	2,212,058,492	4.94%
NPL's = C+D+E	2,071,461,082	5.74%	3,443,538,606	7.69%
Loan loss reserve	2,357,295,470	-	3,360,828,810	-
LLR/NPL's	1.14%	-	0.98%	-
Write offs	408,392,705	-	585,055,728	-

From the Exhibit 27 it is evident that proportion of Watch list category has decreased but Loss loan doubled from 2007 to 2008. It influenced the Portfolio at Risk in 2008 to increase over 2007. Another crucial aspect in assessing portfolio risk is related to the practice of restructuring and refinancing loans. The following ratios from 2005 to 2008 indicate a declining trend up to 2007 but it increased during 2008, which is above 1.00%.

EXHIBIT 28:

	2005	2006	2007	2008
Renegotiated Ratio	2.31%	1.95%	1.90%	3.64%

Loan repayment frequency is yet another relevant factor in assessing portfolio risk. Greater the number of loan repayment enhances the seriousness of the Portfolio at Risk figure. If repayments are weekly, a loan that is more than 30 days overdue will have missed at least three payments, which is certainly more serious than if only one-month payment is late. In order to assess the asset quality, the following aging analysis is carried out.



EXHIBIT 29: Ageing Analysis

Ageing	2008	%
Past due 0 installment	40,682,070,340	90.80%
Past due 1-4 installment	679,353,369	1.52%
Past due 5-12 installment	517,124,542	1.15%
Past due 13-25 installment	614,600,626	1.37%
Past due 26-51 installment	99,754,946	0.22%
Past due 51-100 installment	2,212,058,492	4.94%
Total (Amount in BDT)	44,804,962,315	100%

From the Exhibit 29 it is understood that 90.80% of the portfolio is free of any overdue installments. 1 - 4 installment overdue amounts are 1.52% of the portfolio. The rest 7.69% of the portfolios fall under 5-100 installment overdue.

PROVISIONING AND RESERVE

Provision Expense Ratio gives an indication of the expense incurred by BRAC to anticipate future loan losses.

EXHIBIT 30:

	2005	2006	2007	2008
Provision Expense Ratio (PER)	1.72%	2.26%	2.99%	3.55%

The provision expenses ratio increased from 2.99% in 2007 to 3.55% in 2008, showing that BRAC has kept proper reserve balancing its portfolio quality. Due to high portfolio growth as well as marginal deterioration in the portfolio quality in 2007 and 2008 the ratio increased. In the Exhibit 31, principal outstanding of loan portfolio of BRAC as on 31 December 2008 is categorized based on aging as mentioned above. The best practice rate of provision for each category as well as required provision is also calculated.

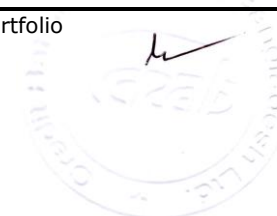
EXHIBIT 31: Required Provision Calculation

Loan classification	Days in Arrear	Rate of provision	Principal Outstanding on 31 Dec 2008	Required Provision
				Amount in BDT Million
Standard	No arrear	1%	40,682.07	406.82
Watch List	1-30 days	5%	679.35	33.97
Substandard	31-180 Days	20%	1,131.73	226.35
Doubtful	181-350 Days	75%	99.76	74.82
Loss	Over 350 Days	100%	2,212.06	2,212.06
Total				2,954.01

EXHIBIT 31(a):

Particulars	Amount in BDT Million
Current Loan Loss Reserve as on 31 December 2008	3,360.83
Required Loan Loss Reserve (As per Best Practice)	2,954.01
Excess Reserve (BRAC Current Loan Loss Reserve over the Required Provision of Best Practice)	406.82
*Excess as % of Current Loan Loss Reserve	12.10%
**Excess as % of Loan Portfolio	0.91%

*Excess reserve / Current loan loss reserve and ** Excess reserve / Gross loan portfolio



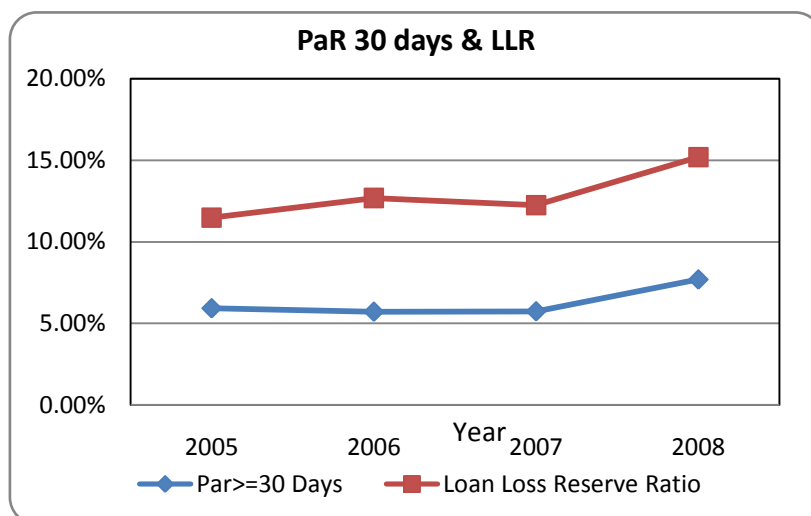
It is found from the Exhibit 31(a) that BRAC current loan loss reserve is 12.10% higher than required (Best Practice basis) loan loss reserve and the excess is 0.91% of loan portfolio. The loan loss reserve ratio reflects accumulated provision expenses (minus write-offs), which increases to 7.50% in 2008 from 6.50% in 2007.

EXHIBIT 32:

	2005	2006	2007	2008
Loan Loss Reserve Ratio	5.55%	6.97%	6.50%	7.50%

However as mentioned earlier, BRAC keeps excess reserve corresponding to its aging of portfolio.

EXHIBIT 33:



It is seen from exhibit 33 that in 2008 Portfolio at Risk amount (PaR >=30 Days) increased. In 2008 there was adequate cumulative reserve kept to offset portfolio at risk thus loan loss reserve ratio showed increasing trend.

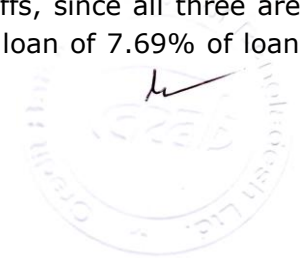
RISK COVERAGE RATIO

EXHIBIT 34:

	2005	2006	2007	2008
Risk Coverage Ratio	120.95%	122%	114%	97.59%

The Risk Coverage Ratio is calculated by dividing loan loss reserves by the Outstanding balance on Arrears over 30 days. This measure shows that in 2008 it is 97.59% (2007: 114%) of the Portfolio at Risk is covered by actual loan loss reserves. The reserve ratio has increased. In general, high-level reserves reflect an attitude of "when in doubt, be conservative". For any institutions with a very high coverage (75% to 100%) is a prudent measure to combat future downturns in the economy or to prevent poor performance of the portfolio.

BRAC had loan loss reserves to 122% of Portfolio at Risk in 2006. But it declined in 2007 and 2008. Though it does not necessarily mean weak performance rather BRAC takes the strategy to expand its' micro credit operation fast in order to assist the micro borrowers to become active in the economic activities of the country. The Risk Coverage Ratio is analyzed in conjunction with Portfolio at Risk and Write-offs, since all three are interdependent. A PaR [≥ 30 Days] after adjusting renegotiated loan of 7.69% of loan



portfolio in 2008 cannot be termed as relatively safe because loans are not overdue by only a few days. As for write-offs, they reduce Portfolio at Risk in quicker way.

WRITE-OFF POSITION

Loans within their maturity period are classified as "Current Loans". Loans, which remain outstanding after one month of their maturity period, are considered as "Late Loans". Late loans which remain unpaid after one year is classified as "Non-Interest Bearing Loan (NIBL)". The total amount of NIBL, which are considered bad and have no possibility of recovery, is referred to the Governing Body of BRAC for approval of write offs, generally within one year from the date when a loan is transferred to NIBL. Generally loans are written off twice a year i.e July and December. Any collections realized from loans previously written off are credited to the statement of income and expenditure.

EXHIBIT 35:

	2005	2006	2007	2008
Write-Off Ratio	1.61%	0.56%	1.13%	1.61%

The above figures simply represent the loans that the institution has removed from its books because of a substantial doubt that they will be recovered. The writing off of a loan is an accounting transaction to prevent that assets are unrealistically inflated by loans that may not be recovered. The writing off loan affects the gross loan portfolio and loan loss reserves equally. Write-offs have no bearing whatsoever on collection efforts or on the clients' obligation to pay. BRAC does not take aggressive write-offs to attempt to sanitize their portfolios. However, the increasing Portfolio at Risk (PaR 30) ratio from 2003 to 2008 is the prime outcome of write-offs. This ratio is therefore better understood in the context of the Portfolio at Risk. In fact, its main purpose is to serve as a control indicator that it will allow better understanding of PaR. If BRAC write-off loans which are overdue less than 350 days, than PaR 30 (before adjusting renegotiated loan) would not increase to 4.05% in 2008 from 3.84% in 2007.

EFFICIENCY AND PRODUCTIVITY

Efficiency ratio provides the best indicator of the overall efficiency of BRAC.

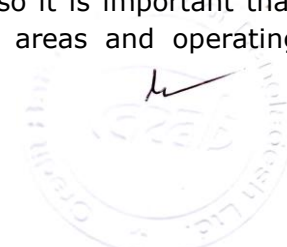
EXHIBIT 36:

	2005	2006	2007	2008
*Efficiency Ratio	12.80%	11.50%	12.80%	16.96%

*Efficiency ratio = Financial cost of operation / Total long term liabilities

Efficiency ratio measures the institutional cost of delivering loan services. The lower the ratios better the efficiency. Portfolio size, loan size and salary incentives can help put efficiency levels into context. Small MFIs can become more efficient simply by growing. But the asset size of BRAC stands at BDT 46,563 million at the end of year 2008 indicates its large size as a result economies of scale diminishes rapidly and other factors become more important. Loan size has a more decisive impact on efficiency than scale, particularly when average loan size is low compared to other FIs.

Average loan size of the three programs of BRAC is as follows: Dabi BDT 7,723, Unnati BDT 14,910 and Pragati BDT 135,843. Total outstanding loan as of December 2008 is BDT 44,804 million, which disbursed to 8.09 million members. Also it is important that BRAC's micro credit operations are more concentrated in rural areas and operating



expenses of rural micro lenders are obviously much high since its clients are more widely dispersed. Operating costs are strongly correlated to salary levels, as is to be expected in a highly labor intensive industry. The salary structure of BRAC is competitive among the MFIs as well as other commercial financial institutions. From analyzing BRACs annual audited reports, there is no evidence of undisclosed actions.

The reduction of operating expenses ratio has been the primary driver of increased profitability in the micro finance sector. While an Operating Expenses Ratio of 25% was considered acceptable a few years ago, today MFIs typically achieve Operating Expenses Ratios below 20.00% and the very best are 12.00% whereas BRAC is 11.02% during 2008.

EXHIBIT 37:

	2005	2006	2007	2008
Borrower per Staff	330	252	267	398

Borrower per staff captures the productivity of BRAC’s staff – the higher the ratio the more productive the institution. Indirectly, the ratio says a fair amount about how well the BRAC has adapted its processes and procedures to its business purpose of lending money. However, low staff productivity usually does not mean that staff work less, but that they are tied up in excessive and time consuming paper work and procedures. In fine the ratios indicates good performance of credit staff and efficiency of BRAC methodology.

OTHER INDICATORS

On an average BRAC incurred 6.63% cost for BDT 100.00 money lent (average 7.35% cost for BDT 100.00 money lent in 2006). Average cost per loan made is BDT 795.89 and portfolio per credit staff was BDT 1.77 million. (Average cost per loan was BDT 645.42 and portfolio per credit staff stood at BDT 1.25 million in 2006).

EXHIBIT 38:

	2005	2006	2007	2008	Average
Cost per Unit of Money Lent	7.50%	6.60%	7.10%	5.3%	6.63%
Cost Per Loan Made	659.62	732.36	909.62	881.97	795.89
Portfolio Per Credit Staff(in million)	1.37	1.42	1.50	2.80	1.77

The trend of cost per unit of money lent indicates that BRAC achieves efficiency through controlling cost in terms of utilization of money. However, Cost per loan made shows a marginal increased trend. At the same time, the Portfolio per Credit Staff ratio indicates that efficiency level of credit staff increases.

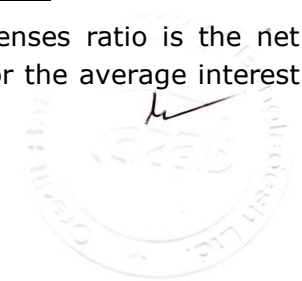
FINANCIAL MANAGEMENT

The financial cost ratio presented in the exhibit below is calculated by dividing interest and fee expenses on funding liabilities by the period average gross loan portfolio. This ratio measures the total interest expenses incurred by BRAC to fund its loan portfolio.

EXHIBIT 39:

	2005	2006	2007	2008
Financial Cost Ratio	4.40%	5.00%	6.20%	8.20%

The difference between the portfolio yield and the financial expenses ratio is the net interest margin. This ratio is not the institution’s credit spread, nor the average interest



rate at which it borrows. Rather, this measure is used to determine the minimum lending rate BRAC must charge in order to cover its costs. The minimum lending rate is determined by adding the Provision Expense Ratio and the Operating Expense Ratio to the Financial Expense Ratio. As of December 2008, Provision Expense Ratio is 3.55% and Operating Expense Ratio is 10.04% as such minimum lending rate for 2008 would be (8.20% + 3.55% + 10.04%) is 21.79%.

EXHIBIT 40:

Funding structure of 2008		
	Amount in BDT Million	%
Current Liability		
PKSF Loan	673.33	
Savings Deposit	3,468.21	
Others	454.13	
*Other debt	10,687.82	
Sub Total	15,283.49	32.82%
Long Term Liability		
PKSF Loan	623.33	
Savings Deposit	12,296.37	
*Other debt	8,589.75	
Sub Total	21,509.45	46.19%
Capital fund		
Donor Fund	1,933.39	
Retained Surplus	7,836.85	
Sub Total	9,770.24	20.98%
Capital & Liabilities	46,563.18	100%

*Other debt includes Term loan, Securitized financing and Bank overdraft

The financial cost ratio is determined, by whether BRAC finances itself primarily through debt or through equity. In the Exhibit 40, funding structure of BRAC Micro Credit function as of December 2008 is given where 41.40% of its portfolio is financed through short and long-term debt/loan/credit line and 34% is from savings mobilization. The sign of leverage mix keep the financial expense ratio at minimum. However, due to expansion of credit program, during 2008 BRAC relies more on debt funding compared to savings mobilization. BRAC's financial ratio yet remains low due to low cost savings mobilization efforts from its members. However, the appetite for expansion of micro finance operation leads the organization to increase its leverage position further. Therefore, it is likely that the financial expenses ratio would increase in the coming days.

LIQUIDITY POSITION

The liquidity ratio indicates BRAC's ability to meet short-term liabilities and unforeseen expenses. The ratio is heavily influenced by the particular circumstances of each MFI that it is nearly impossible to construct benchmarks of good or bad practice.



EXHIBIT 41:

	2005	2006	2007	2008
*Liquidity Ratio	17.64%	11.03%	16.74%	6.78%

*Liquidity Ratio = Cash and cash equivalents / (Members Savings + Total Borrowings)

A ratio greater than 20% is considered very high liquidity ratio because it foresees high demand for its loans, or because it worries about instability. But high level of liquidity also indicates that an MFI is managing its funds poorly. On the other hand low liquidity ratio of smaller than 5% often indicates that an MFI has outgrown its funding sources and is facing a cash crunch. From BRAC's liquidity ratio over the period of time indicates that it has developed a sophisticated way of accurately predicting cash needs. Though the ratios are below 20% but are not a cause of concern since BRAC maintains open credit lines with commercial banks from which they may be able to draw freely. As of December 2008, it has 63 credit line facilities with different public and private commercial banks amounting to BDT 3,600 million. Amongst the limit, it has already consumed BDT 2,744 million which is 76% of the limit. The risk of liquidity crunch is not alarming taking into account the amount and conditions of such credit lines.

LEVERAGE AND OTHER POSITION

As BRAC is developing and maturing, its' leverage continues to increase which reached at 3.77 in 2008.

EXHIBIT 42:

	2005	2006	2007	2008
Total Liability/ Equity	2.36	2.38	3.84	3.77
Capital Adequacy Ratio	34%	32%	23.8%	22%
Debt Service Coverage Ratio	7.86	8.76	6.35	4.06

In fact, BRAC generally would be able to access commercial sources of funds and therefore achieve much higher Debt than other MFIs, which may be three to five times of its equity. BRAC is approaching its borrowing limits in order to expand its credit growth. Rapid increases in debt funding are putting pressure on BRAC's margin.

EXHIBIT 43:

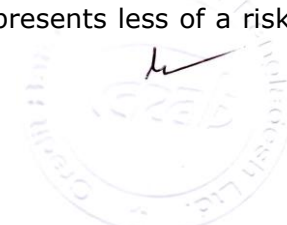
	2005	2006	2007	2008
Savings Outstanding Ratio (SOR)	51.40%	43.9%	37.3%	35.2%

Savings Outstanding Ratio (SOR) which is presented in the exhibit below shows the credit program's ability to fund loans from its savings fund, which indicates its' efficiency in savings mobilization from its VO members and marked as strength of the institution.

EXHIBIT 44:

	2005	2006	2007	2008
External Loan to Savings Deposit	56.40%	75.3%	146.9%	133.39%

External Loan to Savings Deposit indicates dependency on volatile external loans rather than stable source (deposit). As of December 2008, the ratio was 133.39% (2007:146.9%) and the trend indicates that BRAC is dependent more on volatile external sources rather than stable sources. The terms on which BRAC borrows also influence how much debt it can safely carry. Around 58% of its liabilities consist of long-term funding; a long-term debt into capital structure obviously represents less of a risk,



than short-term lines of credit would. Capital Adequacy Ratio of BRAC indicates stable capital adequacy level which reduces overall risk of the lenders/ depositors to the BRAC. The similar message could be derive from BRAC's MF Debt Service Coverage Ratio, which stood at 2.81% times in 2008.

PROFITABILITY

EXHIBIT 45:

	2005	2006	2007	2008
Return on Average Equity	19.27%	23.70%	6.09%	11.17%

It indicates the profitability of the institution. BRAC is a non-profit organization, the ROAE is used here as a proxy for commercial viability. ROAE of BRAC MFI is steadily increasing over the period in 2008. It has improved significantly from 2007. The trend is also found by looking at ROAA (Return on Average Asset), which is also plotted in the exhibit following.

EXHIBIT 46:

	2005	2006	2007	2008
Return on Average Asset	5.77%	7.02%	1.47%	2.33%

It can be marked that reduction in profitability in 2007 was due to cut off lending rate from 15.0% to 12.5% up to Sept 2008(which is ultimately benefited to the micro borrowers), increased provision and operating expenses as well as leverage position. As an MFI, it is desirable to increase profitability by cost control measures (i.e. increase productivity, reduces transaction costs, reduces cost of fund etc.) and improve portfolio quality. In 2008 BRAC's total administrative cost increased only 0.6% over that of 2007.

EXHIBIT 47:

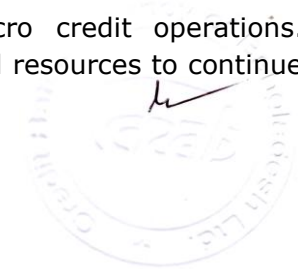
	2005	2006	2007	2008
*Average Portfolio Yield	28.0%	28.8%	26.3%	25.4%

*Average Portfolio Yield = Service charge on loan/Average Gross Loan.

Portfolio Yields measures how much the BRAC Micro Finance Operation actually received in interest payments from its clients during the period. In 2008 average portfolio yield reduced to 25.4% as the affect of lending rate decreased from 15.0% to 12.5% up to Sept 2008. After Sept 2008 lending rate became 15% again. In 2008 average portfolio yield decreased having insignificant impact of 30% increase in service charge. This ratio also provides insight into its portfolio quality since Portfolio Yield does not include the accrued income that delinquent loans should have generated. Portfolio Yield is understood in the context of the prevailing interest rate environment of the financial institution, which ranges from 15% to 18%. The Yield ratio indicates the ability of BRAC to generate revenue with which to cover its financial and operating expenses. The yield rate is the actual rate that obtained by the institution. Portfolio Yield cuts through the many tricks used by MFIs to disguise their lending rates such as flat rates, training fees, upfront fees, discounts from disbursed amounts etc. In fine, Portfolio Yield shows, on average, BRAC receives in interest payments on its loans.

SUSTAINABILITY

The following ratios capture the sustainability of BRAC's micro credit operations. Sustainability refers to the institution (BRAC) either it has financial resources to continue

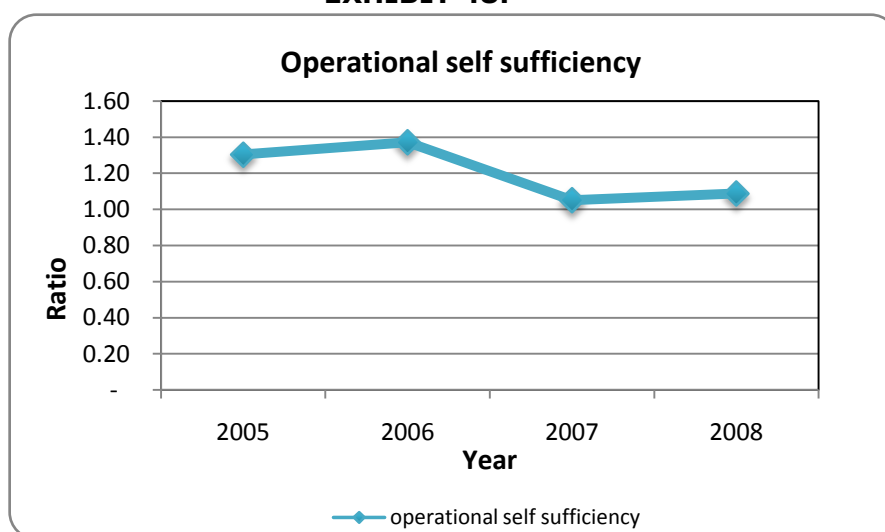


servicing people tomorrow as well as today. If institutions hope to provide assistance over the long term, financial viability is critical. Operating and financial self-sufficiency ratios provide crucial information to progress towards and impediments to viability. The viability of BRAC indicates that it has the ability to meet the needs of its clientele without reliance on external assistance. This independence allows local, not external, needs to shape and control the institution.

OPERATING SELF SUFFICIENCY

Operating self-sufficiency ratio of 2008 stood at 108.8% (2007:105.1%). It shows the ability of BRAC to cover costs of operations with internally generated income.

EXHIBIT 48:

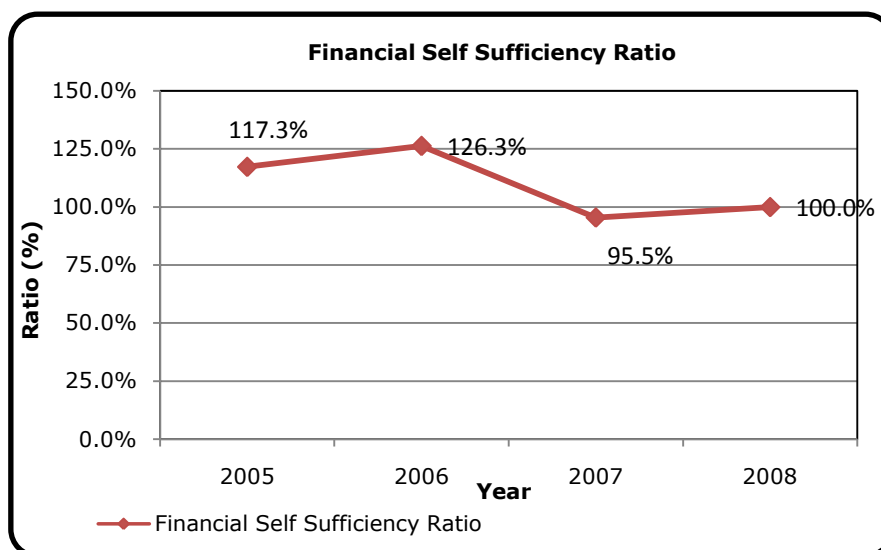


BRAC earned 108.8% revenue to cover the organization costs. Though the trend of operating self-sufficiency is little bit static, the ratio in 2008 is satisfactory.

FINANCIAL SELF SUFFICIENCY

Financial self-sufficiency ratio shows ability of the micro finance institution to be fully sustainable in the long run by covering all operating costs and maintaining value of capital. As of December 2008, the financial self-sufficiency ratio of BRAC stood at 100%, which indicates, enough revenue is earned to cover all the operating, financial and loan loss expenses as well as to maintain the value of the equity and quasi equity in BRAC in relation to inflation. In general, 100% Financial Self Sufficiency is reached, thus long-term provision of credit services is unaffected by the impact of inflation and necessity to rely on donor funds/high cost funds is less. In case of BRAC, during 2007 it descended below 100% due to moderate inflation prevailed in economy, increased cost of fund rate and high leverage in the funding structure. But again in 2008 BRAC reached 100% financial self sufficiency.



EXHIBIT 49:

PORTFOLIO ANALYSIS

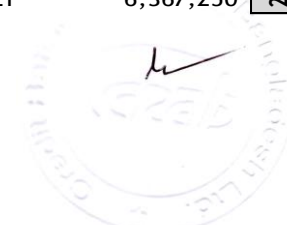
BRAC's Current Loan Portfolio consists of three programs namely: (i) Dabi Program addressed towards the poorest borrowers with the smallest loan amount (also the most numerous loans); (ii) Unnati Program, which includes larger loans, addressed towards 'the better-off poor' borrowers, many of whom have upgraded from Dabi Program of BRAC; and (iii) Progati Program, which includes loans larger than under the Unnati Program, addressed largely towards funding small and medium sized enterprises. SMEs do not have adequate access to institutional financing.

EXHIBIT 50: Program wise Financial Position (4 year)

Loans disbursed for 2005-2008 and Saving products and its details for 2005-2008

	Dabi	Unnoti	Progati	Total	
Amount in BDT					
Loan Disbursement	22,739,914,500	3,897,468,000	5,944,765,000	32,582,147,500	2005
Loan Outstanding	12,278,116,627	2,094,779,032	3,555,337,018	17,928,232,677	
Savings Deposit	8,273,998,030	784,152,298	101,098,978	9,159,249,306	
No of Active borrower	3,936,216	274,979	78,776	4,289,971	
Loan Disbursement	26,240,673,800	6,283,692,000	10,091,045,000	42,615,410,800	2006
Loan Outstanding	14,647,107,289	3,517,405,585	6,190,076,690	24,354,589,564	
Savings Deposit	9,092,264,256	1,284,182,146	218,647,364	10,595,093,766	
No of Active borrower	4,055,276	382,028	113,551	4,550,855	
Loan Disbursement	33,464,515,250	9,811,324,000	19,052,875,000	62,328,714,250	2007
Loan Outstanding	19,151,771,143	5,965,725,712	11,226,089,592	36,343,586,447	
Savings Deposit	10,404,483,769	2,068,567,167	994,137,083	13,467,188,019	
No of Active borrower	5,493,228	704,965	199,442	6,397,635	
Loan Disbursement	41,118,340,600	12,152,113,000	31,015,893,550	84,286,347,150	2008
Loan Outstanding	20,231,335,057	6,417,126,436	18,254,549,737	44,903,011,230	
Savings Deposit	10,795,474,245	2,411,837,156	2,557,258,243	15,764,569,644	
No of Active borrower	5,323,922	815,007	228,321	6,367,250	

*Note: Loan Outstanding Amount excludes Service Charge Receivables



BRAC extended loans over eight million borrowers. The loan amount involves relatively insignificant individual loans and a fair degree of homogeneity. Thus the loan has common product and control characteristics. Loan Portfolio can be segregated in terms of (a) Geographic distribution (b) Grouping of micro credits for (i) the mainstream rural poor; (ii) the urban poor; (iii) the hard core poor; and (iv) micro entrepreneurs (c) Sectoral distribution and (d) Activity wise distribution (BRAC's schematic codes for various activities).

GROUPING OF MICRO CREDIT LOANS:

BRAC's total micro credit program could be grouped under four components. In the following table component wise loan amount along with its portion in terms of percentage form is pictured which is self-explanatory. However, it is seen that Rural Micro Credit program accounts for 56.12% in 2008, which was around 65.03% in 2007.

EXHIBIT 51: Component wise Portfolio

COMPONENTS WISE	AMOUNT IN BDT MILLION	%
Rural Micro Credit Borrowers	25,145,266	56.12%
Urban Micro Credit Borrowers	1,034,969	2.31%
Hard Core Poor Borrowers	379,984	0.85%
Micro Entrepreneurs Borrowers	18,244,743	40.72%
Total	44,804,962	100.00%

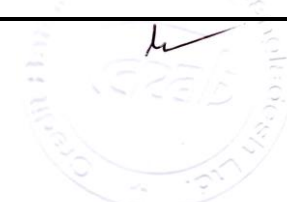
The loan components are classified as Current Portion, Regular, Non Performing Loan and Renegotiated loan. In the following exhibit it showed component wise loan break up in actual as well as in percentages of total portfolio i.e. BDT 44,804 Million is presented, which gives us an insight about the portfolio quality of BRAC Micro finance operation.

EXHIBIT 52: Classification of Loan Portfolio

Loans to members	Rural Micro Credit Borrowers	Urban Micro Credit Borrowers	Hard Core Poor Borrower	Micro Entrepreneurs Borrowers	Total
Current Portion	23,157,819	957,499	350,330	17,916,523	42,382,171
Regular	112,582	-	-	98,235	210,817
Non Performing Loan	480,306	19,769	7,258	75,462	582,795
Renegotiated Loan	1,394,558	57,702	22,397	154,522	1,629,179
Total					44,804,962

EXHIBIT 53:

Loans to members	Rural Micro Credit Borrowers	Urban Micro Credit Borrowers	Hard Core Poor Borrower	Micro Entrepreneurs Borrowers	Total
Current Portion	52%	2.14%	0.78%	39.99%	94.59%
Regular	0.25%	0.00%	0.00%	0.22%	0.47%
Non Performing Loan	1.07%	0.04%	0.02%	0.17%	1.30%
Renegotiated Loan	3.11%	0.13%	0.05%	0.34%	3.64%
Total	56%	2.31%	0.85%	40.72%	100%



SECTOR WISE MICRO CREDIT LOANS PORTION:

In the following exhibit 54 total portfolio composition (Net of Provision) is divided in terms of sector.

EXHIBIT 54: Sector wise Portfolio Position

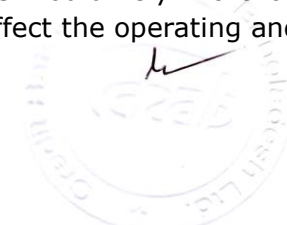
Sector	2008	
	Amount (Net of Provision)	%
Agricultural	6,014,440	14%
Cottage Industry	30,028	0.07%
Fisheries	50,546	0.12%
Food Processing	551,284	1.32%
Health	9,113	0.02%
Housing	571	0.00%
Livestock and Poultry	248,609	0.59%
Miscellaneous	26,335	0.06%
Rural trading	489,941	1.17%
Rural Transport	15,686,091	37.48%
Sericulture	183,274	0.44%
UDP	744,381	1.78%
MELA	17,803,295	42.54%
Services	13,045	0.03%
Total	41,850,953	100%

Note: It is the practice of BRAC that any loan that does not fall under the above mentioned sectors are considered miscellaneous sector).

It is found that in 2008, 14% of its portfolio is in agricultural sector, which was 17.52% in 2007. Rural trading decreased to 1.17% which was 43.51% in 2007 and out of the portfolio most of the arrears came from rural trading sector so lending in this sector has decreased. BRAC operates in 64 districts of Bangladesh and average concentration of loan disburse of each district is 1.58% in 2008 of total portfolio (1.56%:2007) whereas maximum and minimum concentration are 7% in Dhaka districts and 0.1% in Bandarban district.

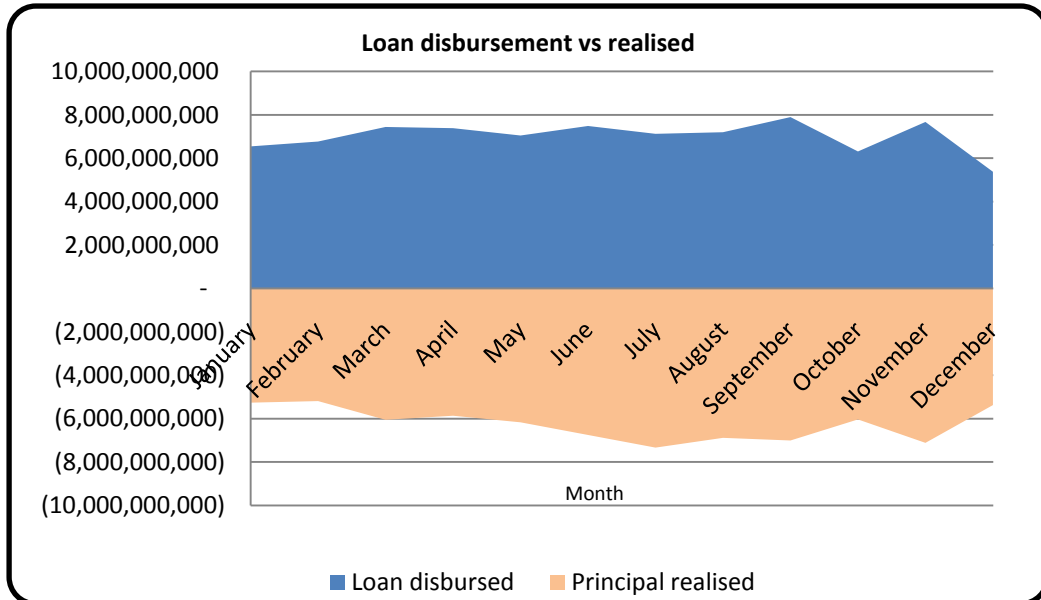
The portfolios are well diversified in terms of program (program diversification), area office (geographical diversification), sector (sectoral diversification) and activity (activity diversification). The vast majority of BRAC loans have one-year maturity with the following repayments patterns: 46 weekly installments for weekly loans; 23 bi-weekly installments for bi-weekly loans; and 12, 18 or 24 monthly installments for monthly loans.

The portfolio quality depends on the loan delivery process also affected by natural disaster too which contributes to the quality of the portfolio. Deterioration of portfolio quality over the last couple of years is observed however; BRAC kept sufficient provision to absorb the losses in case of entire delinquent portfolio remain un-recovered. It is observed in the past, write off events occurred regularly, in accordance with which the projection considered all the issues. To achieve the target, BRAC would rely more on external debt financing. More debt into the capital structure may affect the operating and



financial self sufficiency position in the long run. The interest rate in the vast majority of loans is fixed at 12.5% per annum, housing loans with 10% interest. The interest realizable from a loan is fixed at the time of borrowing.

EXHIBIT 55:



In the exhibit 55, correlation between realized and disbursement of loan is seen. From Jan to December 2008 loan disbursement as well as realization shows decreasing trend. There is 66% negative co-relation existing between loan realized and disbursement during 2008.



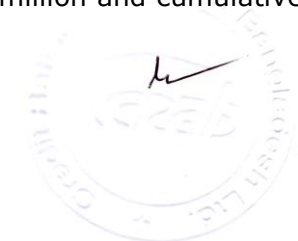
ASSET LIABILITY MATCHING

In the following exhibits Asset Liability matching of different maturity ladder for the total balance sheet position of BRAC during 2008 is depicted.

EXHIBIT 56: Asset Liability Maturity Structure (for all balance sheet position)

	(Amount in Taka"000)					
	Up to 1 month	>1<3 month	>3<12 month	>12<60 month	>60 month	Total
Property and Assets						
Current Assets						
Cash, bank balances and	1,233,631	20,012	1,241,097	-	-	2,494,740
short-term deposits						
Receivables and other current assets	89,667	179,334	807,002	-	-	1,076,003
Loans to members	7,063,695	12,200,928	23,117,548	-	-	42,382,171
(Acc. provisions for doubtful loans & accts.)	-	-	-1,781,179	-	-	-1,781,179
Total Current Assets	8,386,993	12,400,274	23,384,468	-	-	44,171,735
Loans to members						
Regular	42,163	63,245	105,409	-	-	210,817
Non-performing	24,283	48,566	218,548	291,398	-	582,795
Renegotiated	81,459	162,918	733,131	651,672	-	1,629,179
(Acc. provisions for doubtful loans & accts.)	-	-	-947,789	-631,860	-	-1,579,649
Net Loans Outstanding	147,905	274,729	109,298	311,210	-	843,142
Net Fixed Assets						
Used in microfinance operati	9,783	19,567	88,051	469,604	587,006	1,174,011
Total Net Fixed Assets	9,783	19,567	88,051	469,604	587,006	1,174,011
Other Assets	9,357	12,476	56,144	296,314	-	374,291
Total Assets	8,554,039	12,707,046	23,637,960	1,077,128	587,006	46,563,179
Liabilities and Capital						
Current Liabilities						
PKSF Loan	40,000	66,667	566,666	-	-	673,333
Savings Deposits	289,017	578,034	2,601,154	-	-	3,468,205
Others	37,844	75,688	340,597	-	-	454,129
Other Debts	1,603.17	3,740.74	5,343.91	-	-	10,687,823
Total Current Liabilities	1,970,035	4,461,127	8,852.33	-	-	15,283,490
Long -Term Liabilities						
Savings Deposits	-	-	-	12,296,365	-	12,296.37
PKSF Loan	-	-	-	623.334	-	623,334
Other Debts	-	-	-	8,589,746	-	8,589,746
Total Long-Term Liabilities	-	-	-	21,509,445	-	21,509,445
Capital Fund						
Donor Funds	-	-	-	1,933,393	-	1,933,393
Retained Surplus	-	-	-	7,836.85	-	7,836,851
Total Capital Fund	-	-	-	9,770.244	-	9,770.244
Liabilities and Capital	1,970,035	4,461,127	8,852,328	31,279,689	-	46,563,179
Net Liquidity Gap	6,584,004	8,245,919	14,785,633	-30,202,561	587,006	-
Net Liquidity as % of Total Asset	14%	18%	32%	-65%	1%	-
Cumulative Liquidity Gap	6,584,004	14,829,923	29,615,556	-587,005	-	-
Cumulative Liquidity Gap as % of Total Asset	14%	32%	64%	-1%	-	-

In the case of all balance sheet position, it is seen that up to 12 months bucket, there was positive gap. Positive gap implies strong liquidity position of BRAC. Only in the >12<60 month bucket BRAC has net liquidity gap around BDT 30 million and cumulative liquidity gap was BDT 0.59 million.



**EXHIBIT 57: Asset Liability Maturity Structure
(For interest rate sensitive assets and liabilities)**

(Amount in Taka '000)

Assets	Up to 1 Month	>1<3 Month	>3<12 Month	>12<60 Mont	>60 Month	Total
Current Asset						
Cash and Bank balances and Short Term Deposits	-	-	1,241,097	-	-	1,241,097
Receivables and other current assets	89,667	179,334	807,002	-	-	1,076,003
Loans to members	7,063,695	12,200,928	23,117,548	-	-	42,382,171
Total Current Asset	7,153,362	12,380,262	25,165,647	-	-	44,699,271
Regular	42,163	63,245	105,409	-	-	210,817
Renegotiated	81,459	162,918	733,131	651,672	-	1,629,180
Net Loans Outstanding	23,622	226,163	838,540	651,672	-	1,839,997
Interest Sensitive Asset	7,276,984	12,606,425	26,004,187	651,672	-	46,539,268
Liabilities and Capital						
Current Liabilities						
PKSF Loan	40,000	66,667	566,666	-	-	673,333
Savings Deposit	289,017	578,034	2,601,154	-	-	3,468,205
Other Debts	1,603,173	3,740,738	5,343,912	-	-	10,687,823
Total Current Liabilities	1,932,190	4,385,439	8,511,732	-	-	14,829,361
Long Term Liabilities						
Savings Deposit	-	-	-	12,296,365	-	12,296,365
PKSF Loan	-	-	-	623,334	-	623,334
Other Debts	-	-	-	8,589,746	-	8,589,746
Total Long Term Liabilities	-	-	-	21,509,445	-	21,509,445
Interest Sensitive Liabilities	1,932,190	4,385,439	8,511,732	21,509,445	-	36,338,806
Net Liquidity Gap	5,344,794	8,220,986	17,492,455	-20,857,773	-	10,200,462
Net Liquidity as % of Total Asset	14.71%	22.62%	48.14%	-57.40%	-	28.07%
Cumulative Liquidity Gap	5,344,794	13,565,780	31,058,235	10,200,462	10,200,462	20,400,924
Cumulative Liquidity Gap as % of Total Asset	14.71%	37.33%	85.47%	28.07%	28.07%	56.14%

It is seen in the Exhibit 57 that for the interest sensitive case upto 12 months bucket, there is no negative gap. Positive gap implies strong liquidity position of BRAC. From commercial point of view, if rates for the positive gap bucket rises and rates for the negative gap bucket declines, the portfolio will incur a mark-to-market loss on both gaps and vice versa. But BRAC's lending model is not to boost revenue from charging higher rate to its borrowers rather to cater loans to the poor and poorest to uplift the socio economic condition of the marginal groups and through efficient collection mechanism expand its outreach base.

EXHIBIT 58: Asset Composition 2008

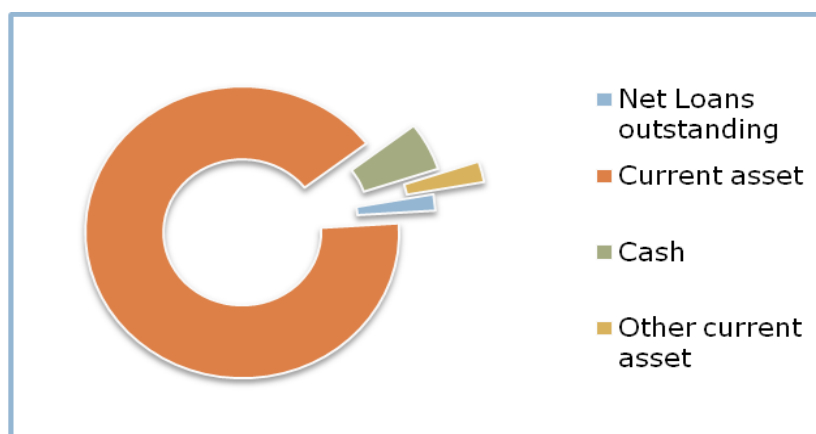
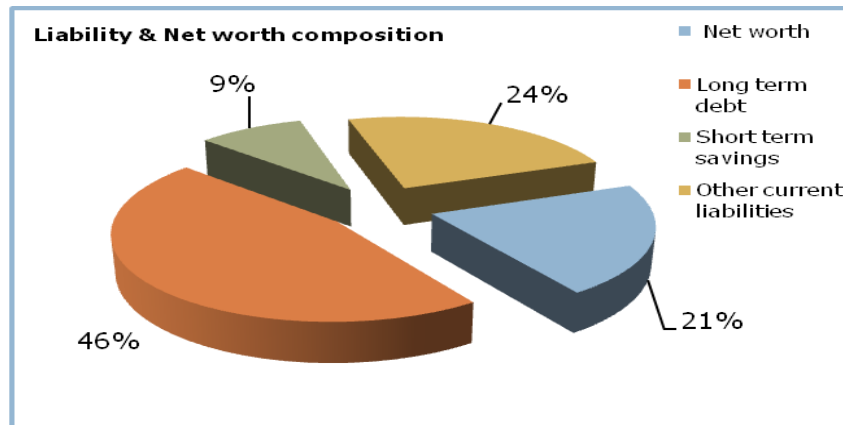


EXHIBIT 59: Composition of Liability & Net worth



9.1 Enterprises & Investments

BRAC, as a social enterprise does not pursue profit exclusively. But social enterprises of BRAC evolve to support its core program. They enable BRAC to attain its vision and mission statements by sustaining the development interventions and creating job opportunities and thereby contributing to poverty alleviation. BRAC enterprises run somewhere between profit seeking organizations and social organizations dedicated to serving social objectives. These enterprises are not driven for the profit maximizations of the shareholders. BRAC enterprises are different from other types of organizations because millions of deprived and disenfranchised poor people are its shareholders. By developing these enterprises BRAC has pioneered a unique model of sustainable business that defines "Corporate Social Responsibility"

Social enterprises

BRAC social enterprises comprise the following broad categories:

Retail

Aarong is one of the most unique heritage brands for retail clothing, linen, shoes, accessories and home décor products. Set up in 1978 as a fair trade organization by BRAC, Aarong plays a crucial role in promoting local crafts. It employs 65,000 artisans of which 80 percent are women. In 2008, revenue from Aarong stood at BDT 2395.26 million, registering a 5-year CAGR of 26.40%.

EXHIBIT 60: Aarong

Aarong Rural Craft Center	Amount in Million				
	2008	2007	2006	2005	2004
Total Revenue	2395.26	1977.52	1699.78	1227.73	938.35
Revenue Growth	21.12%	16.34%	38.45%	30.84%	
Net surplus for the year	405.08	315.59	295.26	192.82	98.96
Net Surplus Growth	28.35%	6.89%	53.13%	94.84%	



	2008	2007	2006	2005	2004
Cost of Service Provided as % of Revenue	82.87%	82.44%	82.39%	84.11%	87.62%

Cost of service shows a mixed trend over the last 5 years; however slightly increased over the last three years and in 2008 stood at 82.87%. Hence, its net surplus in 2008 stood at BDT 405.08 million registering a 5 year CAGR of 42.24%.

EXHIBIT 61: Aarong

	Amount in BDT Million				
	2008	2007	2006	2005	2004
Total Asset	1422.37	1091.46	826.31	615.31	502.50
Growth	30%	77%	34%	22%	
Total Liabilities	386.02	257.65	308.08	244.62	230.19
Growth	50%	-16%	26%	6%	
Net Assets-- Capital fund	1036.36	833.82	518.22	370.70	272.31
Growth	24%	125%	40%	36%	
Total Liabilities and Net Asset	1422.87	1091.30	826.31	615.38	502.50
Net Asset less Capital fund	1036.355	833.816	518.224	370.695	272.314
Growth	24%	61%	40%	36%	
ROAA	32%	133%	44%	523%	
Liability /Net Surplus (x)	95%	82%	104%	127%	233%
Liability to Asset	27.14%	23.61%	37.28%	39.76%	45.81%

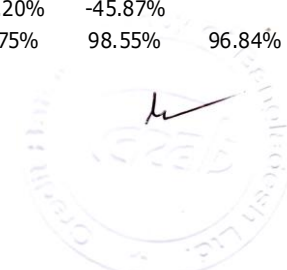
In line with the growth of revenue and net surplus it's asset base stood at BDT 1422.37 million registering a growth of 30% from previous year. Low leverage with high brand strength of Aarong it became a highly profitable venture (though no tax obligation, the enterprise is still commercially viable) which is reflected in its ROAA. Total capital fund stood at BDT 1036.36 million which was allocated to BRAC programs.

Livestock and fisheries

BRAC Dairy initiated in 1998 was established to provide a fair price for milk to the members of BRAC's village Organizations who invested micro loans received from BRAC for cows. BRAC designed a particular model for the cattle development comprised of technical training vaccination fodder cultivation and credit facilities to the rural poor. BRAC Dairy collects milk from 85 collection and chilling stations located in 25 districts, including 10 located in ultra-poor areas.

EXHIBIT 62: BRAC DAIRY

	Amount in Million				
	2008	2007	2006	2005	2004
Revenue	1283.34	910.68	652.99	469.04	398.65
Growth	40.92%	39.46%	39.22%	17.66%	
Net surplus for the year	114.51	78.81	21.29	6.82	12.60
Growth	45.30%	270.12%	212.20%	-45.87%	
Cost service as % of Revenue	91.11%	91.38%	96.75%	98.55%	96.84%



The revenue of BRAC Dairy stood at BDT 1,283.34 million posing CAGR of 34.09% over the last 5-year period. Due to high growth of revenue and cost control mechanism (Cost of Service as % of Revenue declined from 96.84% to 91.11% in 2008 from 2004), the net surplus stood at BDT 114.51 million registering CAGR of 73.63% during 2004-2008.

EXHIBIT 63: BRAC DAIRY

	Amount in Million				
	2008	2007	2006	2005	2004
Total Assets	579.13	452.40	304.36	307.70	233.98
Growth	28.0%	48.6%	-1.1%	31.5%	
Total Liabilities	148.60	136.37	134.81	159.44	92.97
Growth	9.0%	1.2%	-15.4%	71.5%	
Net Assets— Capital fund	430.53	316.03	169.55	148.26	141.02
Growth	36.2%	86.4%	14.4%	5.1%	
ROA	19.77%	17.42%	7.00%	2.22%	5.38%
Liability/Net Surplus (x)	1.30	1.73	6.33	23.38	7.38
Liability to Asset	25.66%	30.14%	44.29%	51.82%	39.73%

The ratios indicate the sharp increase in profitability level from 2006 to 2008 and the increased profitability attributed to the high revenue growth, low leverage and cost control. As of December 2008, capital fund stood at BDT 430.53 million which was only BDT 141.02 million (3 times in 5 years).

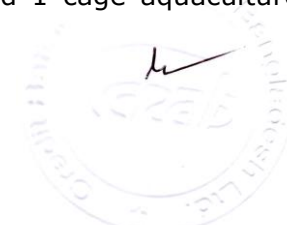
Artificial insemination program was set up to create synergies with the BRAC Dairy enterprise as livestock is considered an important tool in poverty alleviation. The BRAC Bull Buck station at Mymensingh started producing frozen semen in 2000. It provides training and employment to 1,500 artificial inseminations who are working under the supervision of BRAC veterinary experts. The program aims to improve the breed of livestock for increased milk production and also to increase the cattle population in Bangladesh.

BRAC Poultry is a pioneering venture in this field. Set up in 1996 it has contributed to the overall growth of the poultry industry in the country and created income-generating activities for millions of rural poor. In 2008, BRAC poultry distributed 9.3 million day old chicks.

BRAC Feed Mills were established in 1999 with the objective to produce quality feed for poultry. In 2008, 31,448 metric tons of feed were sold which were mainly used by large commercial farmers.

BRAC Broiler Processing Plant initiated in 2001, is the largest and the sole automated plant in Bangladesh. It was set up to meet the growing demand for dressed chicken in large metropolitan areas. In 2008, approximately 1,400 metric tones of dressed meat was processed and distributed.

BRAC Fisheries initiated in 1998, supplies fish spawn, prawn larvae, fish fry, fingerlings/juveniles in response to the needs of commercial fish farms that have emerged due to the decline of wild stocks. BRAC operates 8 prawn hatcheries, 4 carp hatcheries, 1 tilapia hatchery, 1 marine fish breeding center and 1 cage aquaculture unit.



Agriculture

BRAC Salt Industries was initiated in 2004 to respond to a public health need the lack of iodized salt in the country. In 2008, it sold 11,283 metric tones of salt.

BRAC Cold Storage was initiated in 1980 with UNDP assistance. It operates a cold storage facility in Comilla district which has capacity of 4,000 metric tones for short term storage. This unit facilitates the storage of potatoes for the farmers in the mid – eastern region of the country as the area yields a good harvest of potatoes but lacks adequate storage facilities. To aid farmers financially, BRAC offers them loans equal to 40% of the total value of the potatoes they have stored.

BRAC Vegetable Marketing was initiated in 1998 in collaboration with the HORTEX Foundation. The vegetable marketing and export program links poor farmers with international markets. The program focuses on vegetables that have high demand in European markets. BRAC provided seeds and technical assistance to farmers and arranges necessary packaging and transportation of goods to the whole-sellers in Europe.

BRAC Tea Estates were acquired in 2003 and established as an income generating concern. The tea estates cover 4 tea gardens in the Chittagong districts. The project employs 3,000 workers (including staff) and produced 16,00,366 kilograms of tea during 2008.

BRAC printers & packaging

Printers The printing enterprise, initiated 1977, is a full service, desktop-publishing facility. Eighty percent of its materials production is for BRAC’s education programs and office requirements. It also produces calendars, dairies, security printings and university publications.

Packaging The BRAC Printing Pack established in 2005. It produces around 1,500 metric tons of finished flexible packaging materials per year and provides employment over 100 workers.

EXHIBIT 64: BRAC Printing & Packaging

	Amount in BDT Million				
	2008	2007	2006	2005	2004
Revenue	862.77	790.10	538.83	234.23	248.22
Revenue Growth	9.20%	46.63%	130.04%	-5.63%	
Net surplus for the year	46.42	38.85	43.40	13.64	22.32
Net surplus Growth	19.50%	-10.50%	218.30%	-38.90%	
Cost of service as % of Revenue	94.45%	94.94%	91.38%	93.88%	90.84%



EXHIBIT 65: BRAC Printing & Packaging

	Amount in Million				
	2008	2007	2006	2005	2004
Total Assets	218.90	183.10	56.56	33.10	37.55
Growth	20%	224%	71%	-12%	
Total Liabilities	41.54	43.75	39.89	30.08	25.44
Net Assets-- Capital fund	177.35	139.35	16.67	3.03	12.12
Growth	27%	736%	451%	-75%	
ROA	21.21%	21.22%	76.73%	41.20%	59.44%
Liability/Net Surplus (x)	0.89	1.13	0.92	2.21	1.14
Liability to Asset	18.98%	23.90%	70.53%	90.87%	67.74%

The above analysis indicates the high profitability level low leverage position of the enterprise. The capital fund of this venture stood at BDT 177.35 million in 2008 from BDT 12.12 million in 2004 (just 14.63 times) which implies the high viability of the project .

BRAC Investments

BRAC has approximately 120,000 numbers of employees, 85,000 health volunteers, and 63,932 school teachers. The organization reached more than 110 million people with development interventions in Asian and African countries. To accumulate adequate finance BRAC investments act as “hedge” to protect the organization from market failure and future banking industry “liquidity issues”.

BRAC Bank Limited was initiated in 2001, has institutional shareholding by BRAC, the International Finance Corporation (IFC) and Shorecap International. As a fully commercial operation the bank focuses on a niche market provided by small and medium enterprises which were underserved by the mainstream financial institutions. The average loan size is USD 7,033.

Delta Brac Housing Finance Corporation Limited was founded in 1997 and is presently largest specialized housing finance institution in the country. It is a pioneer in financing low-cost housing having very strong performance.

BRAC Afghanistan Bank is jointly owned by BRAC, IFC, Shorecap International and Triodos Bank. The main focus s small business lending but also provides other credit and savings packages. BRAC maintains one branch and three sub-branches in Kabul.

Information Technology

bracNet in partnership with gNet and Marubeni Corporation of Japan has its mission to bring affordable internet and data connectivity to the general population of the country.

Documenta Ltd. is a leading software development house in Bangladesh. In addition to supplying the entire software needs of BRAC. The company provides commercial services in business application software development, digital archiving and database driven interactive website development.



EXHIBIT 66: BRAC Investments in related undertakings

Related undertakings	2008	2007	2006	2005	Principal activities
BRAC Bank Ltd.	33.51%	31.74%	31.74%	63.48%	Banking Business
BRAC Industries Ltd.	99.9%	99.9%	99.9%	99.9%	Cold Storage
BRAC BD Mail Network Ltd.	39.7%	39.6%	39.5%	39.5%	Internet service provider
BRAC Services Ltd.	100%	100%	100%	100%	Hospitality
Delta Brac Housing Finance Corp. Ltd.	20.37%	25%	25%	25%	Housing finance
Documenta TM Ltd.	80%	80%	80%	80%	Software development
BRAC Karnophull Tea Company Ltd.	99.9%	99.9%	99.9%	99.9%	Tea Plantation
BRAC Kaiyachara Tea Estate	99.9%	99.9%	99.9%	99.9%	Tea Plantation
BRAC Banshkhali Tea Company Ltd.	99.9%	99.9%	99.9%	99.9%	Tea Plantation
BRAC Kodala Tea Company Ltd.	99.1%	99.1%	99.1%	99.1%	Tea Plantation
Bangladesh Netting Factory	94%	94%	94%	94%	Poultry processing

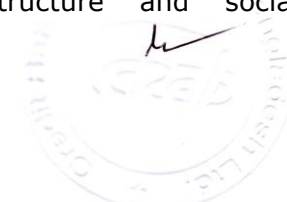
BRAC Investments in the related undertakings are represented by its share in the respective net tangible assets, goodwill and loans extended. Loans represented finance provided for working capital and earn an average interest (12% in 2008-06 and 9% in 2005) per annum. These loans have no fixed repayment terms. On 26 December 2006 BRAC Bank Ltd. allotted shares arising from the IPO of 5,000,000 ordinary shares of BDT 100 each at an issue price of BDT 170 per share. Arising from this allotment, BRAC's interest in the BRAC Bank was diluted to 31.74%. The market value of BRAC Bank Ltd share at 31 December 2008 was BDT 828.00 and BDT 825.75 on the DSE and CSE respectively.

10.1 BRAC International
Adapting and scaling up poverty reduction programs in Asia and Africa

BRAC'S International programs draw on their extensive track record of innovating, adapting, scaling up and sustaining comprehensive development solutions in Bangladesh. BRAC implements its own programs, establishes strong alliances within the development community, and invests in training and building human capacity in each country where it works. BRAC is committed to using its experience and expertise to strengthen and accelerate poverty reduction and sustainable development in Africa and Asia.

Asia
BRAC Afghanistan

BRAC Afghanistan is the largest and most established of BRAC's international programs. Working on a national scale, BRAC operates in 25 of the country's 34 provinces. Despite the challenges and security risks, BRAC has continued to expand its programs sensitively and appropriately, with a commitment to working with local and national communities and government. BRAC has programs in microfinance, health and sanitation, education, adolescent development, agriculture and livestock, infrastructure and social



development, and capacity development. BRAC employs 3,649 staff of which 95 per cent are Afghan nationals. From January to December 2008, BRAC distributed USD 49 million in microfinance loans. These were distributed through their network of more than 11,000 VOs with a membership of 188,800 women of which 74 per cent are active borrowers. Since many of these women are small scale farmers, BRAC has an agriculture and livestock extension program that is helping to improve the yields of more than 20,000 farmers. BRAC's health program currently reaches 4.35 million people. It has established a whole range of hospitals and clinics including seven district hospitals, 131 health centers, and 533 monthly mobile clinics that have treated a total of 147,000 patients to date. In education, 84,500 children (84 percent girls) are attending BRAC's 2,654 community based schools with 124,000 children in total having graduated from BRAC various school program.

BRAC Pakistan

In April 2007, BRAC signed a memorandum of understanding with the Government of Pakistan to establish programs in fields of microfinance, education and health. 2008 was BRAC's first full year of operations. BRAC has established nearly 2,000 Village Organizations (VOs) with 37,800 poor rural women microfinance members. By Dec 2008, 29,000 women received their first loans with a total distribution of USD 5.25 million. BRAC recruited and trained 200 staff members; BRAC Pakistan now employs 387 people.

BRAC Sri Lanka

BRAC Sri Lanka was initially set up to provide emergency relief following the devastating tsunami in 2004 and has since evolved into a sustainable livelihood and long term rehabilitation program. In 2008, the program continued to expand with an increase in the amount of loans disbursed and membership. There are now 2,800 VOs and 75,000 women members. By December 2008, USD 19.6 million had been disbursed with an average loan size of USD 210. BRAC's rehabilitation program is continuing to replace tube wells, rebuild kitchen gardens and provide school children with new materials.

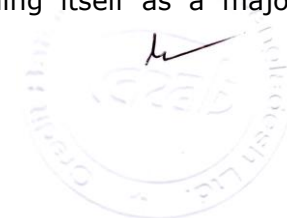
Africa

BRAC Southern Sudan

BRAC has been working in Southern Sudan since 2007. It currently operates programs in microfinance, education, health and agriculture. By the end of 2008, the microfinance program was operating in four states and had established more than 660 VOs with 14,600 women members, many of whom are returning war refugees. USD 3.2 million has been dispersed in micro loans and more than 1,600 women have taken a second loan after successfully repaying their first. During 2008, BRAC Southern Sudan recruited 116 new staff and currently employs 160 people, the majority of whom are southern Sudanese women.

BRAC Tanzania

BRAC Tanzania was established in 2006 and has successfully expanded the initial microfinance platform to encompass programs in health, agriculture and livestock, small enterprise development, and adolescent development. The microfinance program is continuing to scale up and expand. During 2008, USD 14.4 million was disbursed in micro loans to its women group members. This is more than double the figure from the previous year and demonstrates how quickly BRAC is establishing itself as a major



provider of microfinance in Africa. BRAC also introduced a new microfinance service targeted at men and women who own small and medium enterprises. BRAC's agriculture and livestock program has selected more than 20,000 women farmers to receive assistance and training, including 15,300 general farmers and 3,500 livestock nurturer. It also started large scale seed distribution in 2008 and distributed a total of 31 metric tones of maize, rice and vegetable seeds to approximately 5,000 small and medium scale farmers. BRAC's health program is on course to meet its five year target of training and mobilizing 1,800 communities' health promoters (CHPs). Currently there are 1,058 CHPs providing services to poor households in their communities. The number of staff employed by BRAC Tanzania increased from 355 in 2007 to 834 in 2008.

BRAC Uganda

In 2006, BRAC began operations in Uganda and has quickly grown to become one of the largest micro-credit providers in the country. BRAC also has integrated programs in health, education, agriculture and livestock, adolescent development, and capacity building, training and research. In 2008, BRAC's microfinance program in Uganda continued its impressive growth and now operates in 33 of the 83 districts nationally-across all four geographical regions of the country. The program doubled in size with an expansion of operational infrastructure, staffing and microfinance groups. BY December 2008, USD 22.2 million in microfinance loans had been disbursed with USD 7.9 million outstanding. Programs in health, agriculture and livestock, and adolescent development were all launched successfully in 2008. By December, there were 980 CHIP and 128 community health assistants, who supervise them, working to deliver primary health services and health education to microfinance borrowers and their communities. Nearly, 2,500 vulnerable teenage girls joined BRAC's new adolescent clubs across the country for life skills and livelihood training linked to a special microfinance scheme for teenagers. The organization's education program in Northern Uganda has 1,900 children who are in the process of graduating to mainstream government schools and preparations are underway for opening 200 new schools in the region. A major recruitment and training drive has been taking place all year for the new agriculture and livestock program-with more than 30,000 participating farmers selected for different kinds of assistance. Eventually the program aims to reach 160,000 farmers by the end of 2010.

BRAC in the North

BRAC USA and BRAC UK were launched in 2007 to raise public awareness about their approach to sustainable human development and mobilize resources to enable BRAC to rapidly scale up its programs. BRAC USA and UK demonstrate that Northern solidarity in support of Southern leadership and South-South collaboration can generate lower cost and higher impact solutions for poverty and its related problems.

Technical Assistance

BRAC is also providing direct technical assistance to development organizations in a number of areas. In Haiti and India, BRAC is working with local NGOs to help them develop programs for the ultra poor. In Aceh, Indonesia and Sri Lanka, technical assistance is being provided to microfinance institutions.



Resource Mobilization

BRAC continues to receive strong support and encouragement from governments, investors and donors for its international programs. In 2008, BRAC's international programs had an expenditure of USD 57.8 million and the budget for 2009 is USD 118 million.

Some significant contributions are following:

A BRAC Africa Loan Fund is to provide long-term, local-currency funding that will enable BRAC to extend its microfinance services in Tanzania, Uganda and Southern Sudan.

- A grant from the MasterCard Foundation to scale up BRAC's 'microfinance plus' approach in Uganda.
- A grant and a soft loan from United Nations Capital Development Fund (UNCDF) to support BRAC's microfinance program in Southern Sudan.
- A grant from Omidyar Network, Open Society Institute and Humanity United to initiate health, agriculture and livestock in Sierra Leone and Liberia.
- An equity investment by Soros Economic Development Fund and Omidyar Network to start microfinance in Sierra Leone and Liberia.
- A loan from Bank Alfalah to expand BRAC's microfinance program in Afghanistan.
- Grants from BRAC USA for microfinance and agriculture in Southern Sudan, for agriculture and livestock pilot program in Uganda, and for Empowerment and Livelihood for Adolescents pilot programs in Uganda and Tanzania.
- A loan from Pakistan Poverty Alleviation Fund (PPAF) for microfinance program in Pakistan.

Initiatives in 2008

BRAC in West Africa

In 2008, BRAC launched a USD 20 million poverty alleviation initiative in post-conflict Sierra Leone and Liberia. BRAC was formally registered in both countries and began establishing programs. Over the next two years, BRAC will implement microfinance, health, agriculture, poultry and livestock programs. The organization will also be investing in the training of locally recruited staff, aimed at building human resource capacity in Liberia and Sierra Leone. Health is a particular priority with more than 300 health volunteers and 25 specialist staff already recruited for both countries.



EXHIBIT 67:

Particulars	Afghanistan	Sri Lanka	Pakistan	Tanzania	Uganda	Southern Sudan
Provinces/districts covered	25	3	3	31	33	4
Total Staff	3,649	381	387	834	1,011	160
Total Microfinance Members	188,806	74,918	37,880	81,444	85,335	14,613
Total Microfinance Borrowers	139,824	54,318	29,204	69,502	62,224	10,402
Microfinance Loan Disbursement (cumulative) USD million	145.6	19.6	5.25	25.1	22.2	3.2
Microfinance Loan Outstanding - USD million	27.6	6.2	3.9	8.57	7.9	1.8
Small Enterprise Loan Disbursement (cumulative) - USD million	32	-	-	0.13	0.52	-
Small Enterprise Loan Outstanding - USD million	9.7	-	-	0.14	0.38	-
Community Health Promoters	3,578	-	-	1,058	980	60
No. of Patient Treated	147,632	-	-	30,013	23,446	586
No. of Ongoing Schools	2,654	-	-	-	58	50
No. of Ongoing Students	84,536	-	-	-	1,891	1,500
No. of Graduated/Mainstreamed Students	124,075	-	-	-	1,461	-
No. of Adolescent Clubs/Reading Centers	36	--	-	40	100	-
No. of Adolescent Members	974	-	-	990	2,495	-
No. of Poultry & Livestock Extension Workers	1,390	-	-	592	400	-
No. of Livestock Rearers Selected/Trained	11,061	-	-	3,523	7,730	--
No. of Agriculture Extension Workers	820	-	-	924	682	-
No. of Farmers Selected/Trained	11,063			15,311	13,978	



BRAC Training Division

BRAC commenced its training programs from its inception realizing the needs in the development sector. Over the period of 35 years, this division has organized and developed a huge number of training courses and achieved an excellent reputation in the country and abroad. A well-known feature of BRAC training is its participatory nature which is learner centered, problem focused and need oriented. BRAC Training Division employs a total of 107 trainers of whom 24 are female. BRAC has a sum of 12 people who are providing BRAC overseas programs with need-based and tailor-made training support and consultancy services in countries such as Afghanistan, Uganda, Southern Sudan, Tanzania and Sierra Leone. Today, BRAC has a total of 21 Training and Resource Centers across the country. In 2008, 130,854 staff received training and courses were delivered to other development organizations and government agencies (67 training batches comprising 1,797 participants).

BRAC Local Representative (BLR)

In 2008, 65 districts and 465 upazila BRAC Local Representative (BLR) Workshops ensured all field administrators remain well conversant with the philosophy, goals and objectives of all BRAC programs.

DevPro

DevPro was initiated to develop the mid level managers at BRAC as social leaders by strengthening their leadership, communication and behavioral competencies by exposing them to local, regional and global trends of development. 358 students from different BRAC programs graduated in 2008.

Young Professionals Program (YPP)

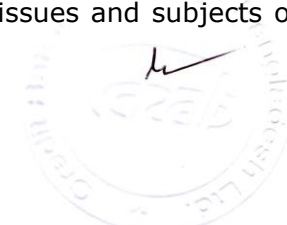
BRAC recently recruited a group of young professionals and decided to develop their human and professional capacity through a multi-phased rigorous process namely "Young Professionals Program (YPP)". The program is implementing a year-long intensive capacity development plan. A group of senior training professionals of BRAC Training Division and senior managers of different BRAC programs are involved in designing, implementing and evaluating the program.

International Training Course

Following the Memorandum of Understanding (MoU) between BRAC and the Ministry of Education (MoE) of Afghanistan, a five month long certificate program "Education Management Course (EMC)" was organized by BRAC in Bangladesh for 20 high officials of the Afghan Ministry.

Research & Evaluation Division

The Research and Evaluation Division (RED) was established in 1975 as an in-house but independent unit to provide necessary research and analytical support to BRAC's programs. Although RED concentrates its activities on BRAC's programs, this division also undertakes multidisciplinary studies on various development issues and subjects of



national and global importance. RED also maintains strong linkages with government organizations, UN bodies and a number of academic and research institutions at home and abroad. Since inception, RED has produced about 1,165 research reports until 31st December 2008. Copies of these reports are available in bound volumes in the Ayesha Abed Library at BRAC University. In 2008, RED completed 38 research reports and had 17 articles published in reputed peer-reviewed journals in Bangladesh and overseas. RED also has its own publications series in the form of Working Papers and Research Monographs. With BRAC going international in 2008, RED also began extending research and evaluation support to the organization's programs outside Bangladesh. This venture will expand significantly over the coming years turning RED into a global development research centre with exciting south to south knowledge and partnership possibilities.

Related Institute

BRAC University

BRAC UNIVERSITY was established in 2001 with the aim of providing a broad based, high quality education to its students and developing them into the next generation of visionary leaders. Over the years, the university has partnered with reputable academic institutions from around the world to enhance the educational experience it provides.

BRAC University offers Bachelors degrees in Architecture, Business Administration, Computer Science, Computer Science and Engineering, Economics, Electronics and Communications Engineering, English, Law and Physics. Postgraduate courses include: Master of Business Administration, Master of Public Health, Master of Arts in Governance and Development, Master of Development Studies, Certificate, Diploma and Master in Disaster Management and Master of Science in Biotechnology.

The main campus is in Mohakhali, Dhaka and consists of three different buildings all in close proximity to each other. The residential campus is located at the BRAC Training and Resource Centre (TARC) at Savar. One of the unique features of the University is Residential Semester started in July 2003 which is mandatory for all undergraduates. The semester includes courses in Bangladesh Studies, Ethics, English Language, and Computer Science and Engineering.

In 2008, an equivalent of BDT 30 million equivalents to USD 450,000 in scholarships and tuition waver fees were allocated to students from underprivileged backgrounds. In 2008 the University had 3,642 undergraduate students and 906 graduate students. A total of 635 students have already received their degrees in various discipline.

Institute of Educational Development

BRAC University's Institute of Educational Development's (IED) mission is to promote professional capacity building and provide technical support to education in the public system. Units have been developed for Early Childhood Development, Primary Education, Secondary Education, Teacher Development, Non-formal Education/Life-Long Learning and Educational Research.



Institute of Governance Studies

The Institute of Governance Studies (IGS) is a research, training and teaching institute of BRAC University, In addition, IGS is providing technical assistance to the Ministry of Law, Justice and Parliamentary Affairs to undertake a compliance review of the United Nations Convention against Corruption and is supporting the Cabinet Division in formulating a National Integrity Strategy for Bangladesh. The institute is also in discussion with the World Bank on the establishment of a South Asian Centre for Social Accountability which is to be based at the IGS.

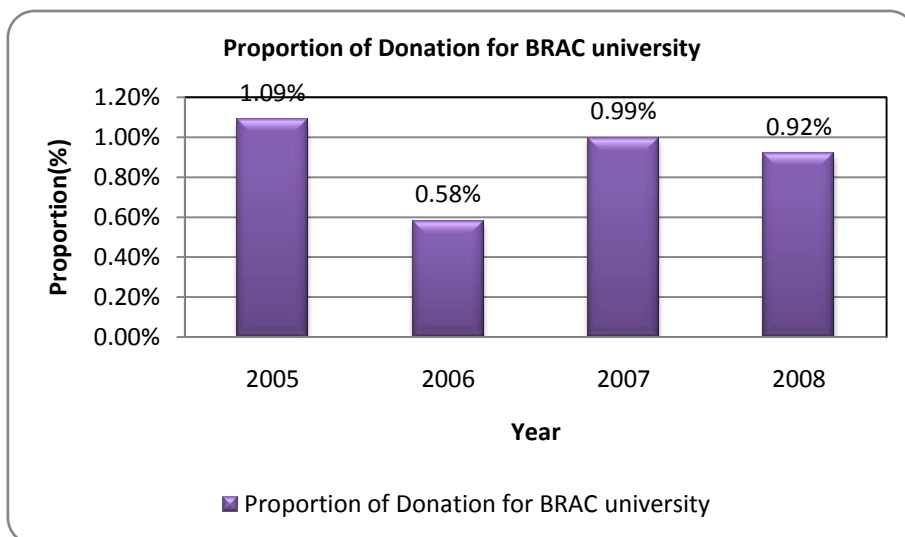
James P Grant School of Public Health

The James P Grant School of Public Health (or BRAC School of Public Health) at BRAC University was established three years ago, The Master of Public Health has graduated 13 students from 12 countries including Uganda, USA, Tanzania, Myanmar, India, Nepal, Ethiopia, Netherlands, Pakistan, Germany and Japan. The World Health Organization has featured the School as one of the six schools in the world promoting and practicing innovative public health education.

Financing of BRAC University institute

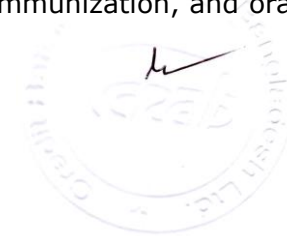
In 2008, 0.92% fund of total donation received by BRAC was for educational development of BRAC University. Those Donors are EKN, NORAD, Swiss Agency for Development & Corporation, World Bank, Plan Bangladesh and Institute of Dev. Studies-Sussex. This proportion of received fund was in the following exhibit.

EXHIBIT 68:



BRAC Development Institute

BRAC Development Institute (BDI) promotes research and builds knowledge on practical solutions to problems of the poor in the global South. At its starting point, it took up the hugely successful and massively scaled up development interventions of BRAC, Grameen Bank, Gonoshasthaya Kendra and other organizations involved in immunization, and oral



rehydration therapy, family planning health awareness, non-formal primary schooling, microfinance, etc.

BDI offers the following academic programs:

- Masters in Development Studies (MDS)
- Certificate Courses
- The Dhaka Winter School
- Development Experience Program
- Student Internship Program

The researched-based projects include:

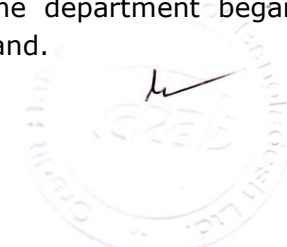
- Economic Transformations
- Pathway of Women's Empowerment
- Democratic Governance
- The Citizenship Program
- Climate Change and Urban Poverty

Public Affairs & Communications

The Public affairs and communications department is responsible for telling the BRAC story. The department manages BRAC's identity, serving as the initial point of contact for both internal and external audiences, ranging from staff members to donors, media and the general public. It therefore has to facilitate both internal and external communications and handle media relations, providing timely information and perspective about BRAC's work.

The department produces communications resources such as annual reports and films and maintains the corporate website, disseminating information on BRAC's work and ensuring complete and accurate representation and understanding of the organization. Public Affairs and Communications is increasingly becoming more involved in developing internal communications capacity and is seeking new ways to build strong partnerships with the organization's various audience groups.

In 2008, in response to changes that were emerging in the communications requirements and the audience as a result of the organization's increasing global presence and the rapid growth in size and complexity, the department took on several new initiatives, including redesigning of the corporate website, restructuring of the internship program and piloting a professional volunteers program with BRAC UK. An organization wide Communications Forum was also developed to encourage and facilitate deeper internal communication and cooperation. In addition, the department began working with the global branding unit on reenergizing the BRAC brand.



Internships and Volunteering

BRAC's internship and volunteer programs work to ensure that interns and volunteers of diverse academic and professional backgrounds from around the world go through a meaningful and valuable experience at BRAC. They are able to learn experientially from BRAC's work and increase their knowledge of development issues while contributing substantially to the organization through their fresh perspectives, new ideas and innovative projects. The internship program was restructured in 2008 to meet growing demands resulting from the organization's increased global presence. Also in 2008, BRAC UK, with the help of the Public Affairs and Communications unit, initiated a pilot volunteer program designed to cater to the needs of working professionals who wish to contribute their experience and expertise.

Publications

The publications department provides multimedia support to BRAC's core programs by designing and publishing printed materials such as books, banners, posters and pamphlets and maintaining audio-visual records of events. The department specializes in producing communications and publicity materials in Bengali. Children's monthly magazine "**Satrang**" and BRAC's internal bi-monthly "**Shetu**" are the flagships of the department. It also publishes Early Childhood Development (ECD) books in collaboration with Sisimpur (Bengali version of Sesame Street). In 2008, BRAC Publications facilitated a Bengali anthology of BRAC's work and evolution titled BRAG: A Development Story.

Reenergizing the BRAC Brand

In the face of emerging challenges and opportunities arising from its global expansion, a need arose for reevaluating BRAC's brand. BRAC began the rebranding process in early 2008. The Branding unit was set up later in the year 2008 to spearhead the process and a Global Brand Manager was appointed.

Achievements

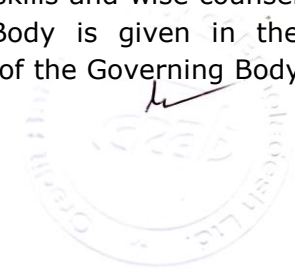
In 2008, the Public Affairs & Communications Unit hosted a total of 588 visitors. These included the visits of Cherie Blair, wife of the former British Prime Minister, Rahul Gandhi, son of the former Indian Prime Minister, several parliamentary delegations, a number of donor agencies and numerous individuals from the private and public sectors.

Corporate Governance

Promoting transparency and accountability

GOVERNING BODY

The Governing Body comprises sixteen members. Sir Fazle Hasan Abed, the Founder and Chief Executive Officer at inception, is the Chair of the Governing Body. Apart from the Chief Executive Officer, all the other members of the Governing Body are non-executive. Distinguished, well reputed individuals in business and professions with pro-poor mindset have been elected to the Governing Body and bring their diverse skills and wise counsel in the governance of BRAC. The composition of Governing Body is given in the **Appendix A** to this report. During the period 2008, two meetings of the Governing Body



and Annual General Meeting of the General Body were held. BRAC has an Audit Committee comprising of members from Governing and General Body to control and oversee the financial management of the institution.

Ombudsperson

BRAC has established the office of the Ombudsperson with a comprehensive mandate to investigate any incident of misadministration and misuse of power within BRAC. This includes grievances, such as corruption, abuse of power or discretion, negligence, oppression, nepotism, rudeness, arbitrariness, unfairness and discrimination especially in the context of gender. In November 2007, Mr. Mohammad Abu Hena, former secretary and chief election commissioner, had been appointed as Ombudsperson for 3 years. He is the second Ombudsperson of BRAC. In 2008, the Ombudsperson's report mentioned that a total of 251 complaints were received of which 227 were resolved. 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 Head office level. Procedures manuals and policy documents contain organizational policies and procedures, which are open for all.

Internal Control

The Internal audit function was initially conceived on a needs basis under the supervision of the Chief Accountant. For better transparency and accountability, a separate department was formed in the year 1986 under the supervision of Director Administration. The Role of the Internal Audit Department is to assist the Management by providing independent advice on operations and performance and by assessing the effectiveness of internal control. The function aims to add value, improve operational efficiency, economy and effectiveness of the management process, risk management and internal control systems. The Internal Audit Department is headed by a Chartered Accountant (CA), and, as of December 2008, 83 percent of the 200 strong audit staff were also CA. It has two Assistant General Managers, one Senior Manager and ten Managers to supervise the audit activities of BRAC. Internal Audit Department plans annually to audit branches and commercial projects. The department submits plan beginning of the year to audit committee. Month wise internal audit plan is submitted to its department head. Thorough audits are conducted where irregularities are reported in the course of normal internal audits, which are done on sample basis. The frequency of audit in each of the area office, head office and commercial projects is at least once a year but two or more audits are conducted in a year at locations and programs that warrant a close watch. Internal Audit was conducted at 11,869 locations out of 14,085 cost centers, covering 84% during 2009.

Internal audit department prepares 2 types of reports: normal audit report and special audit report. Normal audit reports are for those branches, which are deemed as regular branches, and not having irregularities. However, special audit reports are serious for the management and the department refers this report to audit review committee for actions. Audit review committee consists of head of internal audit department and 3 Directors viz. admin & risk management, human resource and procurement, estate & management service. BRAC follows International Financial Reporting System (IFRS), which ensures financial transparency.



Audit Committee

The Audit Committee assists the BRAC governing body in reviewing the financial condition of the organization, the effectiveness of the internal control system of the organization, performance and findings of the internal auditors and recommends appropriate remedial action. The Audit Committee reviews the findings of the Annual Audit Report as presented by the external auditors in the Memorandum on Internal Control and Other Matters of Annual Audit of BRAC. The Committee reviews the recommendations of the auditors, the management comments and the actions taken in response to the above recommendations. The Audit Committee held four meetings in 2008.

AUDIT COMMITTEE AND EXTERNAL AUDITORS

Chair

Kazi Aminul Huque, Member, BRAC Governing Body

Members

Taherunnessa Abdullah, Member, BRAC Governing Body

S. K. Sarkar, Member, BRAC General Body

External Auditors

The BRAC governing body appointed Ernst & Young, Chartered Accountants, Malaysia and S. F. Ahmed & Co. Chartered Accountants, Bangladesh (local partner) jointly as the external auditors of BRAC for the year 2008. They conducted the Audit and signed the audit report on 17th March 2008. The external auditor, S. F. Ahmed & Co. Chartered Accountants, reported separately to the NGO Affairs Bureau for each and every BRAC project. For other donor-financed projects the following external auditors were appointed: J. R. Chowdhury & Co., S. K. Barua & Co., ACNABIN & Co., and Masih Muhit Haque & Co. Audit reports for all projects were submitted to the NGO Affairs Bureau. A total of 32 external auditing missions, from four audit firms and the Audit Directorate, foreign aided projects, and the Government of Bangladesh, reported on different BRAC programs in 2008.

External Audit Groups

Ernst & Young, Malaysia

S. F. Ahmed & Co.

J. R. Chowdhury and Co.

S. K. Barua and Co.

ACNABIN & Co.

Masih Muhit Haque & Co.



MIS

BRAC uses ASCEND.NET for its MIS, which has been installed at branch level and head office. The software is not on-line facilitated to directly connect with head office. At the end of month, all branches send monthly transaction through compact disc to head office. Head office of BRAC updates the file and archives the data in two different places. Most of the branches are computer facilitated and with ASCEND.NET software, which produces two types of information viz. branch accounts and project accounts. BRAC has developed accounts manual entitled "BRAC Accounts Manual", which covers the accounting policies of BRAC including that of the projects. The branches, which were not computer facilitated, were connected with nearby computerized centre. BRAC Head Office and Field Offices perform separate functions. For branch offices, BRAC uses "Revised Accounts Manual". The financial statements of all the branches and the head office are consolidated on a monthly basis.

BRAC's accounting records and financial statements are maintained and presented in accordance with the principles of fund accounting. Field offices maintain separate set of books of account for each program and accordingly prepare separate monthly accounts statements styled "Receipts and Expenditure statement". These statements are submitted to HO through concerned Regional Office. This statement contains all heads of account related to each program and shows both monthly and cumulative balance for Micro Finance. The branches which are computerized produce following reports: cash/bank balance, overdue report, receipt & expenditure, loan collection & disbursement, VO and member wise loan collection and disbursement report, ageing of principal outstanding, all project voucher, saving and loan collection sheet etc.

Delegation of Authority

BRAC has developed clear written policies regarding the authority for each level of management and staff. Staffs are empowered to take decisions at all levels. Procedure manuals and policy documents are available to all staff.

Donor Consortia

BRAC has two donor consortia, one each for the BRAC Education Program and the Ultra Poor Program. The consortia conducted their own audits and external reviews and met twice in 2008 to discuss findings. The consortia donors are the Department for International Development (UK), Embassy of the Kingdom of the Netherlands (EKN), CIDA (Canada), NOVIB (the Netherlands), AusAID (Australia), NORAD (Norway) and the World Food Program of the United Nations.

Finance

BRAC's finance and accounts department performs a vital role within the organization in improving program efficiency, enhancing management decision-making capabilities, and promoting transparency and accountability. Under this department, financial data from all transactions carried out at different cost centers in the organization are collected and stored. Data useful for decision-making is processed into information. The Finance and Accounts Department prepares BRAC's financial statements in accordance with international reporting standards. BRAC strives for excellence and transparency in financial reporting; BRAC has received numerous national and international awards



recognizing its accomplishments for the preparation, disclosure and maintenance of a commendable financial reporting platform. In 2007, for the third year in a row, BRAC was awarded the 2006 Financial Transparency Award by the Consultative Group to Assist the Poor (CGAP) in recognition of its full compliance with international disclosure. In 2008, BRAC received the "Gold Award" for Best Printed Accounts for 2007 from The South Asian Federation of Accounts (SAFA). BRAC received this award in 2006 and 2005 as well. In 2008, BRAC was also awarded the First Position in the NGOs/MFIs Sector by the Institute of Chartered Accountants of Bangladesh (ICAB) in the category National Awards for Best Published Accounts and Reports 2007. BRAC also received this award in 2006, 2005 and 2004.

Monitoring

The monitoring unit is part of BRAC's internal control mechanism for programs. This Unit conducts periodic analysis using selected indicators to enable managers to determine whether key activities are being carried out as planned and whether they are having the expected impact on the target population. In 2008, the Monitoring Unit undertook analyses of 128 program issues. Monitoring activities are designed as a continuous process of data collection, analysis and judgment in order to produce relevant, timely and accurate



Appendix A: BRAC Governing Body 2008-2009

Sl. No.	Members Name	Tax Identification No.	Date of Birth	Father's /Mother's Wife /Husband Name	Educational Qualification	Position in BRAC	Residence Address
1	Mr. F. H. Abed	076-100-1673	27-04-1936	Father : Late Siddique Hasan Mother : Late Sufia Khatun Wife : Ms. Syeda Sarwat Abed	C.M.A. Chartered Institute of Cost & Management Accountant, U.K.	Chairperson	Royal Ridge, Apptt.-502, House - 16/A, Road - 84, Gulshan, Dhaka - 1212 Phone - 8823791
2	Ms. Taherunnesa Abdullah	283-100-2065	21-04-1937	Father : Late Rafiuddin Ahmed Mother : Late Anwari Ahmed Husb. : Mr. Abdullah	M.A. (Social Welfare) M.S. (Agri Extension)	Member	4/B Aminabad Colony, Siddeswari Dhaka.-1017 Phone : 8315460
3	Ms. Shabana Azmi (an Indian)		18-09-1950	Father : Late Kaifi Azmi Mother : Ms. Shaikat Husband:	Degree in Psychology Diploma in Acting	Member	
4	Mr. Faruq A. Choudhury	108-102-1579	1/4/1934	Father : Late G. Ahmed Choudhury Mother : Late Rafiqunnessa K. Choudhury Wife : Zeenat Choudhury	Post Graduate	Member	Road-11 (old 32), House-14, Dhanmondi, Dhaka Phone: 324139, 8111640
5	Dr. Timothy G. Evans (a Canadian)		10/1/1961	Father : John Evans Mother : Gay Evans Wife :	PhD in Agri. Economics Doctor of Medicine	Member	218 rue Voltaire 01220 Divonne les Bains France
6	Mr. Kazi Aminul Huque	252-100-0701	02-02-1936	Father : Late Kazi Anwarul Huque Mother : Late Tahera Huque Wife : Ms. Salma Huque	Chartered Accountant	Member	House-4, Road-12, Dhanmondi R/A, Dhaka. Phone : 8113231, 9113385
7	Mr. Syed Humayun Kabir	039-100-8500	01-10-1932	Father : Late S.G. Kabir Mother : Late Sara Begum Wife : Ms. Sajeda Humayun Kabir	B.Sc. (Hons) Chemistry	Member	7/A, New Baily Road Dhaka Phone : 9348012, 8314915
8	Dr. Ainun Nishat	038-100-8195	29-04-1948	Father : Late Gazi Shamsur Rahman Mother : Jamal Ara Rahman Wife : Ms. Samina Sultana	B.Sc. In Engineering (Civil). M.Sc. (Engg.), BUET. Ph.D. in Civil Engineering, University of Strathclyde, UK	Member	5/7, Ghaznabi Road, Mohammadpur, Dhaka - 1207 Phone- 8124667 (Res)
9	Dr. Deapriya Bhattacharya	004-100-1830	29-04-1956	Father : Justice Debesh Ch. Bhattacharya Mother : Mrs. Chitra Bhattacharya Wife : Dr. Irina Bhattacharya	Ph.D in Economics	Member	House No - 2/A Road-63, Appt. B2, Gulshan-2 Dhaka -1212
10	Mr. Latifur Rahman	266-100-1026	28-08-1945	Father : Late Khan Bahadur Mujibur Rahman Mother : Late Begum Sakera Banu Wife : Ms. Shahnaz Rahman	A Level, Graduate	Member	House No- NE (J)-4, Road - 83, Gulshan Dhaka - 1212 Phone 9881973-4
11	Ms. Rokia Afzal Rahman	002-200-3980	24-09-1941	Father : Late Khandaker Ali Afzal Mother : Late Sayeeda Ali Afzal Husb : Late Azimur Rahman	Gratuante, St. Joseph's College, Karachi. Diploma in Banking. Masters in Management, Tufts University.	Member	Mariam House, NEN 12 North Avenue, Gulshan - 2 Dhaka - 1212
12	Ms. Luva Nahid Choudhury		Year 1962	Father : Late Anisuzzaman Choudhury Mother : Ms. Razia Choudhury Husb :	Bachelor of Architect, BUET	Member	Apt-504, House-NEG5 Concord Mayfair', Road-83, Gulshan-2, Dhaka
13	Mr. Shafiq ul Hassan (Quais)		July, 1958	Father : Obaidul Hassan Mother : Homera Hassan Wife :	MSc in Process Analysis & Development, Aston University, Birmingham, UK	Member	The Old Coach House 25 Dunster Gardens London NW7 7NG, UK
14	Dr. Mahabub Hossain	004-100-1953	02-01-1945	Father : Dr. Kobad Ali Mother : Fatema Zohra Wife : Parveen Hossain	PhD in Economics, University of Cambridge	Member (ex-officio)	126/1, New Ispahani Colony, Baro Moghbazar, Dhaka
15	Mr. Muhammad A. (Rume) Ali		09-04-1951	Father : Late Abdul Hady Talukdar Mother : Nurun Nahar Hady Wife : Tamara Rahman Ali	M.A. in Economics, University of Dhaka	Member (ex-officio)	Renuka' House No. 37, Road No. 11, Dhanmondi R/A, Dhaka
16	Ms. Irene Zubaida Khan		24-12-1956	Father : Mother : Surama Khan Husband : Josef Aver	LL/M Harvard Law School, USA	Member	57 Wellington Road Hatch End HA54NE, UK, Phone:+447778472101



LONG-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
AAA Triple A	Extremely Strong Capacity & Highest Quality. MFIs rated 'AAA' have extremely strong capacity to meet their financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.
AA₁, AA₂, AA₃* Double A	Very Strong Capacity & Very High Quality. MFIs rated 'AA' have very strong capacity to meet their financial commitments. They differ from the highest-rated MFIs only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk.
A₁, A₂, A₃ Single A	Strong Capacity & High Quality. MFIs rated 'A' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than MFIs in higher-rated categories. A is judged to be of high quality and are subject to low credit risk.
BBB₁, BBB₂, BBB₃ Triple B	Adequate Capacity & Medium Quality. MFIs rated 'BBB' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the MFIs to meet their financial commitments. BBB rated FIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
BB₁, BB₂, BB₃ Double B	Inadequate Capacity & Substantial Credit Risk. MFIs rated 'BB' are less vulnerable in the near term than other lower-rated MFIs. However, they face major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which might lead to inadequate capacity to meet their financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk.
B₁, B₂, B₃ Single B	Weak Capacity & High Credit Risk. MFIs rated 'B' are more vulnerable than the MFIs rated 'BB', but the MFIs currently have the capacity to meet their financial commitments. Adverse business, financial, or economic conditions are likely to impair the capacity or willingness to meet their financial commitments. B is considered speculative and weak capacity and is subject to high credit risk.
CCC₁, CCC₂, CCC₃ Triple C	Very Weak Capacity & Very High Credit Risk. MFIs rated 'CCC' are currently vulnerable, and are dependent upon favorable business, financial, and economic conditions to meet their financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk.
CC Double C	Extremely Weak Capacity & Extremely High Credit Risk. MFIs rated 'CC' are currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Near to Default. A 'C' rating is assigned to MFIs that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or obligations that are subject of a bankruptcy petition or similar action but have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest.
D	Default. MFIs rated 'D' are in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

**Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*



SHORT-TERM CREDIT RATING: MICRO FINANCE INSTITUTIONS (MFIs)

RATING	DEFINITION
ST-1 Highest Grade	MFIs rated in this category are considered to have the highest capacity for timely repayment of obligations. MFIs rated in this category are characterised with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-2 High Grade	MFIs rated in this category are considered to have strong capacity for timely repayment. MFIs rated in this category are characterised with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-3 Average Grade	MFIs rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterised with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-4 Below Average Grade	MFIs rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. MFIs rated in this category are characterised with average liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-5 Inadequate Grade	MFIs rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. MFIs rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.
ST-6 Lowest Grade	MFIs rated in this category are considered to have obligations which have a high risk of default or which are currently in default. MFIs rated in this category are characterised with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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RATING REPORT BRAC



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