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**IFPRI Discussion Paper 01046**

**December 2010**

**An Analysis of Institutions and Policy Processes for  
Selected Antipoverty Interventions in Bangladesh**

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## **PARTNERS AND CONTRIBUTORS**

IFPRI gratefully acknowledges the generous unrestricted funding from Australia, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, the Netherlands, Norway, the Philippines, South Africa, Sweden, Switzerland, the United Kingdom, the United States, and the World Bank.

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## **ABSTRACT**

This study attempts to provide an understanding of how the process of institutional change influences the outcomes of interventions. To better understand the context in which these interventions took place, the study examines the institutional aspects of new agricultural technology interventions and the policy processes of food- and cash-based education incentive programs. The institutional analysis pays special attention to issues of institutional origins, persistence, and transformation. The paper then examines the motivation and policy processes of the Food for Education program and its subsequent replacement, the cash-based Primary Education Stipend program. The study reviews similarities and differences among selected antipoverty interventions according to their pro-poor orientation, attention to gender issues, extent of involvement of other partners, attention to sustainability, and the use of research and evaluation to inform organizational change.

**Keywords: microfinance institutions, agricultural technology, primary education, Bangladesh**

## **ACKNOWLEDGMENTS**

This research was funded by the U.K. Economic and Social Research Council and Department for International Development under their Joint Research Scheme (Award Number RES 167-25-0361). It builds on collaborative work funded by the Chronic Poverty Research Centre, HarvestPlus, and the World Bank. We acknowledge helpful discussions with Angela Gomes, Banchte Shekha; Farida Huq, Primary Education Stipend Project; Dharendra Kumar Roy, Gono Kallayan Trust; Anup Saha, Banchte Shekha; and Gias Uddin, Mymensingh Aquaculture Extension Project. We received valuable comments from Mohammed Zahidul Hassan and Mohammed Zobair, Data Analysis and Technical Assistance Limited. All errors and omissions are ours.

## ABBREVIATIONS AND ACRONYMS

ADR	alternate dispute resolution
ASA	Association for Social Advancement
AVRDC	Asian Vegetable Research and Development Center
BFPP	Bangladesh Food Policy Project
BIDS	Bangladesh Institute of Development Studies
BRAC	Bangladesh Rural Advancement Committee
BS	Banchte Shekha [learning to live]
BURO	Bangladesh Unemployed Rehabilitation Organization
CBFM	Community-based Fisheries Management
CFPR/TUP	Challenging the Frontier of Poverty Reduction/Targeting the Ultra poor
CIDA	Canadian International Development Agency
CP	Comprehensive Project
CPRC	Chronic Poverty Research Centre
Danida	Danish International Development Agency
DfID	Department for International Development
DWS	Department for World Service
FFE	Food for Education program
GKT	Gono Kallayan Trust
IFPRI	International Food Policy Research Institute
IGVGD	Income Generation for Vulnerable Group Development
IT	information technology
LWF	Lutheran World Federation
MAEP	Mymensingh Aquaculture Extension Project
MDGs	Millennium Development Goals
MF	microfinance
MFI	microfinance institution
MFP	microfinance program
MoF	Ministry of Food
NFPE	nonformal primary education
NGO	nongovernment organization
PES	Primary Education Stipend program
PFDS	public food distribution system
PKSF	Palli Karma-Sahayak Foundation
PMED	Primary and Mass Education Division
RDP	Rural Development Program
RDRS	Rangpur-Dinajpur Rural Service
RWP	rural works project
SMC	School Management Committee
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VO	village organization
WGTFI	Working Group on Targeted Food Intervention



# 1. INTRODUCTION

## Background

Over the last three decades, government agencies and nongovernment organizations (NGOs) in Bangladesh have implemented a range of antipoverty interventions. A number of these interventions use innovative approaches to help individuals and households escape poverty. The International Food Policy Research Institute (IFPRI) and the Chronic Poverty Research Centre (CPRC) have undertaken a series of studies on the long-term effects of three key types of interventions in Bangladesh: (1) human capital interventions, which provide food or cash for education to poor families; (2) production-related interventions, which introduce new agricultural technologies; and (3) microfinance (MF) interventions, which provide microcredit to the poor through NGOs.

The studies build on evaluations conducted by IFPRI in Bangladesh on the food security and livelihood impact of microfinance institutions (MFIs) (1994–95), the micronutrient and gender impact of new agricultural technologies (1996–97), and the impact of food- and cash-based education incentive programs on educational attainment and food security (2000 and 2003). The longitudinal study on which this study is based builds on three surveys conducted by IFPRI in Bangladesh to evaluate the short-term impacts of microfinance, new vegetable and polyculture fish technologies, and the introduction of educational transfers. These are described in Zeller et al. (2001), Bouis et al. (1998), Ahmed and del Ninno (2002), and Quisumbing and Maluccio (2003), respectively.

## Scope of the Institutional and Policy Processes Study

In this study, we look at the institutional aspects of MF, new agricultural technology interventions, and the policy processes of food- and cash-based education incentive programs. In the institutional analysis, we pay special attention to issues of institutional origins, persistence, and transformation. Our analysis of the policy processes of education interventions focuses on the roles of research and key stakeholders in formulating the Food for Education (FFE) program and transforming it into the cash-based Primary Education Stipend (PES) program. The analyses of institutional and policy processes provides the background information for the long-term impact studies and a better understanding of how the processes of institutional change influence the outcomes of the interventions. The study is based on in-depth interviews with key stakeholders and reviews of relevant studies and project documents.

## 2. INSTITUTIONAL ANALYSES OF MICROFINANCE INTERVENTIONS

Five large MFIs dominate the Bangladesh microfinance sector: the Grameen Bank—the pioneer of MF for the poor; Proshika; the Association of Social Advancement (ASA); the Bangladesh Rural Advancement Committee (BRAC); and the Rangpur-Dinajpur Rural Services (RDRS). The latter three MFIs participated in an IFPRI research study carried out in 1994–95. Based on data collected in a comprehensive survey in 1994, the IFPRI study analyzed (1) the history of the formation and outreach of group-based rural financial institutions; (2) the process of group formation and the determinants of program eligibility and their implications for the structure, conduct, and performance of savings and credit groups; and (3) the effects of participation in group-based credit and savings programs on household resource allocation, income generation, and food and nonfood consumption.

### **Association for Social Advancement (ASA)**

ASA, which has been in operation in Bangladesh since 1978, has emerged as one of the largest MFIs in the world. It is registered with the Microfinance Regulatory Authority of the Central Bank of Bangladesh, the NGO Affairs Bureau, and the Joint Stock Company. As ASA International, it now also works in other countries in collaboration with Catalyst Microfinance Investors. Its goal is to spread microfinance globally to help countries meet their millennium development goals (MDGs) and microcredit summit campaign targets. ASA's clients account for 32 percent of the borrowers in the 611 NGO MFIs in Bangladesh. It seeks to perfect the role of financial intermediation by developing a variety of products that can generate necessary funds from local sources, thus helping the poor to shield themselves against risks. At the end of 2007, its rate of loan recovery was 99.32 percent. One should note, however, that loan recovery rate, which indicates the percentage of credit takers who have become self-dependent by utilizing ASA's credit, cannot be declared with the same confidence as the operational and financial rates of self-sufficiency.

### *Institutional Development Phases*

In response to ever changing socioeconomic and geopolitical situations, ASA has strategized its action policy to retain its profitability while meeting market demand: it has changed or modified its course of action whenever required. ASA's intervention philosophies and activities have evolved in three different phases: the foundation phase (1978–84), the reformative phase (1985–91), and the program specialization phase (1992 to date).

*Foundation phase (1978–84):* Initially ASA aimed to help the poor organize and empower themselves so that they might establish their political and social rights. At that time, ASA deliberately avoided lending, arguing that loans would distract the rural poor from their fight for a just society. ASA's target was to ensure political and social reforms before introducing credit. In 1979, it registered with the government and initiated several different group-based programs. These included programs to build awareness for social action; to provide legal aid and training, to support communication services, and to provide training for rural journalists. Although ASA claims that the general impact of the foundation phase was positive, the programs suffered from substantial limitations. For instance, group members were unable to obtain higher wages for a long time, because the local elite recruited low-wage laborers from outside. The idea of apex organizations, built up from and representing groups of the poor, was not sustainable. Being poor, members joined these groups in order to have more facilities and fulfill their self-interests, rather than to fight for social justice. To overcome these limitations, ASA revised its approach to make its development efforts more effective.

*Reformative phase (1985–91):* In this phase, ASA introduced an integrated approach that focused on economic activities, income generation, and social development aspects. During this phase, ASA attempted to empower the poor by improving health, nutrition, education, and sanitation and by making credit available. The focus shifted toward women, who play an important role in the field of development.

Although the reformative phase, like the foundation phase, brought positive changes in the livelihoods of the rural poor, some constraints were also identified: for instance, many ASA members left the organization to join other organizations that provided more appropriate products to meet their credit needs; because development and implementation of integrated programs took a long time, group members had to wait to obtain credit; and the absence of funds led to uneven distribution, which meant that a few members obtained large amounts of credit while others got nothing. To prevent group members from joining other NGOs who were providing credit for income-generation activities, ASA started to specialize in MF activities. Thus its entry into the world of MFI was not driven by the realization that poor people need financial assistance in terms of microcredit; rather, ASA was forced to get involved in order to retain group members and to remain profitable as an institution.

*Program specialization phase (1992 to date):* ASA started providing credit and arranging programs that gradually took the form of a conventional MF package. During this phase, it has offered savings and credit programs to generate income for members and a mini-life-insurance program called the Member Security Fund. The prime objectives during this phase were to alleviate poverty and improve the quality of life for the rural poor who have no land or assets, especially women, by providing them with appropriate and affordable financial services; reducing their dependence on local moneylenders; and facilitating additional income-earning at the microfinance level. In 2001, ASA became financially self-sufficient, and since then it has not accepted grants or donations from any outside sources.

### *Changes in Strategic Focus*

During its early years, ASA undertook various development programs such as awareness building for social action, training of local birth attendants, and capacity building of journalists. In the mid-1980s it introduced new programs in the sectors of health and nutrition, education, and sanitation. At this stage, ASA introduced microcredit through a pilot project. ASA's activities began with grants from donors, but in 1991, to meet the demands of poor people, the actions and activities of the organization were vastly modified. In 1992, this paradigm shift led ASA to focus solely on MF as its prime tool for fighting poverty. Since it wanted its operations to become self-reliant, it gradually moved away from dependence on donor funding and grants. Shortly after developing its "ASA Cost-Effective and Sustainable Microfinance Model," it became self-sufficient and declared itself a self-reliant MFI in 2001. This has been ASA's highest achievement: to attain self-reliance through minimum cost and rapid expansion of the programs of the organization. In 2006, ASA formulated a 10-year information technology (IT) initiative for automating its branch operations. The ASA Microfinance Management System was developed by an in-house team of software developers and IT professionals, and they successfully met the timeline for deploying it in its 3,200 branches. As of April 2009, it has extended its outreach to 3,292 branches and 24,915 staff in 72,204 villages.

### *Changes in Administrative Structure*

ASA now has a well-defined management structure, has two distinct tiers: the central office and branch offices in the field and district offices that bridge the central and branch offices. The president directs the personnel of different sections through the central office, which includes human resource management, operations, finance, management information system (MIS), accounts, audits, research, and IT. Each district has a team of regional managers headed by a district manager.

ASA functions as a decentralized institution, so each branch acts as a unit with its own cost and profit ledger, and this encourages efficient use of resources. Therefore, each branch strives to perform all of its activities so that it achieves the most it can at the least possible cost. Daily revenue streams in the form of loan repayments from clients allow each branch to bear the cost of loan disbursement and required office materials. The branch has the freedom to carry out all required activities, as long as these conform to the operations manual. It identifies the ceilings for all relevant variables, which change each year as needed. Generally, there is one branch manager, one assistant branch manager, and four loan

officers in a branch. Each branch prepares its own annual work plan with fiscal targets and cash flow projections.

### ***Microfinance Program Mechanism***

ASA has a flexible repayment mode. The majority of its portfolio (78 percent) is tagged with a weekly repayment schedule. Small entrepreneurs and agribusinesses usually follow a monthly repayment schedule. Although the repayment schedule is somewhat flexible, the interest rate is a flat 12.5 percent for all types of loans. This flat rate strategy may seem reasonable for most of the loans, but for the hard-core poor, it is too much, overshadowing the flexibility in repayment advantage.

Under a special program category, ASA offers business development loans, short-term loans, and scarcity loans at the 12.5-percent flat rate with flexible repayment; small loans for male clients at 12.5 percent with monthly repayment; rehabilitation loans at a zero percent rate with flexible repayment; and education loans at a 10-percent flat rate with weekly repayment. ASA also maintains a mandatory savings scheme for all clients in the basic loan categories, except small entrepreneur loans and business development service loans. Under this policy, the client is required to deposit a fixed amount in savings [10 taka (Tk)],<sup>1</sup> which provides 4 percent in (flat) interest and follows the same schedule as the loan repayment mode. Apart from this, ASA also offers voluntary savings at a 4 percent (flat) interest rate and long-term savings at a 9 percent interest rate at maturity, with a monthly deposition mode. Like the mandatory savings scheme, all basic loan clients must contribute to and participate in the Member's Security Fund (mini-life insurance) Program. Loan insurance and a male member's security fund (mini-life insurance) are other optional insurance programs offered to the members.

As it progressed toward MF commercialization, ASA worked with other NGOs and institutions. For example, with the Bangladesh Unemployed Rehabilitation Organization (BURO) in Tangail District,<sup>2</sup> it introduced flexible savings, term deposits, and time deposits among their "associate members" (nonmembers) with good response, but these savings services were discontinued following a notice by the Bangladesh Bank in the national daily newspapers in September 2000, prohibiting such services.

ASA claims that it is recognized as the world's largest sustainable, cost-effective, and fully grant-free MFI. It has achieved significant Operational Self Sufficiency and Financial Self Sufficiency within a short period of time. Its MF model has also worked successfully in different countries in Asia and Africa. ASA branches have proven its capacity to reach a break-even point within a year. As of June 2008, its rate of recovery was 99.48 percent with a 0.20 percent loan loss ratio.

ASA has experienced a gradual expansion of its operations. In 2000, there were 825 offices that served more than 1.12 million active borrowers, of which 94 percent were women. By March 2009, it had given loans to more than 6.6 million members in 72,204 villages through its 3,294 branches. Eighty-five percent of its total operations are conducted in rural areas where most of the (71 percent) clients are female. Currently a total of 54 MFIs in 17 countries are receiving ASA's technical assistance services. However, although ASA claims its fight against poverty with confidence, as of June 2009, only 1 percent of its total portfolio was allocated to hardcore poor loans. Its intelligent MF model has given ASA institutional sustainability and a promising future, but it should also be remembered that a lack of confidence among the members and stakeholders might impugn the long-term institutional sustainability.

### **Bangladesh Rural Advancement Committee (BRAC)**

Since its modest inception in 1972, BRAC has emerged as one of the largest NGOs in the world, employing around 100,000 people, with a vision of "a just, enlightened, healthy, and democratic Bangladesh, free from hunger, poverty, environmental degradation, and all forms of exploitation based on age, sex, religion, and ethnicity." BRAC today provides and protects livelihoods for about 100 million

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<sup>1</sup> The official exchange rate for the taka (Tk), the currency of Bangladesh, was Tk 69.65 per US\$1.00 on August 12, 2010.

<sup>2</sup> The administrative structure of Bangladesh consists of divisions, districts, *upazilas*, and unions, in decreasing order by size. There are 6 divisions, 64 districts, 489 *upazilas* (of which 29 are in four city corporations), and 4,463 unions (all rural).

people all over Bangladesh. In addition, BRAC has been called upon to assist in a number of other developing countries. BRAC is currently working in seven countries in Africa, and in Afghanistan, Haiti, and Sri Lanka.

BRAC's twin objectives are to alleviate poverty and to empower the poor, especially women. With multifaceted development interventions, BRAC strives to bring about positive changes in the quality of life of the poor people of Bangladesh and elsewhere. Its comprehensive approach combines MF with health, education, and other social development programs. BRAC is committed to making its programs socially, financially, and environmentally sustainable, using new methods and improved technologies. As a part of its support to the program participants and its financial sustainability, BRAC is also involved in various income-generating enterprises.

The fulfillment of BRAC's mission requires the contribution of competent professionals committed to its goals and values. BRAC, therefore, welcomes partnerships with the community, like-minded organizations, governmental institutions, and private-sector and development partners both at home and abroad.

### *Institutional Development Phases*

In February 1972, BRAC began with a relief and rehabilitation project in the Sylhet District of Bangladesh. Over the years, realizing that relief-oriented activities only serve as stopgap measures, BRAC has undertaken long-term concerted efforts to find permanent solutions to improve conditions for the rural poor. In 1973, it implemented a number of multisectoral programs to tackle rural poverty across the country. This represented a major change in its institutional philosophy, as its focus moved from acute crisis to persistent crisis (Chowdhury and Alam 1997). During BRAC's community development program phase (1973–77), the village was considered a single entity and all of the villagers' problems were addressed the same. However, it proved to be impossible to bring conflicting interest groups under a single umbrella to benefit them, and therefore BRAC decided to adopt a target group approach to running their operations. The definition and understanding of a target group went through a number of modifications.

In light of BRAC's twin objectives of poverty reduction and empowerment of the poor, its main priorities are people and their participation in the development process. As an initiator of capacity-building programs, its role is to (1) make target program participants aware of their own problems; (2) provide them with the tools to unite in homogeneous, organized interest groups; and (3) increase their capacity to exercise their legal and civic rights (BRAC 1993, 1991). BRAC started a major poverty alleviation program, the Rural Development Program (RDP), in 1986. Its most important feature was its financial sustainability in that revenues earned from loan repayments covered the operating costs. RDP officially came to an end in December 2000; by that time, many of its components had become financially self-sustainable and donor funds were no longer required (Halder 2003).

BRAC's organizational history reflects swift transitions and concomitant policy and program shifts. It very quickly changed its initial community development approach to poverty alleviation, graduating to a target-oriented approach to sustainable development and empowerment, gradually moving away from its original social mobilization agenda. Although it undertook a many supplementary social services, its credit program is the one that has predominated over the last two decades. As Wood and Sharif (1997, 47) say, “. . . BRAC still maintains a public commitment to such holism despite a recent and widespread criticism that BRAC has retreated from its earlier social mobilization stance into a narrower contemporary conception of micro credit delivery as a part of a deliberate plan of lender sustainability. . . . BRAC is wrestling with this problem. . . .”

To initiate the process of social mobilization, BRAC formed institutions called village organizations (VO) for poor people having similar needs. These VOs serve as forums where people join together to address their problems and requirements, start saving, receive credit, and thereby enjoy their social capital. However, Hulme and Mosley (1997) argue that “. . . BRAC has effectively abandoned its

village-level institution-building activities and is no longer attempting to federate village organization . . . .”

BRAC’s mission statement notes that BRAC works in partnership with like-minded organizations, governmental institutions, and donors to achieve its ends (BRAC 1993). And one of its most remarkable institutional successes is BRAC’s ability to successfully work and collaborate with the government, other NGOs, and other entities.

### *Changes in Strategic Focus*

*The 1970s era.* At the time of its inception, BRAC’s scope of operation was limited to assisting poor people affected by Bangladesh’s war for independence. From immediate emergency assistance, it expanded its operations to different geographic locations and changed its focus to long-term rural community development. In 1973, BRAC was working in the north of the country in Sylhet to rebuild the livelihoods of the refugees. BRAC introduced a microcredit program in 1974 with a holistic approach that combined health, adult education, and credit for rural enterprise development. In 1975, it started assisting women handicraft producers in Jamalpur and Manikganj Districts, and these areas became its key testing ground for development initiatives. In 1977, BRAC began targeting the poor and initiated VOs. These groups of 30 to 40 members worked as a gateway for members to access the services of BRAC. A retail outlet named “Aarong” was set up to establish a sustainable market for the handicrafts produced under the project. This endeavor made it possible to have synergistic forward and backward linkages among the stakeholders. It initiated a training program for health volunteers from each VO to facilitate essential healthcare. The first training center for villagers and BRAC staff was established. In 1978, BRAC directed its focus toward the poultry and livestock sector and provided technical and financial support for women that benefited 2 million households. In 1979, BRAC contributed significantly to a reduction in child mortality from diarrhea by introducing an oral therapy extension program.

*The 1980s and 1990s.* BRAC initiated various business ventures during the 1980s to support its programs and add value to the enterprises of the poor. Among the most significant support enterprises were a cold storage facility, a printing press, an iodized salt factory, a tissue culture laboratory, and a bull station to improve cattle breeds. In 1984, it started a pilot tuberculosis control project to assist the government’s similar national program. BRAC then focused on the education of older children from the poorest landless families who were not covered by the conventional educational system of the government. In 1985, it opened “one teacher—one classroom” primary schools in 22 villages under the nonformal primary education (NFPE) program. Still today, those schools educate millions of deprived children. With direct technical assistance from BRAC, its NFPE model has been replicated in many countries in Africa. Endeavors to create social awareness were undertaken in 1986 to empower women regarding social discrimination and exploitation. BRAC initiated a women’s health development program in 1991 to assist poor mothers and pregnant women with reproductive healthcare facilities. In 1994, BRAC and the government of Bangladesh jointly initiated a tuberculosis treatment program, and in 1995 it established its own health center. BRAC introduced legal aid clinics in 1998 to provide legal services through both local arbitration and the formal legal system. To create markets for its members who invest their microloans in dairy and to gain from the existing business opportunities, BRAC set up milk processing plants in 1998. By the end of the 1990s, it had scaled up its activities to the national level, covering all 64 districts of the country.

*2000 and beyond.* In 2001, BRAC established a commercial bank (BRAC Bank Limited), targeting the unmet needs of the small and medium enterprise sector for financial services, and launched its own university (BRAC University), targeting the students who can afford the expense of a private university education. To assist the extremely poor households, it introduced an Ultra-poor Program in 2002. This program has also been replicated in Haiti, India, and Pakistan with direct technical assistance from BRAC. In 2002, it also launched an extensive development program in Afghanistan to help the poor and vulnerable after years of devastating war there. In 2003, to empower the adolescent girls of Bangladesh, it introduced a number of programs to provide skills training, social development, and

microloans for future business investments. In 2004, it took its development programs to Sri Lanka to facilitate relief work and rehabilitation for the poor people affected by the Asian tsunami. As a part of the MDG, it launched several healthcare and awareness building programs in 2005. BRAC UK and BRAC USA were established in 2006 to facilitate resource mobilization, and in this year it also started working in the African countries of Southern Sudan, Tanzania, and Uganda to promote rehabilitation, poverty alleviation, and empowerment of the poor people in those countries. In 2007, it was registered in Pakistan as an NGO and started development programs there. Due to its experience and expertise in rehabilitation and microfinance, an Indonesian NGO also received technical assistance from BRAC for post-tsunami rehabilitation and microfinance.

### *Changes in Administrative Structure*

BRAC activities were initiated first at Sulla in Shunamganj District (formerly Sylhet) in only 200 villages. In 1974, when it began to introduce microfinance programs (MFPs), BRAC expanded its area coverage, and its staff grew to 300. BRAC has long been described as a learning organization (Korten 1980) for the type of policy planning it does and its capacity to learn from field experience and to redefine its program strategies. This learning process, known as “action-reflection-action” (SAARC 1992) is promoted through monthly project meetings at all levels. In these meetings, staff discusses various matters relating to successes and failures in different activities, sets targets according to past experience, and debates innovative ways of solving problems. Having identified research and evaluation as an important activity, BRAC established a Research and Evaluation Division in 1975, which conducts a wide range of studies. Since the mid-1980s, it has greatly expanded both the area it covers and its number of staff. It prefers to scale up its successful endeavors because it believes that expansion is necessary for it to thrive.

A governing body is responsible for BRAC’s management, and Sir Fazle Hasan Abed, its founder and chairperson, is its chief executive officer. There are very few intermediate levels between top management and field level work. Its management is participatory and decentralized. Programs are planned through the participation of workers at all levels. Its policy includes hiring and placing women at the top, mid, and field levels as a norm to ensure gender equality and to promote a balanced development of the society. In line with the organizational commitment to gender equity, it has actively recruited women staff, and at one stage the ratio of female to male staff was 1:4 (Goetz 1997). However, only 23 percent of its staff was female in 1994. Generally, BRAC employs fresh university graduates as fieldworkers and arranges local training for them; for the mid- and higher-level staff, it also arranges foreign training. Goetz (1997) has noted a dilemma between innovation and institutional bargaining in BRAC:

The team’s credibility, built as it is on its own merit and through support from the Executive Director, strengthens its potential to innovate. But bringing senior managers on board involves more than discussions and clarifications. In a hierarchal organization like BRAC in which the Executive Director has an extensive hand in setting policy directions, it also requires clear signals from the very top that this program deserves attention. This poses a dilemma because it reinforces a model of organizational behavior which is at odds with our conception of individual and systemic learning for organizational change.

BRAC is now an organization of people working at many different levels, including interns, volunteers, donors, staff, executives, governing body members, and those working in the field in Bangladesh and abroad. As of March 2009, a total of 115,584 people worked for BRAC, of which 50,431 were full-time staff. It covers 64 districts, 509 *upazilas*, and 69,421 villages. Its divisions include training; advocacy, research, and evaluation; human resources; public affairs and communications; administration and risk management; finance and accounts; procurement, estates, and management services; and publications. Actively contributing social enterprises include Aarong, BRAC dairy and food project, BRAC agribusiness, BRAC printers, BRAC print pack, and BRAC tea estates. It also has a good

institutional investment portfolio that includes BRAC University, BRAC Bank, bracNet, Documenta, and Delta BRAC Housing Finance Corporation. Although during its initial years donors fully funded the organization, BRAC over time was able to raise its own revenues through different income-generating activities and its microfinance endeavors. It began reducing its dependency on donor funds in the 1980s: by 2000 donors contributed only 21 percent of the total annual expenditure. In the 1980s BRAC introduced a strong management information system to facilitate its administrative activities, and it now enjoys 100 percent automation of its field offices.

### *Microfinance Program Mechanism*

Its focus on credit was in response to the immediate needs and demands of BRAC members as well as a strategy to achieve institutional financial sustainability, and it happened just two years after its inception. BRAC differs from other MFIs in its realization that poverty is a multidimensional concept. At the beginning of its MF initiative, BRAC became committed to the “credit plus” approach, and loans were given along with healthcare services, skill training, NFPE, social development, and the creation of grassroots organizations for the poor. People owning less than 0.5 acres of land who were members of a VO were treated as eligible MF group members. The primary function of the MF groups is to take part in the compulsory savings program that creates an emergency fund, although members have to struggle to get access to their savings.

BRAC divides its whole target population into five distinct levels of poverty: better off (27 percent), vulnerable nonpoor (20 percent), moderate poor (17 percent), extreme poor (31 percent), and destitute (5 percent). Eighty percent of these target people live in rural areas and the remaining 20 percent in urban areas. BRAC’s mainstream MF program profile has three components: Dabi (micro-lending to the poor), Unnoti (agro-business development), and Progoti (small enterprise development). In addition, there are two other projects: Income Generation for Vulnerable Group Development (IGVGD) and Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor (CFPR/TUP) (BRAC 2009). Progoti provides services related to individual and enterprise-level lending; Unnoti supplies credit, training on poultry, livestock, agriculture, and aquaculture, and marketing services; Dabi provides credit, savings, training, and death benefits; IGVGD provides food assistance, training, and credit; and CFPR/TUP provides assets grants, training, healthcare, and social safety nets. The IGVGD began as a pilot program in 1985 and continues. CFPR/TUP was introduced in 2002 to reach the bottom 25 percent of the absolute poorest who were missing from all the relevant endeavors. BRAC serves more than 8 million members through its innovative credit ladder model, of which more than 7 million are borrowers.

### **Rangpur-Dinajpur Rural Service (RDRS)**

RDRS is a prominent NGO that has worked to empower the rural poor in the northern part of Bangladesh for more than 36 years. During its initial phase it was known as “Rangpur-Dinajpur *Rehabilitation Service*,” but in 1986 the name was changed to its current one. It is one of the largest NGOs working in the northern region of the country and in recent years it has also entered into the northeastern part.

### *Institutional Development Phases*

A Norwegian missionary, Olav Hodne, was the founder/director of RDRS. It was established in the early 1970s by the Switzerland-based Lutheran World Federation (LWF) to help with rehabilitation efforts after Bangladesh’s war of independence. Over the years RDRS has expanded its scope from 2 to 10 districts: Dinajpur, Habiganj, Jamalpur, Kurigram, Lalmonirhat, Moulvibazar, Nilphamari, Panchagarh, Rangpur, and Thakurgaon. All the institutional activities are coordinated and controlled by field headquarters situated in the town of Rangpur.

The evolution of RDRS is connected with and, at the same time, parallel to the overall time-scale and flow of development activities in Bangladesh. Moreover, its activities have been influenced and modified by the institutional learning gained from earlier endeavors. In 1985, it initiated its carefully

structured rural development programs under the supervision and administration of LWF. It became an independent national NGO in 1997, which controlled the design and execution of its own development programs. It was no longer owned by LWF but treated as an associate program of LWF/Department for World Service (DWS). Thus it became an autonomous organization governed by a board of trustees with close partnership links with LWF/DWS and its related agencies. A new constitution was drafted, and to meet the demands of accountability and cost-effectiveness, the existing system and structure underwent significant changes.

### *Changes in Strategic Focus*

As we have seen, RDRS started its endeavors by assisting war-affected refugees and later shifted its focus toward development activities. From a humanitarian agency, it evolved into sectoral development and then into comprehensive approaches to rural poverty alleviation. Although need-based involvement has been the prime reason for the expansion of its development program, to attain donor funds, it sometimes has intervened in specific sectors. The development endeavors of RDRS can be divided into the following distinctive phases with respect to the major shifts in its strategic focus.

*Formation and emergency relief (1971–72).* Needs arising from Bangladesh's war of independence instigated RDRS to provide humanitarian aid, and during this period it focused mostly on assisting refugees and rehabilitating them.

*Relief and rehabilitation (1973–75).* RDRS concentrated on rehabilitation work for the refugees and expanded its programs for the relief of flood- and drought-affected poor people.

*Sectoral development (1976–83).* During this period, development endeavors shifted toward initiatives aimed at promoting greater self-reliance in six major areas: agriculture, construction, community motivation, women's activity, health, and rural works projects. During the 1970s and 1980s, it initiated separate programs focusing on these areas and including functional literacy and skill development for adults. Since 1983 it has further refined its development programs and adapted them to the specific needs of the target individuals.

*Innovation and technology (1984–87).* This phase became a high mark for RDRS due to the innovative ideas, technologies adopted, and their realistic implementation. Their remarkable innovations include the treadle pump, bamboo tubewell, pipe culverts, and schemes for low-cost composting and poultry production.

*Integrated development and expanded impact (1988–95).* At the beginning of this period, RDRS introduced two project types: the comprehensive project (CP) at the household level, and the rural works project (RWP) targeting groups. The RWPs dealt with construction, technology, and environmental works. Two other smaller but well-recognized project types, called community health projects and char (River Island) development projects, were also initiated, focusing on special problems of the target areas. In 1989, RDRS introduced a change in its membership eligibility criterion. According to the new policy, a member could have a maximum of 1.5 acres of land—more than the earlier amount, which was less than 1.0 acre (Zeller et al. 2001). Since then, RDRS has taken a multisectoral integrated approach to poverty alleviation, focusing primarily on the landless and near-landless poor people through a group-based approach. In the 1990s, the RWP concept was merged with the CP for better management of the growing number of bilateral projects with donor partners.

*Localization and beyond (1996 to date).* RDRS undertook a five-year strategic planning concept to guide its activities. The first strategic plan was introduced for the period 1996–2000. In 1997 RDRS became a local organization and significant changes in terms of administrative and philosophical structures were imposed due to this handover of ownership. The majority of the endeavors that have taken place since then were part of a strategy to overcome the challenges imposed by structural changes. Less effort has been directed toward managing new projects: rather, RDRS has concentrated on ensuring sustainability of the institution.

The second RDRS strategic plan (2001–05) considered organizational development as one of its four major explicit focuses. Its development agenda was advanced through advocacy and networking in

support of the development issues and themes arising from its grassroots work. It prioritized program outreach to work with other concerned actors like civil society organizations, government institutions, and development partners in order to achieve the desired progress and to transcend limitations that made those targets impossible to reach on its own. It played a significant role in policy advocacy to influence government policies at different levels. To manage financial crises, it sometimes had to develop new projects to attract donors.

The third five-year strategic plan (2006–10) emphasizes operational simplicity, outcome orientation, and decentralized ownership by the different departments and units. Its 14 program and support units each have their own plan coordinated with the unified overall plan. Social empowerment, community health, livelihood, and microfinance are the four mainstream programs. Microfinance is relatively independent as well as financially self-reliant. RDRS aligned its program priorities with the MDGs and national development goals to achieve development synergy and effectively use its resources. Along with its core program, it is also playing a strong advocacy role in protecting rights. It is increasingly including new participants like children and the disabled in its various thematic projects and interventions. Its development programs support both the rural poor and their organizations to build their capacity and confidence, to empower them, and to promote opportunities, awareness, and access to resources. Transcending its conventional working contour are programs emphasizing institution building, social awareness, economic empowerment, and civic engagement on four operational levels from grassroots to regional. An emerging network of community-based organizations is receiving higher priority as effective civil society actors. Separating microfinance from its other activities represents another major shift toward becoming a self-financing sector.

### *Changes in Administrative Structure*

Dr. Hodne, who served as the founder/director of RDRS from 1972 to 1974, left Bangladesh in 1974. During 1974–76 there was a more distinct departmentalization, where some units focused on physical work such as construction and disaster preparedness resources and others were mandated toward people's development through agriculture and health improvement. RDRS went through a major organizational shift as it transformed from an internationally sponsored organization to a fully autonomous Bangladeshi NGO in 1997. However, it maintains strong international connections with LWF, and with its core partner agencies in Europe, Japan, and North America. During this transition period, it encountered various challenges to its survival and continuous operation.

To administer activities, it utilized financial resources both in cash and kind and from all possible sources, including income generation, local contributions, and donor contributions. It is basically funded through the sustained commitment of a core group of partner church agencies from Asia, Europe, and North America. Additional bilateral funding has been arranged in recent years to expand its core programs and to introduce new elements. MF activities have also expanded significantly to mobilize institutional earning. In 2000, the annual turnover of the RDRS programs, including MF, was about US\$15 million. RDRS has an effectively vast infrastructure that facilitates operations through committed and experienced staff. It pursues an appropriate human resources development policy and has a democratic, participatory, and congenial management culture. In 1986 it had approximately 1,800 employees; by 2007 it had reached 2,044, of which 27 percent were female. Currently it has more than 2,100 full-time staff, one-third of which are women, but it also works with an additional 1,500 daily paid laborers and volunteers. All employees are Bangladeshi with the exception of a few part-time advisers and consultants. The majority of staff is in field-level positions, with a small number posted in special sectoral and support units in Rangpur and Dhaka. It established union federations during the 1990s to channel and disseminate development ideas among the rural poor people. About 260 union federations work as progressive, community-based, democratic organizations for the betterment of their communities, and about 140 of them have received official government recognition and financial support. RDRS generally manages its program activities through two main strategic approaches—the core program and bilateral project initiatives. The core program provides the development foundation, infrastructure, and

continuity, whereas the bilateral project initiatives are short-term, single sector, and area-specific interventions. They target the same objective and offer core activities to the same or additional households.

In the beginning, the activities were confined to only two districts—Rangpur and Dinajpur. In 1980 RDRS expanded its activities to two more districts, Lalmonirhat and Thakurgaon, and gradually extended its working area. At present, its activities are spread over 10 districts of Bangladesh. To undertake the institutional activities, it has field offices in 40 locations and rural training centers in 18 of these locations. The central coordination offices are in Rangpur and Dhaka. RDRS-linked federations operate in 307 unions. For connectivity, its field operations are linked through VHF radio, its own vehicle fleet, and IT.

### *Microfinance Program (MFP) Mechanism*

The MFP targets communities of the rural poor, with emphasis on women, the landless, marginal and small farmers, tribal groups, and the hard-core poor. The MFP offers these individuals and communities an integrated package of financial and extension services devised specifically to improve their physical environment, raise their living standards, and provide them with the skills to establish and expand appropriate and sustainable income-generating activities. To provide financial support to its clients, RDRS has passed through many historic steps over time. The system was last modernized in 2004.

*1972–80.* In 1972, RDRS started providing financial support in the form of grants to people affected by war and famine in northwest Bangladesh. These grants were given to communities and households to improve houses and to purchase tools for farming, sewing, and other activities. By the end of the decade, distribution of grants was phased out to avoid villagers' dependency on the financial support.

*1981–91.* During the 1980s, RDRS started a savings and loans scheme to provide funds, realizing that such a scheme is a more efficient and suitable system for satisfying demands of donors and the institutional moral code. Loans were given to individuals and groups, including women. Loans allowed the beneficiaries to adopt new ideas and technologies introduced by RDRS. Ideas were either borrowed from other NGOs or developed within the organization, for example, the simple but effective bamboo twin-treadle pump, which revolutionized agriculture. However, after realizing the limitations of the savings-and-loans system in the late 1980s, RDRS turned to group-based development with MF initiatives to improve the program. Resources were directly targeted toward women and landless small farmers through groups and later through federations.

*1992–2004.* The MFP established in 1991 has since undergone modifications as a result of institutional learning. RDRS found that its roles as moneylender and debt collector clashed with its other developmental roles and eventually decided to separate its MF activities from the others.

*2005 to present.* A complete overhaul of the MFP was carried out in 2004, which resulted in 100 MF branch offices, a clientele of more than 300,000 households in some 18,000 village-based groups. The MF groups are either all female or all male and composed of 15 to 35 adult representatives from neighboring households. In August 2005, there were 342,673 group members of whom 69 percent were women. After a group is formed, the members receive an introductory four weeks of training from RDRS staff to enhance their capability to run their activities. Then the members become eligible to apply through the group for loans individually or collectively. Usually small amounts are given in the early stages, but larger amounts are given to those who repay promptly. The recovery rate has increased significantly over time; for instance, in 2005 the recovery rate was 95 percent, increasing to 97 percent in 2008 (RDRS 2005, 2008).

In December 2004, RDRS was the sixth largest MFI in Bangladesh, with 307,897 members and 228,936 borrowers. In 2006, it retained its sixth position for the number of members with 348,536, but it was fifth based on the number of borrowers—338,079. RDRS Bangladesh has achieved several national and international recognitions for its activities, including the 2006 Award for Best Program in Microcredit for the Hard-core Poor and the European Microfinance Runner-up Award, also in 2006.

### 3. SELECTED INSTITUTIONS FOR PROMOTING NEW AGRICULTURAL TECHNOLOGIES

IFPRI undertook a study to evaluate the impact of new agricultural technologies on micronutrient intake and by gender in Bangladesh in 1994–95. The technologies they chose to study were disseminated by three NGOs through a variety of targeting mechanisms at three sites in rural Bangladesh: (1) improved vegetable production by the NGO Gono Kallayan Trust (GKT) in Saturia *upazila* (subdistrict); (2) individual fishponds by the Mymensingh Aquaculture Extension Project (MAEP) in Mymensingh District; and (3) group fishponds by Banchte Shekha (BS) in Jessore District. In this section, we analyze the institutional aspects of these three service providers. Table 1 compares the salient features of these three NGOs.

#### **Gono Kallayan Trust (GKT)**

In 1986 GKT was formed as an NGO in Saturia, Manikgong District, in the name of a charitable trust organization. From its inception, the NGO was perceived as a charitable entity dedicated to the rural poor in the minds of the donor agencies and the public. Their first initiative was to distribute seed to small farmers who were affected by consecutive floods in 1987 and 1988. It acted as a post-flood rehabilitation program for several years and then as a relief program. Currently, however, it performs only as an MFI.

#### *Changes in Administrative Structure*

GKT started its operation with only two staff, growing by June 1987 to eight staff with activities spread over 33 villages in that area. Their work increased, especially after the flood in 1988, to include 30 volunteers along with 22 staff members, covering more than 200 villages in a total of 9 unions. By 1993 the organization had 40 staff; by 1995, 60; and by 2009, about 150 staff. In 1995 GKT started managing its administrative activities under different departments to facilitate the expanded workload. This expansion in the number of staff is a sign of growth in the number of beneficiaries, which increased from 800 to 5,500 in 22 years. From the beginning, they aimed to keep an equal male-female ratio among the staff but have only maintained a 60/40 male-female structure. Although the number of staff has increased over the years, GKT has also faced a problem of losing skilled staff to other organizations due to better offers or job dissatisfaction.

When GKT began, it owned no land, but now it has its head office on its own land. From 1989 to 2004, the major part of GKT's funding was provided by Christian Aid, but a possible conflict of interest was reported regarding a funding decision of the donor. GKT also received project-based funding assistances from other entities such as the Canadian Development Project (from 1988 to 1992), NGO Forum, Manusher Jonno, the British High Commission (a two-year lump sum allocation), U.K. Department for International Development (DFID), a Government of Japan special fund, the Bangladesh Center for Advanced Studies, and occasionally from the Government of Bangladesh. Since 1991 the Palli Karma-Sahayak Foundation (PKSF) has funded GKT. When this paper was written (June 2009), GKT had a total of four projects funded by PKSF, including a seeds project that has been ongoing for six years. GKT, as an NGO, has been privileged to have a steady stream of funds from many distinguished agencies and institutions. However, GKT strongly believes that even if they did not receive any further funds, they could still continue their activities smoothly for the next 20 years. The conventional MFP's business success and promising future has strengthened professional confidence in GKT.

**Table 1. Comparison of three NGOs: BS, MAEP, and GKT**

Focus	NGO	Details
Activity time-line	BS	1976 to date
	MAEP	1989 – 2003
	GKT	1987 to date
Registration	BS	1981
	MAEP	Not applicable
	GKT	1986
Vision	BS	A society that fulfills the fundamental demands of poor women and children, in which social harmony, peace, justice, and ecological balance prevail.
	MAEP	Not specified
	GKT	GKT is facilitating a rights-based approach in the development process by which the target population can make right choices through social and political interaction.
Mission	BS	BS will bring about an improved quality of life for poor women and children in the social and economic spheres by using awareness techniques to empower the beneficiaries with the skills to survive and to assist them in accessing their legal and democratic rights.
	MAEP	Not applicable
	GKT	GKT's mission is to <ol style="list-style-type: none"> <li>1. build capacity of the people's grassroots organizations to raise the voice of the underprivileged and destitute community, particularly women and children;</li> <li>2. use social capital to educate and mobilize the target population regarding gender equality and rights-focused interventions;</li> <li>3. invent and integrate environment-friendly agriculture to ensure sustainable livelihoods;</li> <li>4. promote livelihood education and indigenous culture; and to</li> <li>5. advocate social justice issues and issues related to women and women's rights to access resources.</li> </ol>
Goal / objective	BS	To develop a society where the basic rights of women and children are established
	MAEP	<ol style="list-style-type: none"> <li>1. To strengthen the socioeconomic position and physical well-being of the target group of poor men and women belonging to landless and marginal households, thus enabling them to improve their participation in social and economic development</li> <li>2. To enhance opportunities for productive employment of target group members, through increased aquaculture production in the target area.</li> </ol>
	GKT	<ol style="list-style-type: none"> <li>1. To alleviate poverty through sustainable livelihoods</li> <li>2. To mainstream women in development</li> </ol>
Target beneficiaries	BS	Destitute, hard-core poor, marginalized, widowed, abandoned, vulnerable, and disadvantaged women and children
	MAEP	Men and women involved in aquaculture or prospective fish farmers in the project area
	GKT	Rural distressed women; women-headed households, including widowed and divorced women; landless, marginal and small farmers
Strategic approach	BS	Group-based development approach
	MAEP	Initially individual and afterward group-based focus
	GKT	Before 1991 household focus and afterward a group-based focus for microfinance programs
Sustainability	BS	Handicrafts and fisheries have been sustained with great success, and individuals and BS members continue to use their training.
	MAEP	Established linkages between service providers and farmers showed a high degree of sustainability, as did the carp polyculture technology.
	GKT	Some beneficiaries adopted homestead vegetation programs successfully; overall the microfinance program is successful.
Area coverage	BS	Initially in Jessor and now in Khulna and Dhaka Divisions
	MAEP	Greater Mymensingh
	GKT	Initially in Saturia and now in Manikgonj and Dhamrai (Dhaka)
Microcredit repayment policy	BS	15-day interval, flexible interest rate
	MAEP	7-day interval, fixed interest rate
	GKT	7-day interval, fixed interest rate
Implementer's Assessment of Impact	BS	Significantly satisfactory
	MAEP	Insignificantly satisfactory
	GKT	Significantly satisfactory

Source: Developed by the authors from project documents and discussions with BS and GKT officials.

Notes: BS is Banchte Shekta, MAEP is the Mymensingh Aquaculture Extension Project, and GKT is the Gono Kallayan Trust.

### *Changes in the Implementation Mechanism of the Interventions*

GKT is legally registered with the Department of Social Services of Bangladesh and is governed under the Foreign Donation [Voluntary Activities] Rules and Regulations Ordinance. It started its intervention activities as a nonprofit NGO at the grassroots level with a long-term mission to alleviate the poverty and increase the self-confidence of its beneficiaries. Eventually it implemented agro-based, production-oriented development activities. During the mid 1990s, GKT ran eight integrated development programs, which can be divided into two types: people's participatory rural development programs and special credit-oriented production programs. According to GKT, the two can be treated as alternative development approaches; both are sustainable and both help people discover and use their full human potential. This alternative development perspective generates sustainability through the concept of group participation. Group members meet once a week. GKT had 511 groups in 1995, 646 in 1997, 655 in 1999, and 687 in 2008. Most of the projects have three distinct types of activities: social participation, skill development training, and credit disbursement. Naved (2000) notes that "One of the main aims of the programs under discussion is to increase commercial production of the micronutrient-rich vegetables and fish."

GKT's general policy is for a project to last for three years and, if required, to continue for another two years. Its first project was a nutrition project funded by the Canadian Development Project that targeted homestead gardening by women. GKT required that a homestead had to produce at least five different types of vegetables. In 1993, when this nutrition project was phased out, GKT introduced a microcredit program for its members. To enable the members to finance their homestead gardening and poultry projects, GKT offered credit at an interest rate of 10 percent. This rate was in effect through 1997. In 1998 the rate was increased to 15 percent, but in 2000, the Government of Bangladesh instructed GKT to reduce the interest rate to 12.5 percent.

In the initial phase, when a comparatively small number of members grew homestead vegetables, the nearby local market was sufficient to sell their products. When the number of members increased significantly, a bigger market was required for the sale of their products. The sales channels that GKT established for its members helped them get better prices. When GKT ended the nutrition project, members lost some of their superior channels due to the withdrawal of GKT's involvement.

The Homestead Vegetable Program introduced improved varieties of vegetables including tomato, okra, Indian spinach (*pui shak*), red amaranth (*lal shak*), radish, eggplant, amaranth (*data*), kangkong (*kalmi shak*), mung bean, and sweet gourd. In Satoria, infrastructure improvements such as new roads and establishment of a distribution channel that stretches up to Dhaka have made vegetable sales more profitable. GKT originally disseminated AVRDC (Asian Vegetable Research and Development Center) seeds, but this NGO is now primarily a source of credit and only secondarily a source of vegetable technology. Many villagers are now producing and storing their own seeds instead of buying them from GKT. Research findings (Hallman, Lewis, and Begum 2007) claim that GKT initially did a very good job of promoting the technology used in homestead vegetable gardens in the early 1990s, but it is now less effective and many people have withdrawn from their program.

### *Shifts in Project Projections*

GKT made a major shift in its project focus in 1995 when it changed from vegetable growing to an emphasis on income-generating projects. Following its philosophy of group-based activity, during its early period microcredit groups ranged from 25 to 30 members. Credit amounts ranged from Tk 500 to Tk 2,000—enough to enable the member farmers to continue their homestead gardening, poultry rearing, and cow fattening programs. When the project focus shifted toward trade, then the credit amount also increased. The credit amounts then ranged from Tk 5,000 to Tk 20,000 for trade facilitation. GKT has enjoyed confidence in its institutional sustainability, mostly because of the proliferation of its conventional microcredit program proliferation. However, that 60 percent of those who received credit in 1991 are still repaying their loans in installments implies that, even after 18 years, microcredit could not make the poor beneficiaries self-dependent.

The initial nutrition project was facilitated by the Bangladesh Agricultural Research Institute for approximately two years. GKT imported foreign seeds and the Institute provided appropriate technology and training to the members. GKT provided seeds to its members until 2002; after that, the trained farmers themselves were able to produce new seed from the mother seed. Thus seed culture technology seems to have been successfully adopted by the farmers, and the GKT initiatives enabled them to produce higher quality seeds independently. Although this seed project is now closed, another GKT project, focusing on tissue culture for potatoes, is continuing through independent laboratory research.

GKT claims that it recruits staff from the communities where it operates in the belief that ownership by the staff is a core value that fosters sustainability. GKT's project portfolio over the years has always had a diversity of projects, although management focuses on MFIs as the only sustainable ones. The diverse programs—many aimed at poor, rural women—include the Ultra Poor Program, the Village-based Poultry Development and Hatchery Program, the Benefit Sharing Program, the Homestead Vegetable Program, the Seed Multiplication Program, the Village-based Dairy Program, the Nursery Program, the Sanitation Program, the Capacity Building Program, the Livelihood Development through Rural Credit Program, and other legal-awareness building and health programs. Most of these projects have either been phased out or continue only to a limited extent. Nevertheless, the organization is still in full swing as an MFI backed by the PKSF and its own capital.

Although GKT's work as a charitable trust entity was worthwhile, its shift from social development gifts and grants to MF beneficiaries has made a larger contribution. According to Naved (2000),

The trend analysis shows that women's income has increased almost twofold after the introduction of new technology. However, in explaining the sources of the increase, the adopters emphasized investment of their loans in agriculture, cattle, or poultry rearing. It was apparent from the discussion that vegetable production using new technology is a less important source of income.

### **Mymensingh Aquaculture Extension Project (MAEP)**

MAEP is a project conducted jointly by extension agents of the Ministry of Fisheries, the Government of Bangladesh, and the Danish International Development Assistance agency (Danida). The project was initiated in 1989 and phased out in 2003, when it was felt that local people understood the concept and could replicate it successfully. In this project, carp polyculture fish production was undertaken mostly in privately held or leased single-owner ponds. A local participatory approach was followed in selecting pond operators to raise seven species of carp. The objectives of the project were poverty alleviation, employment generation, and capital accumulation through increased fish production. Danida describes the project this way:

Fisheries and aquaculture in Bangladesh have changed dramatically since the beginning of Danida's involvement. In the 1970s and 1980s fisheries were dominated by small-scale enterprises operated by catching fish, while aquaculture was practiced on a low-level, ad-hoc basis. Since then aquaculture has become a key provider of fish for the urban consumer and of shrimp for the export market. Since the 1990s commercial aquaculture operations—hatcheries, producers, and processors—have expanded rapidly. In 1990, Bangladesh produced an estimated 200,000 tons of fish from fresh and brackish water aquaculture; just above 20 percent of total fish production in the country. By 2005 fish and shellfish production from aquaculture had gone up to nearly 900,000 tons, a 450 percent increase, contributing some 40 percent of the total amount of fish produced in the country (Danida 2009).

### *Changes in Administrative Structure*

MAEP's initial programs included active participation of the target beneficiaries in skill development training, creation of employment and income-generation of activities through credit, and motivation of the beneficiaries to improve their family's quality of life. The project provided technical training on fisheries, issued credit with a two-month grace period before installment payments started, and established a formal market channel structure for input suppliers. Farmers from higher socioeconomic classes, who were called contact farmers, were also trained in order to popularize polyculture fish technology. The better-off farmers were motivated to adopt the technology and provided with one-day training, but they received no credit, and they were not monitored closely by the extension workers. The credit delivery system ensured that credit was available for pond operators to start production. However, it had no policy to help local people acquire ponds or a water body for fish farming. After three days of training, the targeted farmers were able to open a joint account with MAEP at a formal bank. The loan was Tk 220 per decimal (1/100 of an acre) of pond. The loan repayment started six months after the initiation of the project and repayment was to be completed in 30 monthly installments. All income from the project was deposited in the bank account.

The project was directed toward both men and women, but more men than women participated. At the outset the project tried hard to involve women in the fish farming activities, and it maintained its gender policy, which required a gender breakdown of 30 percent female and 70 percent male in every organizational unit.

Since its inception, MAEP has been controlled and managed dually by the Government of Bangladesh and Danida. All decisionmaking, execution, and financial authorization were managed jointly. Over time the dual signatory system proved ineffective and caused a problem with red tape. In 1996, the middle of the second phase, a major change in management structure was introduced, authorizing Danida as the only signatory; other managerial concerns continued to be shared equally by both parties. The Danida team trained the government team at Danida's expense in capacity building and efficiency. As a result, government employees had the opportunity to increase their skills. Even after the project ended, government employees still used the skills they gained to assist and advise the local people.

### *Changes in the Implementation Mechanism of the Intervention*

The intervention was organized in two distinct phases plus a consolidated phase. Phase I was in effect from 1989 to 1991 in six *upazilas* of Mymensingh, whereas Phase II, from 1993 to 2000, covered 26 *upazilas* in seven districts. The last years (2000–03) were the consolidated phase. The project established its presence on a limited scale in seven districts and operated with more than 400 staff. It was a turnkey project in that all funding was channeled directly from Danida to the project. It aimed to increase fish production in closed water bodies through application of improved aquaculture techniques, to improve capacity for aquaculture promotion and extension at the *thana* level, and to improve possibilities for pond operators to obtain production loans from commercial banks or NGOs.

MAEP's activities in Phase I utilized an individual approach to facilitate fish farming among the beneficiaries. At the end of Phase I, there was a two-year gap due to bureaucratic slowness. A change to a group approach was introduced in Phase II, with groups consisting of 10 to 15 members. This shift from an individual to a group approach was initiated mainly to make it easier for members to get follow-up support and to benefit from better dissemination of knowledge and information. This also reduced the workload of the limited number of project staff and enhanced management efficiency. The group approach proved better and continued even in the consolidated phase.

The project faced a challenge in targeting the poorest farmers. Most of the participants were better off economically, better educated, owned more land, and had larger ponds than nonparticipants. The ease of implementation, desire to work with pond owners, and creditworthiness, all served to bias selection away from the poor.

### *Shifts in Project Projections*

The implementation modality setup for MAEP was based on a tripartite arrangement between Danida, the Department of Fisheries, and the NGOs, described below. MAEP added the NGOs as partners only after 1997. As an operational strategy to facilitate microcredit transactions, MAEP received help from Janata Bank. It deposited a revolving fund in the bank and the bank gave loans to individuals who were participants in the MAEP project. The interest rate was the current bank rate with an initial two-month grace period in installment repayment. In the second half of Phase II, after the contract period with Janata Bank ended in 1997, MAEP involved NGOs like Buro Tangail and Shabolombi Unnayan Shongstha in microfinance handling, so that even after the project period, the established concept could continue through the NGOs' activities. MAEP thought that since the NGOs were experienced in managing group dynamics, group functioning, and mobilization, they would be able to sustain the project. But the NGOs charged a 16 percent interest rate, which was more than the bank rate, and they gradually introduced a conventional MF approach, rather than MAEP's flexible approach regarding installments, interest rates, and other issues. NGOs introduced a monthly installment repayment system instead of MAEP's quarterly repayment installment practice. Therefore, MAEP's positive perception of the benefits of involving the NGOs did not prove to be the case.

In the middle of the operation period, MAEP took initiatives to develop a formal marketing channel. Professional harvesters usually catch and sell the fish in the market on a contractual basis. They usually take 25 percent of the total harvested fish. During 1996–98 MAEP tried to encourage local producers to sell the fish themselves, but this was not successful, because the farmers preferred the traditional professional harvesting system; they found the harvesting and selling tasks too hard and not cost-effective.

### *Sustainability and Impact of MAEP*

MAEP achieved a strong positive impact by linking microcredit to fishery training targeted to the rural poor. MAEP's results were sustainable in that the project activities were widely adopted by the rural population. They disseminated a knowledge of carp polyculture technology and established a private-sector supply chain, including hatcheries, nursery operations, and fry traders. Moreover, carp polyculture has proved sustainable in the long run because these cultivation practices are now well known in the rural communities, the inputs needed are widely available through the input supply chain, the selling system is in operation, and the demand for fish continues to grow.

The linkages from service providers to farmers showed a high degree of sustainability; for instance, the required inputs were available to the farmers, as were opportunities for credit, a supply chain was established, and there was convenient access to markets. However, a conflict in the price-benefit spread emerged, driven by abundant supply, which affected the marginal producers in Mymensingh: that is, fish prices fell due to surplus supply and input prices increased due to rising demand. MAEP was successful in engaging women as participants. However, many women have been unable to use their training, knowledge, and skills due to restrictive gender roles, unless a woman is a household head. Generally most of the male participants are still using their training.

However, MAEP could not ensure significant financial benefits for the families, since it provided supports only with regard to fishing. It did not assist with issues related to health, poultry, cattle rearing, or crops, nor did it offer any kind of awareness building activities. Thus the poverty alleviation impact was not strong enough to upgrade livelihoods of the poor people. Although the implementing authority was delighted with the success and sustainability of the project, they also found some pitfalls, which limited the returns from the endeavors. In this regard, one experienced MAEP staff member remarked that MAEP

... has had a positive impact on the income of the households of the project area, but the monetary value added per year for individual farmers from this project is not truly significant enough to improve their standard of living. Adopting fish farming might only add a net total of Tk 2,000 per year for a small-scale pond—not enough to

significantly increase disposable income for the poor. Thus the positive contribution is overshadowed by the whole scenario.

Based on what it learned from MAEP, Danida made innovations in designing some of its other projects. MAEP's experience is reflected in extended projects in different geographic regions like Noakhali and Potuakhali Districts. A senior advisor of DANIDA detailed the modifications in the following manner:

Every house should be a farm to better utilize the other scopes, rather than using only the water body for aquaculture. Including homestead gardening and poultry and cattle rearing also can make the earnings significant enough to enhance the standard of living by increasing the disposable income of the households. Fish farming alone can barely leave a mark in this regard, whereas a holistic, integrated approach can really make a difference, bringing better days to the poor people of the project area, and if it succeeds, it can work for the country at large.

However, the overall technical performance of the project is considered to have been good. It concentrated on technical issues with the intention of increasing fish productivity through the transfer of semi-intensive aquaculture technology. It did increase fish production and reduced the input requirement per kilogram of fish produced. The technology provided by the project also has been adopted by non-project fish farmers, and so it has had a positive impact on overall aquaculture production in the project area. In an evaluation of the project, Winrock International (2004) said that

... nearly four hundred thousand poor rural families (over two million people), make significant earnings from pond aquaculture introduced by the project. Pond aquaculture brings on average 3,600 Taka/year, which constitutes approximately 13 percent of their income to these poor families. More than 418,000 Greater Mymensingh households (1.8 million persons) would be below the poverty threshold if they had not adopted MAEP- promoted pond aquaculture. MAEP efforts have increased annual production by 265,825 tons and regional annual income by 11.6 billion Taka (US\$201 million). This was accomplished at a cost of \$28 million spent over 14 years. MAEP is one of the most successful development programs in Bangladesh and stands as an international development achievement of first order.

The number of input suppliers, such as hatcheries, fish feed producers, and others, increased significantly in the project areas after the adoption of MAEP's fish farming technology. Thus opportunities for income generation increased for the people who were directly or indirectly involved in the value chain.

## **Banchte Shekha**

Banchte Shekha (BS) means learning to live. It started in 1976 as an informal social development agency, with an institutional focus on women's empowerment, working with oppressed women to motivate them and increase their awareness of women's legal and human rights. It is the unique creative entrepreneurial initiative of a distinctly courageous woman named Angela Gomes.

For a significant time, BS worked with no formal entity, but in 1981 it was registered as an NGO with the Department of Social Welfare under the Government of Bangladesh. In 1983 it was registered with the NGO Affairs Bureau; in 2007, with Joint Stock Companies and Farms; and in 2008 with the Micro Credit Regulatory Authority, due to statutory requirements. Because its informal individual endeavors faced severe resistance from the regulatory bodies and in some cases the society at large, it had to undertake these formal affiliations. As a result of this shift from an informal administrative structure to a formal one, BS incorporated all of the necessary management concepts required by the rules and policies. The institutional philosophy of BS is guided and governed by its constitution/memorandum, human resources, policy, financial policy, assets and logistics policy, and a gender policy.

### *Changes in Administrative Structure*

Although BS started its operations as a one-person initiative, three women joined Angela Gomes in 1976 and they worked together as a team until 1981, when BS was registered. Then a male chairman, Sharif Hossain, and five team members took over management and succeeded in spreading its activities to societies in 40 villages. Gradually more people, mostly women, joined BS, and this was the result of need-based recruitment for projects, rather than a formal structured staffing procedure. By 1991, the total number of staff reached 100, and by 2009, BS had 225 regular staff. Most of its functions are coordinated by assistant executive directors under distinct departments: monitoring and evaluation, program execution and training, finance, human resource and administration, and internal audit.

Although there were male chairmen in consecutive years until 2003, the shift to an influential woman, Sadeka Shafiullah, as chairman in that year was the result of careful thinking, representing a significant philosophical shift. The founder and executive director, Angela Gomes, explained the reason behind this appointment, “If I do not involve powerful and well-connected persons as chairmen, then I will be neglected and ignored by the government and donor agencies,” she said.

Although BS started in Jessor District, it expanded its activities to other districts, including Gazipur, Jenaidah, Khulna, Kushtia, Magura, Narail, and Satkhira. BS started in just one union and successfully stretched to a total of 147 unions—a clear sign of BS’s strong motivation to expand. BS claims that it has served more than 1.5 million of people directly or indirectly in Dhaka and Khulna divisions.

BS started its activities with its own small funds, but later it received assistance from several national and international donor agencies. From its inception to 1999, a donor consortium was the major fund provider, and for some projects BS received funds from more than one donor. Most of the donations were in cash, although some were in kind; for instance, the Canadian International Development Agency (CIDA) provided computers for an IT project. Since 1999, funds have been project-based and from many different donors. Some of this funding has ended but some continues even today—sometimes at full capacity and sometimes on a smaller scale. This indicates that the organization has succeeded in making its projects sustainable. Regarding the shortage of foreign and domestic funds, Angela Gomes has expressed the following concerns:

In the early days I had no problem in managing funds for my projects, but after the Magsaysay Award, the situation changed for BS. All the donors assume that BS is getting huge funds and no further fund allocation is required, and so we are passing through a hard time in this regard, as their assumptions are not true. . . . As microfinance is not our main focus, we have been suffering from fund-raising constraints.

### *Changes in the Implementation Mechanism for the Interventions*

BS takes a holistic approach to development, whereby it addresses the needs of the hard-core poor through intervention programs while trying to assure the future sustainability of its endeavors. It practices group-based development focused on forming groups and, building social and human rights, welfare and economic development awareness, and leadership and management capacity of group members. It uses this group-based development approach to reach its target beneficiaries and to organize workshops, seminars, and training programs to identify their specific problems and needs. The outcomes of these formal interactions drive BS in designing their intervention programs. These interactions also play a significant role in group development. These groups usually meet fortnightly for savings mobilization and capacity-building training. Income-generating activities are followed by microcredit offers. BS has offered credit assistance to the hard-core poor since 1988, but since 2003, it has also included the moderate poor in their microcredit program. It offers flexible interest rates depending upon the economic status of the individual, and sometimes these soft loans are provided at no interest.

Initially BS’s activities were confined to social awareness building, and therefore only a team of a few members could integrate societies in many villages to empower poor women and to enhance their

awareness. Later BS was motivated to shift its development focus from social awareness creation to income-generating capacity building. At first, these income-generating activities were very small in scale, requiring little or no capital. For instance, one of their early activities was preparing bird nests using indigenous raw materials (exterior coconut shells) and supplying them to a foreign buyer. Gradually they took up different kinds of projects and, through these endeavors the participants were uplifted from hardcore to moderate poverty. Sultana, Thompson, and Ahmed (2002) cite one example of a fish farming project:

The five villages around the *beel* [lake], Hatiara, Goakhola, Bakali, Mandiarchor, and Debbhog, are entirely Hindu communities. In December 1996, there were 355 households living around the *beel*, of which 89 were already Banchte Shekha group members. In another survey in 1999, the number of households decreased to 333 of which 3 percent were female-headed households. Almost all the households catch fish some time in a year, over a third of this fish is sold, and the remainder of fish is used for home consumption.

All of these projects were undertaken to take advantage of market opportunities or the availability of funding. Therefore, most of the projects in which BS participated were selected because they offered opportunities, rather than selected by choice or through a formal structured channel. While most of the projects during that period were income-generating activities, most contemporary projects focus on legal and social awareness building, NGO partnership building, institutional capacity building, and the like. In addition to the poor beneficiaries, people from administrative and religious backgrounds also participate in the groups.

BS initially targeted oppressed, distressed, and severely poor women of the society and involved them in project-based activities that can be done with indigenous skills and expertise. BS also targeted children because many of these women were left alone with their children, which sometimes influenced the extent of their involvement in development activities. Eventually BS realized that they could reduce male negligence by allowing men to participate in their group activities. BS believes that changing men's mindsets on women, particularly working women, can be an effective tool in improving the status of women in the society. For example, in their Community-based Fisheries Management (CBFM) projects, BS formed two types of groups to implement this project: one with only female members and the other with both males and females. The all-female group was found to perform better, due to the women's sincere and motivated management approach. The group size, which initially numbered 30 to 35, was changed to 25 in 1994/95 when they decided that this was a more efficient group size. However, the groups for the human rights and legal awareness programs are limited to only 11 members. The groups, which once functioned only as conventional NGO groups, are now considered community-based organizations to increase their sustainability.

Under the CBFM project, BS provided training in fish culture, fishery management, and other income-generating activities to 205 women in seven groups (25 attended more than one training session). BS motivated the group members to save about Tk 60,000 by March 1999 and provided credit to groups. Since 1997, these BS groups have received an average of about Tk 180,000 per year (about Tk 900 per year per person) in credit linked with the CBFM project. They have also participated in regular meetings with the Department of Fisheries and the community (fishers, farmers, and leaders), forming a local fishery management committee (Sultana, Thompson, and Ahmed 2002).

### *Shifts in Project Projections*

BS started its projects in order to bring a positive economical and cultural change to poor women by empowering them and establishing their human rights. In accomplishing these goals, BS faced different types of challenges and risks, including prolonged conflicts and confrontation, natural disaster, social trends, and fundamentalism. Most of its initial projects were entrepreneurial in nature, while consecutive projects have been needs-based. The primary focus on rehabilitation and social development projects later shifted toward income-generation activities with more business orientation. Its recent projects, however,

have again been oriented toward social and legal awareness. These shifts in the project focus have mostly been guided and influenced by the donors' focus and interests.

While some of the projects were completed successfully and are sustained by the beneficiaries, some are still in progress, and some have ended short of completion. For instance, handicraft, fishery, agriculture, handloom weaving, and poultry and livestock rearing projects continue. The handicrafts and local traditional sewing projects promoted by BS have been sustained quite successfully, and many trainees are operating businesses individually or with other established NGOs. BS has received several awards for its success in the handicrafts sector. Other projects that continue with limited funding include alternate dispute resolution (ADR), community police, trafficking, a development program for disabled girl children, an extended program for immunization, breast cancer screening, a nonformal education project for adults and adolescents, and an IT project.

The ADR project, started in 1987, was intended to meet the need for legal aid for distressed women and children. Depending upon the situational demands and donors' requirements, the approach was redesigned in the course of time. From 1987 to 1999, the Asia Foundation funded this project, followed by Danida from 2004 to date. In 2008 the ADR initiative was redesigned to encompass three different units: the Village Court, the Arbitration Council, and ADR itself. This Danida-funded project seems to be sustainable.

Community police and trafficking are two other cordially accepted social awareness raising projects of BS. The community police project started in 2004 and continues with funding from the Asia Foundation. The project has been sustained successfully and has a promising future. The trafficking program started in 2007. It focuses on women and children and is being successfully sustained with funding arranged by the +Royal Norwegian and Danish embassies.

Among the closed projects are apiculture, sericulture, juvenile justice, and mother and child healthcare.

- The apiculture (beekeeping) project started in 1991, but BS had to stop the project because it had no technological facility to process the raw honey, it was severely lacking in appropriate marketing approaches and strategies to establish it, and the donor assistance it received from 1992 to 2003 was no longer available. Another reason for its demise was a natural one: the difficulty in retaining bees during the winter when flowers are scarce.
- The sericulture project was also active during 1992–2003 even without a funding facility, but it failed because the climate was not suitable for a good quality yarn, and activities were severely hampered by local tree-cutting operations.
- Juvenile justice, a social awareness project, was an endeavor to rehabilitate children and adolescents coming from jails through skill development training. This CIDA-funded initiative ran from 2003 to 2004. The project was cordially accepted by the government then in power, but when government policy changed, the initiative was closed.

BS's agriculture and fisheries projects are among its most significant and many are still successfully maintained either independently or by BS members. Initially the fisheries project targeted ponds for fish farming—some small, some large. BS provided training, familiarizing members with the appropriate technology and developing their skills. Most of the ponds were managed by individual members of BS who either owned or leased the pond. BS introduced an effective indigenous technology in fish farming to protect and preserve the smallest fish, even when the ponds were inundated. This reduces the risk of losing fish during flood time. When this small pond project appeared to be a success and gained people's attention, BS shifted its focus toward fish farming in larger ponds and *beel* areas, utilizing a group or community-based approach. BS also changed its strategic approach by involving male members in groups, whereas earlier groups consisted of females only. This group-based approach increased sustainability and facilitated management, because tasks that were done individually earlier were now shared by all the members. Today, many people in the project areas have adopted this kind of fish farming independently, although BS's project continues. BS differs from other NGOs in that BS did not confine its project to pond owners alone. Rather it helped members who did not have ponds to acquire them, and sometimes BS acquired ponds itself and registered them in the name of a member group.

#### 4. POLICY PROCESSES FOR EVOLUTION OF THE FOOD FOR EDUCATION AND THE PRIMARY EDUCATION STIPEND PROGRAMS

The Government of Bangladesh devotes a significant share of its budget to providing incentives for children to attend school. As a result of these educational investments, Bangladesh has made commendable progress in the education sector in the past decade. Currently more than 90 percent of children are enrolled in school, and disparities in enrollment between boys and girls have been removed.

Successive governments in Bangladesh have shown a remarkable willingness to evaluate the effectiveness of antipoverty programs, confront shortcomings, and cancel or modify programs as a result. The evolution of the innovative Food for Education (FFE) program is one such example of policy changes influenced by research.

In this section, we analyze the motivation and policy processes for the evolution of the FFE program and the subsequent replacement of FFE with the cash-based Primary Education Stipend (PES) program. The analysis is based on literature review and key-informant interviews.

##### Salient Features of the Education Incentive Programs

###### *The FFE Program*

Bangladesh launched the FFE program in 1993 on a large-scale pilot basis. Poor children enrolled in primary school grades 1 to 5 were eligible. If a household was selected to participate in the FFE program, it was entitled to receive a free monthly ration of rice or wheat for sending its children to a primary school. The program was not available in all areas; it covered 460 unions, one union in each of the 460 rural *upazilas* (administrative units) in Bangladesh. Before it was terminated in 2002, the program covered about 27 percent of all primary schools in Bangladesh. The 2.1 million students who were beneficiaries of the FFE program accounted for about 13 percent of all students in primary schools.

By 1999/2000 the annual cost of food-for-schooling had increased to Tk 3.94 billion (US\$77 million), which was equivalent to Tk 1,897 (US\$37.19) per beneficiary student per year. The food-for-schooling program accounted for a significant share of Bangladesh's expenditure on primary education, increasing from 4.7 percent in 1993/94 to 19.9 percent in 1997/98.

The FFE program used a two-step targeting mechanism. First, two to three unions that were economically disadvantaged and had a low literacy rate were selected from each of the 460 rural *upazilas*. The program covered all government, registered nongovernment, community (low-cost) and satellite primary schools, and one *ebtedayee* madrasa (religion-based primary school) in these selected unions. Second, within each union, households with primary-school-age children became eligible for FFE benefits if their families met at least one of the following four targeting criteria:

- Children from a landless or nearly landless household (one that owns less than half an acre of land)
- Children of day laborers
- Children from female-headed households (that is, a household headed by a female who is widowed, separated from her husband, divorced, or has a disabled husband)
- Children from households that earn their living from low-income occupations (such as fishing, pottery, weaving, blacksmithing, and cobbling)

Households covered under another targeted food-based program of the government were not eligible to receive FFE foodgrains. Beneficiary households were chosen by local groups, who, based on the targeting criteria, prepared a list of FFE beneficiary households in every union at the beginning of each year. Due to resource constraints, the total number of beneficiary households was limited so that no more than 40 percent of students received FFE rations.

If a household was selected to participate in the FFE program, it was entitled to receive a free ration of up to 20 kilograms (kg) of wheat or 16 kg of rice per month for sending its children to a primary

school.<sup>3</sup> If a household had only one primary school-age child (6-10 years) who attended school, then that household was entitled to receive 15 kg of wheat or 12 kg of rice per month. To be eligible for 20 kg of wheat or 16 kg of rice, a household was required to send more than one child, and all primary-school-age children, to school. To maintain their eligibility, children had to attend 85 percent of total classes in a month.

### *The PES Program*

The government terminated the FFE program in June 2002 and initiated the PES program in July 2002 with the goal of supporting more than 5 million pupils and their families in rural Bangladesh. The PES program provides cash assistance through a stipend program to poor families if they send their children to primary school. The objectives of the PES program are to increase school enrollment, attendance, retention, and performance of primary school-age children from poor families. In contrast to the FFE program, which only covered about one-third of the unions within the rural *upazilas*, the PES program operates in all 4,463 unions in rural Bangladesh.

The government approved the PES program for five years (2002/03 to 2006/07) in August 2002, with an estimated cost of Tk 33.15 billion (approximately US\$600 million) for the five-year period. The PES program is scheduled to continue beyond its June 2007 completion date. In 2003, PES covered 65,051 primary schools, benefiting about 5.5 million students. The cost of the PES program was Tk 5.97 billion (US\$103 million) in fiscal year 2002/03.

Like its FFE predecessor, the PES program covers all government, registered nongovernment, community (low-cost), satellite primary schools, and *ebtedayee madrasas*. Moreover, PES also covers NGO-run full primary schools (grades 1–5) approved by the government.

For beneficiary selection, PES uses all four targeting criteria that FFE used. In addition, children of sharecroppers are eligible for PES benefits. Unlike FFE, PES does not use any geographic targeting mechanism, since it operates throughout rural Bangladesh. Based on the five targeting criteria, a school management committee (SMC), with assistance from the head teacher, prepares a list of potential PES beneficiary households in every union at the beginning of each year. The total number of beneficiaries may not exceed 40 percent of students in a school.

To maintain their eligibility to receive the cash transfer, selected students must attend 85 percent of classes each month and attain a minimum of 50 percent marks on the annual examination. Further, to continue to participate in the program, a school must demonstrate at least 60 percent attendance of students, and at least 10 percent of its class (grade) 5 students must sit for the primary scholarship examination.

Households of qualifying students receive Tk 100 (about \$1.72 in 2003) per month for one child and Tk 125 per month for more than one child attending primary school. Six designated national banks disburse the stipends on a quarterly basis and on a predetermined date at the local bank branch or at a temporary post established at a convenient location within 5 kilometers of the school. Stipends are disbursed to students' parents or legal guardians who present the PES bank-issued identification card. Preference is given to issuing cards to the mothers of the selected students (Tietjen 2003).

### **Policy Processes for the Evolution of the FFE Program**

From 1989 to 1994, IFPRI conducted research on food policy issues in Bangladesh under the Bangladesh Food Policy Project (BFPP). The BFPP was commissioned by the Ministry of Food (MoF) of the government and funded by the U.S. Agency for International Development (USAID). IFPRI evaluated the major safety net programs in Bangladesh under the BFPP.

In 1991, IFPRI conducted a comprehensive study of a targeted food subsidy program known as *Palli* (rural) Rationing (Ahmed 1992). The study found that Bangladesh was providing subsidies equivalent to US\$60 million per year to run the program. However, about 70 percent of the subsidized

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<sup>3</sup> Of the total quantity of FFE foodgrain distributed from 1997/98 to 1999/2000, wheat accounted for about 64 percent and rice, about 36 percent.

foodgrains (mostly rice) was going to those who were not poor, that is, ineligible to receive the subsidy. This meant that, in the *Palli* Rationing program, the Government of Bangladesh was spending Tk 6.55 to transfer Tk 1.00 to intended beneficiaries. The costly program was simply not reaching those most in need.

Primarily in response to these findings, the government abolished the *Palli* Rationing Program in May 1992, largely at the behest of the Planning Commission and the Ministry of Finance (Chowdhury and Haggblade 2000). Factions within the government had been trying for years to end the *Palli* Rationing Program, as had many donors. There was a concern that rice dealers chosen by the previous government were diverting public resources to their benefit under the program. The objective documentation of leakages<sup>4</sup> by the IFPRI study provided a timely rationale for the program's abolition (Ryan and Meng 2004).

The abolition of *Palli* Rationing knocked the Public Food Distribution System (PFDS) out of balance, as it closed off one of its principal outlets. Before its demise, *Palli* Rationing distributed 20 percent of all public foodgrains. Moreover, the government was concerned about the food security of the 6.1 million dispossessed ration-card-holding households that were formerly entitled to subsidized rural rations. The critical question at that time was how government could more effectively target food subsidies to the poor. To answer this question, the MoF asked IFPRI to conduct a systematic review of alternatives to *Palli* Rationing.

To undertake this review, the MoF commissioned the Working Group on Targeted Food Interventions (WGTFI), chaired by IFPRI, in 1992. The working group included IFPRI researchers; representatives of Bangladesh's Food Planning and Monitoring Unit, MoF; Bangladesh's Academy for Planning and Development; the Institute of Nutrition and Food Science, Dhaka University; BRAC; CARE; and USAID. The working group introduced the concept of the Food for Education Program in August 1992 in its first draft report, Options for Targeting Food Interventions in Bangladesh (WGTFI 1994). Based upon this recommendation, the government introduced a pilot FFE program in July 1993 to redeploy the savings from the cessation of *Palli* Rationing into a more effective targeted food subsidy program. There were apparently no international precedents on which to draw, as the idea was original. A country memorandum of the World Bank in 1993 cited and supported the working group recommendation of an FFE program (Ryan and Meng 2004).

At the request of the government, an early assessment of the FFE program by IFPRI in 1994 suggested that it had been successful in increasing primary school enrollment, promoting attendance, and reducing dropout rates. The FFE program had also been cost-effective in transferring income benefits to low-income households through wheat entitlements. Due to effective targeting, the program operated with a low level of leakage (Ahmed and Billah 1994). On the basis of these positive findings, the government decided to expand the program nationwide (Babu 2000).

The government requested IFPRI to carry out a second evaluation of the FFE program in 2000. The IFPRI study found that the FFE program continued to be successful in increasing enrollment, promoting school attendance, and reducing dropout rates. The enrollment increase was greater for girls than for boys (Ahmed and del Ninno 2002; Ahmed and del Ninno 2005; Ahmed, del Ninno, and Chowdhury 2004). A number of other studies also suggested that the FFE program raised primary school enrollment (BIDS 1997; Khandker 1996; Meng and Ryan 2004; Ravallion and Wodon 1997).

The evidence is clear that the FFE program in Bangladesh was successful at getting poor students enrolled in school, especially girls. The experience of the FFE program and IFPRI's documentation of the program's effectiveness were influential in the Global Food for Education program of the U. S. Department of Agriculture (USDA)/USAID. The FFE was featured prominently on the website of USAID-Bangladesh because the USAID-funded Bangladesh Food Policy Project largely contributed to

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<sup>4</sup> Leakage in the context of targeted transfer programs is defined as the unauthorized diversion of program resources before they reach the intended program beneficiaries. In most targeted public transfer programs in Bangladesh and elsewhere, there are incentives and opportunities for the unauthorized diversion of transfer items (food, cash, for example). To the extent that such leakage occurs, the government and/or donors incur the cost while the benefits accrue, not to the intended or targeted beneficiaries, but to those who gain access to and misappropriate resources. Depending on the rules and operation of a particular public intervention, leakage may occur at several points in the distribution system.

the development of the FFE program (Ryan and Meng 2004). Indeed, the program received commendation and support at high levels of the U.S. Government, including from former first lady and now Secretary of State Hillary Clinton (Babu 2000) and former senators McGovern and Dole (Ryan and Meng 2004).

### **Motivations for Replacing the FFE Program with the PES Program**

Apparently, the main reasons for the termination of the FFE program were concerns about its high cost, poor targeting, and the high level of leakages from the program. The 1998 poverty assessment of the World Bank recognized that the FFE program did raise enrollment and attendance rates, but that it suffered from high levels of leakage and was poorly targeted (half of the program beneficiaries came from nonpoor households). Increases in the price of foodgrains in 2001/02 led the government to reduce the amount of food provision to FFE by one-third (that is, from 301,000 metric tons in 2000/01 to 201,000 metric tons in 2001/02), until the program was discontinued in June 2002 (Tietjen 2003).

An evaluation of the FFE program by the Bangladesh Institute of Development Studies (BIDS) found that, while the program was successful in increasing enrollment and attendance rates, it was too costly to cover all eligible children in the country. The authors were concerned that the program accounted for about one-third of the education budget, but covered only 13 to 15 percent of all primary school students in the country—not an equitable use of public resources. The study recommended a switch from a food-based to a cash-based program and a reduction in the size of transfer to one-third the value of the FFE food ration,<sup>5</sup> to Tk 50 per child per month (BIDS 1997).

Recognizing that the FFE program was too expensive to cover the entire country, the government started a parallel cash-based project, the PES Project, in April 2001. Eligible students received Tk 25 per month, despite questions raised about the effectiveness of such a low transfer amount. In December 2001, following extensive review, the government decided to terminate the FFE program and replace it with the PES program for the entire area of rural Bangladesh (Tietjen 2003).

Besides concerns about the high cost and low coverage, FFE was criticized for an arguably high level of leakages. An IFPRI assessment at an early stage of the FFE program suggested that it operated with a low level of leakage—only 7 percent (Ahmed and Billah 1994). The IFPRI evaluation in 2000, however, found that leakage had increased substantially, ranging from 16 to 20 percent. A change in the management of food distribution—from SMCs to private grain dealers—was mainly responsible for the increase in leakage. Until 1998, SMCs took food from local public food warehouses to schools. The SMC convened the parents of all beneficiary students on school premises on a set day each month to collect their rations. This system established a sense of group solidarity among recipients, which facilitated collective action against pilferage when it occurred. As a result, receiving short rations was rare in the SMC distribution system (Ahmed, del Ninno, and Chowdhury 2004).

As years passed, the government and some donors, such as the European Commission and the World Bank, became concerned about the quality of education provided in the FFE-supported schools due to increased enrollment rates and teacher preoccupation with food distribution. In an effort to relieve teachers of the responsibility for food distribution, the government assigned this task to private dealers in 1999. The dealers distributed FFE rations to individual beneficiaries from their shops. The IFPRI evaluation found evidence that FFE grain dealers often diverted grain to the black market for extra profit (Ahmed and del Ninno 2002).

At a workshop in Bangladesh in 2001, the World Bank had derived an estimate of leakages from the FFE in excess of 75 percent, using 2000 Bangladesh Household Income and Expenditure Survey data from the Bangladesh Bureau of Statistics (World Bank 2002). It is apparent that this study had a major influence on the decision by the new government to abolish the FFE and replace it with the cash-based PES program, despite reservations by many about the methodology used for estimating leakages (Ryan and Meng 2004).

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<sup>5</sup> In the FFE program, 15 kilograms of wheat ration at Tk 10 per kg, amounted to Tk 150 per month per student beneficiary in 1996.

## *Performance of the PES Program and Its Renewal*

IFPRI evaluated the FFE program in 2000, as mentioned above. In 2003, IFPRI resurveyed the same sample households and schools to assess the impacts of the PES and compare them with those of the FFE. The study shows that both FFE and PES programs encouraged poor families to enroll their children in primary school. The rate of increase in enrollment was greater for FFE (18.7 percent) than for PES (13.7 percent). The difference was mainly attributed to the larger incentive that FFE provided: the annual income transfer per student from FFE was US\$29.28. It was US\$20.69 from PES (Ahmed 2005).

However, the impact of the PES program on enrollment has eroded over the years. A recent study suggests that the PES program does not have a noticeable impact on primary school enrollment. The study contends that declining real value of the cash stipend due to inflation and poor targeting are the most plausible reasons for this lack of impact (Baulch 2010).

One of the main reasons for the replacement of the FFE program with the PES program was the questionably high level of leakages from the FFE program. Indeed, at its early stage, the director of the PES program declared that the program would be “100 percent rigging-free” (Tietjen 2003). How does the PES program actually fare in terms of leakages? A World Bank study (S. Ahmed 2005) estimated “leakage due to delivery of amount less than stipulated” at 23 percent for the PES program. The study found that this level of leakage was the highest among the three major safety net programs in Bangladesh: the food-based IGVGD program, the cash-based Rural Maintenance Program, and the PES program. Further, this estimate of leakage is considerably higher than the increased leakages experienced by FFE toward the end of the program, as Ahmed, del Ninno, and Chowdhury (2004) suggest (see above).

In 2007, the PES program was evaluated by the Project Implementation Unit of the Primary and Mass Education Division of the government (PMED 2008). Key findings of the evaluation are highlighted below:

- Although the objectives of the PES program are yet to be fully achieved, the progress toward achieving them is very encouraging. Due to the program, the enrollment rates have increased, the dropout rates have been reduced, and the primary education completion rates have increased. The evaluation finds the gross primary school enrollment rate to be 97 percent; the school attendance rate, 72 percent; the dropout rate, 19 percent; and the completion rate, 77 percent.
- The program aims to cover the poorer 40 percent of all primary school students in rural areas, but its actual coverage is 35 percent. Strict adherence to the project norms have resulted in non-fulfillment of the target.
- Except for some verbal complaints, no incidence of misappropriation of project funds was found in stipend disbursement. However, management problems have been experienced at some the stipend distribution points.
- The stipend delivery schedule has been disrupted due to a delay in releasing project funds by the designated banks. Local bank branches often do not have enough money in the vault, which makes it difficult for them to maintain the stipend delivery schedule. Bank branches are also understaffed, causing problems in stipend disbursement at bank branches. Moreover, the *upazila* education officers are often unaware of the stipend delivery schedule followed by the banks.
- The program requires the presence of a designated government officer at the stipend distribution point on the distribution day, but this rarely happens.
- An education officer is supposed to review the program beneficiary list prepared by the SMC to verify whether or not all of the beneficiaries meet the eligibility criteria, but this is seldom done. In order to avoid complaints, the beneficiary lists should be carefully verified.
- Delays by banks and concerned officials in submitting the stipend distribution completion reports to the project office have become a regular occurrence. These reports must be submitted on time.

- Routine field-level supervision of project activities should be maintained and the monitoring system should be strengthened.
- Complaints about delivery of stipend amounts less than the amount of entitlement have been received in some places. However, the investigation reveals that such allegations are unfounded. Students often receive less than the full stipend amount because they do not fulfill the minimum class attendance requirement. But many parents do not know this requirement, so they suspect corruption by project officials. Parents and students must be clearly informed about the conditions of the PES program.
- The performance of the program is remarkable in the context of Bangladesh, and the project implementation officials deserve the credit for the success of the program.
- In order to make the operation of the program more transparent, information about the program should be disseminated effectively. Introduction of the mobile phone-based system and setting up of an internet-based website for the program are recommended.

Although the evaluation by the Project Implementation Unit identified a number of shortcomings of the PES program, the overall review was positive. In July 2008, the government extended the term of the PES program for five years for a second phase, until June 2013.

## 5. SUMMARY AND CONCLUSIONS

This study attempts to provide an understanding of how the process of institutional change influences the outcomes of interventions. It first presents an institutional analysis of three large microfinance institutions in Bangladesh (ASA, BRAC, and RDRS), looking into their origins and phases of institutional development and reform.

ASA was established in 1978. During its foundation phase (1978–84) it initiated different group-based programs, including programs to build awareness or social action, legal aid, training, communication support services, and training for rural journalists. During its reformative phase (1985–91), ASA introduced an integrated approach focusing on economic activities, income generation, and social development aspects. Empowerment initiatives were undertaken to improve health, nutrition, education, sanitation, and to make credit available to the poor. During its program specialization phase (1992 to date), ASA's programs have gradually taken the form of conventional microfinance packages. It has offered savings and credit for income-generation activities and a Member Security Fund (mini life insurance) to its members. In 2001, it became financially self-sufficient. At the end of 2007, the rate of loan recovery was 99.3 percent.

In 1972, following the 1971 Liberation War, BRAC started a relief and rehabilitation project in Sylhet District. Within a year, it undertook multisectoral programs across the country. Eventually its focus moved from acute to persistent crisis relief. BRAC initiated its first microcredit program in 1974. Each village was considered a single entity during its community development phase from 1973 to 1977. However, it proved to be impossible to bring conflicting interest groups under a single umbrella, so BRAC adopted a target group approach. To initiate the process of social mobilization, village organizations were formed, and these served as forums where people could come together to address their problems and needs, to begin saving, to receive credit, and to enjoy their social capital.

RDRS was formed in 1971 to provide humanitarian aid to refugees, working in Rangpur and Dinajpur districts. During 1973–75 it expanded its rehabilitation work for war refugees to include flood- and drought-affected poor people. During its sectoral development phase (1976–83), its endeavors shifted toward initiatives aimed at promoting greater self-reliance in six major areas: agriculture, construction, community motivation, women's activity, health, and rural works projects. During the 1970s and 1980s, it initiated separate programs focusing on these areas as well as functional literacy and adult skill development. Since 1983 it has further refined its development programs, adapting to the specific needs of the target individuals. In 1985 it initiated rural development programs. The innovation and technology phase (1984–87) became a landmark for innovative ideas and technologies and their realistic implementation. Such initiatives resulted in some remarkable innovations including the treadle pump, bamboo tubewell, concrete pipe culverts, and schemes for low-cost composting and poultry production. At the beginning of the integrated development and expanded impact period (1988–95), RDRS introduced two projects: the comprehensive project and the rural works project targeting households and groups, respectively. The rural works projects dealt with construction, technology, and environmental works. In 1996, RDRS initiated a five-year strategic planning concept to guide its activities.

Next the paper looks at the institutional organization of three representative NGO projects instructing poor rural people in the use of new agricultural technologies. The projects are homestead gardening for nutrition project of the Gono Kallayan Trust (GKT), individual fish farming project of the Mymensingh Aquaculture Extension Project (MAEP), and group fish farming project of the Banche Shekha (BS). The institutional development phases for these interventions are described below.

In 1986, the GKT was formed as an NGO at Saturia, Manikgong District in the name of a charitable trust organization. For its first three years, its primary initiative was seed distribution to small farmers as part of a post-flood rehabilitation program. During the mid 1990s, it conducted eight programs, including integrated development programs, participatory rural development programs, and credit-oriented production programs. The nutrition project targeting homestead gardening by women required that women produce at least five types of vegetables in their home gardens. GKT originally disseminated AVRDC seeds, but it now acts primarily as a source of credit and only secondarily as a source of vegetable technology. In 1993 the nutrition project was phased out, and GKT introduced its group-based

microcredit program. This conventional microcredit program has enabled it to achieve institutional sustainability. However, 60 percent of the creditors who took loans in 1991 are still repaying them, which implies that even after 18 years of receiving microcredit, the poor beneficiaries are still not financially independent.

MAEP was a bilateral project of the Bangladesh Ministry of Fisheries and Danida. The project was initiated in 1989 and phased out in 2003, when its objectives were achieved: local people had learned the technology and could replicate it successfully. MAEP facilitated carp polyculture fish production, undertaken mostly in privately-held or leased single-owner ponds. To popularize polyculture fish farming technology, farmers from a higher socioeconomic class were first motivated to adopt the technology and then were provided with training. No credit was given to these farmers. The project then provided training with credit to relatively poorer households. During the second phase of the project, a group approach was initiated with 10 to 15 members to a group, rather than the individual approach, to achieve better dissemination of knowledge and information. MAEP achieved a strong positive impact by linking microcredit to fishery training targeted to the rural poor. Its achievements are considered sustainable because the project's technology was widely adopted by the rural population and culminated in a private-sector supply chain including hatcheries, nursery operations, and fry traders.

BS started in 1976 as an informal social development organization targeting distressed and extremely poor women, who were involved in project-based activities that made use of indigenous skills such as production of handicrafts. BS uses a group-based development approach to reach its target beneficiaries and organizes workshops, seminars, and training programs to identify their specific problems and needs. As an outcome of this work, it began to offer credit assistance for the poor with flexible interest rates. BS's primary focus was rehabilitation of distressed women and social development, which later shifted toward income-generation activities with more business orientation. Its recent projects are oriented toward social and legal awareness, and these shifts in the project focus have mostly been guided and influenced by donors' interests.

In addition to its analysis of these programs, this paper also examines the motivation and policy processes of the FFE program and its subsequent replacement, the cash-based PES program.

In the policymaking arena, the values, motivation, and power of different actors shape the policymaking process. Nevertheless, policymakers need information with which to decide on program modification, extension, or termination. Independent and carefully designed evaluations to assess program performance and to determine program impact strengthen the empirical basis on which policymakers can make informed policy choices.

In Bangladesh, successive governments have shown a remarkable willingness to evaluate the effectiveness of antipoverty programs, confront shortcomings, and cancel or modify programs as a result. The evolution of the innovative FFE program is one such example of policy changes influenced by research.

IFPRI research in Bangladesh had at least three acknowledged influences in the evolution of the FFE program: (1) in the provision of research-based evidence that led to the abolition of the costly but poorly-performing *Palli* (rural) rationing program in 1992; (2) in the conception of the innovative FFE program, which was implemented in 1993 as an alternative to *Palli* rationing; and (3) in the evaluation of the FFE program, leading to its expansion. The FFE program was successful in increasing school enrollment, promoting school attendance, and reducing dropout rates. The enrollment increase was greater for girls than for boys.

The FFE program, however, was terminated and replaced by the cash-based PES program in 2002. Apparently, the main reasons for the termination of the FFE program were concerns about its high cost, poor targeting, and the arguably high level of leakages from the program. IFPRI research shows that a change in the design of the program by the government led to increased leakages.

Unfortunately, the PES program—the successor of FFE—has not been performing as the program designers envisaged. The impact of the PES program on enrollment has eroded over the years. Declining real value of the cash stipend due to inflation and poor targeting are the most plausible reasons for this lack of impact on enrollment. Moreover, the level of leakages is high; considerably higher than the increased leakages experienced by FFE toward the end of the program.

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