



BRAC:

A model for South-South expansion

BRAC's vision for all the countries in which it operates is the same as its vision for Bangladesh – that they develop into just, enlightened, healthy and democratic societies free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity.

Bangladesh to Afghanistan to Sri Lanka to Uganda to Tanzania to Southern Sudan to Pakistan

BRAC's commitment to alleviating poverty and empowering the poor extends beyond Bangladesh. After nearly 30 years developing, testing and implementing its successful development model, BRAC began seeking opportunities to extend its outreach to other countries. BRAC's international activities began with the launch of its program in Afghanistan in 2002. BRAC Afghanistan quickly became the largest and most sustainable of the many MFIs operating in Afghanistan by implementing the holistic strategy it had developed in Bangladesh and adopting it to suit the local context.

Based on its long track record in Bangladesh and its early successes in Afghanistan, in 2004, BRAC began to explore the possibility of entering sub-Saharan Africa and developing a scaled program to address the needs of the poor in multiple countries. BRAC believes that Africa represents its greatest opportunity for making a global impact on poverty. Just as BRAC was ready to initiate its programs in Africa, the Asian tsunami occurred in Sri Lanka. BRAC quickly turned its attention to tsunami relief efforts and spent a year developing programs – both economic development and social development – to assist the people of Sri Lanka in rebuilding their lives. BRAC's programs in Sri Lanka quickly became sustainable and achieved a high level of outreach in a very short period.

Armed with this further proof of the adaptability of its approach, BRAC again began to plan its entry into Africa. BRAC Tanzania and BRAC Uganda began operations in 2006, and

BRAC Southern Sudan followed in 2007. BRAC views these countries as the beginning of a broad African expansion plan that will grow to encompass at least 10 countries spread over East and West Africa over the next 10 years.

Most recently, BRAC entered Pakistan at the invitation of the government and the apex microfinance institution in that country. BRAC views its work in Pakistan as an extension of the work it began in Afghanistan.

Looking forward, Africa represents a pillar of BRAC's international expansion.

Africa, Africa, Africa

BRAC's successful programs have attracted the notice of African governments and donors who work in Africa, many of which have sent delegations to observe BRAC's operations in Bangladesh. The governments and the donors encouraged BRAC to join the development campaign in Africa

to achieve the Millennium Development Goals and more recently to join the campaign to end poverty in which Africa represents the greatest global challenge. Based on this encouragement and its own determination to play a catalytic role in demonstrating the power of scale to attend to the development needs of the poor, BRAC commenced the implementation of its programs in Africa in 2006.

In order to have a significant impact in Africa, BRAC has developed an ambitious plan to roll out operations in at

least 10 countries over the next 10 years, including five in East Africa and five in West Africa. To date, BRAC has initiated operations in Tanzania, Uganda and Southern Sudan. It is exploring a number of countries as candidates for future expansion, including start-up activities in Sierra Leone and Liberia, and explorations of DRC, Malawi, Kenya, Rwanda and Ghana, among others. BRAC chooses which countries to enter based on a combination of factors that include the level of poverty (and thus the need for its services), the regulatory environment, and the level

of potential interest in a given country on the part of donors.

BRAC's initial portfolio of expansion countries is representative of its ultimate vision for its outreach on the continent. Tanzania, Uganda and Southern Sudan represent an effective and purposeful mix of stable and post-conflict countries, and large and small countries. BRAC's initial selection was designed to provide it with experience and a platform for growth that will set the stage for its follow-on expansion. The next phase of expansion is likely to include



BRAC Southern Sudan

Victoria lives in Juba, Southern Sudan and is married with three children. She has studied in Sudan up to the Senior 3 level and speaks English. Her husband is an accountant with the government, but he will often go far up to three months without receiving his pay. For five years Victoria has been supplementing her family's income by selling charcoal, but because she could only buy small quantities at a time, she only made five Sudanese pounds (approximately USD 2.50) profit per week.

In August of 2007, Victoria joined BRAC and became a member of the Hai Gabat group. Since receiving a loan for 500 Sudanese pounds (approximately USD 250 USD), Victoria has been able to

buy 10 sacks of charcoal per month. She now makes a profit of 25 pounds per week. The additional profit she generates allows Victoria to send all three of her children to school and assist other relatives by purchasing clothes and food for them.

Every Thursday, Goreti attends her group meeting and makes her loan payment.

Many of her fellow group members' husbands, like hers, no longer support them. She says the group feels like her family. Each week they discuss topics relevant to their daily lives, such as HIV/AIDS prevention and treatment, nutrition, and food safety and hygiene. Goreti looks forward to paying back her loan and receiving a larger one so that she can continue to expand her business and provide a better life for her family.



additional countries in East Africa and a separate initiative into West Africa, in both cases combining a mix of stable and post-conflict countries.

BRAC begins the process of entering a country with an initial research visit to the country by two senior executives. These executives typically drive from village to village, interviewing local residents and visiting markets along the way. They quickly assess the level of poverty and the need for BRAC's programs based on their vast experience of working with the poor and meet with local and government officials where

possible. Once they return to Dhaka, a deeper review is undertaken. If the results of this review show that there is a significant unmet need for BRAC's services and that there is an environment that will allow BRAC to roll out those services quickly, they return to the country to identify the key stakeholders with whom they will need to work to make the program successful and secure registration as an NGO so that operations can begin immediately upon receiving it.

BRAC team members begin operations in a new area by acquiring permission from local leaders to carry out a survey of every household in the area. The survey gathers information about the households and allows BRAC to assess what mix of programs would best address the needs of the community. BRAC presents the list of surveyed households to local leaders who mark those they consider to be

Adapting in Africa

BRAC has rapidly and successfully adapted its Bangladeshi micro-lending



the poorest 50 percent. This is an important step in the process because it helps to create buy-in from the leaders regarding BRAC's work. BRAC then invites women from households

in the poorest 50 percent to join borrower groups.

In Africa, loans are amortized over less time than in Bangladesh. By

shortening the loan cycle, BRAC allows the borrowers to move through the loan cycles more quickly so they can obtain larger loans faster. The new loan product is an additional

response to borrowers' demands for larger loans. Borrowers demand larger loans in Africa because the costs of living are higher than in Bangladesh. To accommodate these higher costs of

living, BRAC has also adjusted other costs including its compensation structure for Community Organizers (COs) to hire more women as COs and branch managers. There is less social

BRAC Afghanistan

BRAC began its operations in Afghanistan in 2002 at the invitation of the Government of Afghanistan. Thirty years of conflict had left the economy and the social institutions of Afghanistan in complete disarray. The rise of fundamentalist forces in the Pashun region, the increase in drug trafficking activities along Afghanistan's many borders, and the legacy of internal strife make rehabilitation and rebuilding efforts a challenging undertaking. Having developed its programs in the context of post-conflict Bangladesh, BRAC believes it is uniquely qualified to assist Afghanistan as it moves through the stages of rehabilitation and on to long-term, sustainable development. BRAC has continued its work in Afghanistan despite the loss of a staff member and the kidnapping of another in the ongoing violence there. Only the resilient and committed can weather these types of events.

BRAC initiated its microfinance program in May 2002 with funding and assistance from the Microfinance Investment Support Facility for Afghanistan, a donor-funded apex microfinance organization.

By December 2007, the program had 148,583 group members and 116,660 borrowers in 22 of Afghani-

stan's 34 provinces and was operating 210 branches with 1,747 microfinance staff, 1,639 of whom were Afghans. BRAC had disbursed USD 71.0 million in loans and had an outstanding loan portfolio of USD 15.4 million. To date, BRAC Afghanistan has experienced a repayment rate of 90.2% despite the challenges posed by continuing instability throughout the country.

"Within four years, BRAC was operating 210 branches with 1,747 microfinance staff, 1,639 of whom were Afghans."

BRAC is currently operating three other credit programs in Afghanistan in addition to its core microfinance operations. The Small Enterprise Loan (SEL) program provides loans to small and medium-sized businesses with the potential to employ poor people in rural and semi-urban areas. As of December 31 2007, the program had reached 6,081 borrowers and had an outstanding loan portfolio of USD 6.2 million.

The Agriculture & Livestock Development & Credit Support Program provides loans and training to small and

marginal farmers with an emphasis on increasing women's participation in the agriculture sector. The program has grown to 17316 borrowers and has an outstanding loan portfolio of USD 3.2 million.

The Alternative Livelihood Rural Finance Program provides loans to those who are dependent on opium cultivation for a living, to assist them in developing alternative livelihoods. As of December 2007, the program had 3,040 borrowers and an outstanding loan portfolio of USD 318,268.

Having encountered a lack of banking capacity in Afghanistan and a demand for credit and savings services outside the scope of its microcredit programs, in 2006, BRAC founded BRAC Afghanistan Bank, a full-service, SME-focused commercial bank headquartered in Kabul. The bank is jointly owned by BRAC, the International Finance Corporation, ShoreCap International and Triodos Doen. By the end of 2007, the bank had extended its outreach to include four unit offices in Kabul and one each in Jalalabad, Herat, and Mazar-i-Sharif, in addition to its main branch in Kabul. BRAC Afghanistan Bank recently secured a line of credit under a USAID-sponsored program that will allow it to expand its services to operators of rural SME businesses.

In addition to its credit programs, BRAC Afghanistan has also implemented Education, Health, Livestock Development, Agriculture Development, and Infrastructure & Social Training Division.

The Education Program has established 1,142 schools, which are now serving 34,487 students, approximately 87% of whom are girls.

The Health Program provides a wide range of services including maternal and newborn health, child health and immunization, public nutrition, communicable disease treatment and control, mental health and disability, and the supply of essential medicines.

The program has developed over 2,300 health centers ranging from health posts to district hospitals and has trained over 3,600 community health workers. As of December 31 2007, the program had reached 1.9

million people in 36 districts spread over 6 provinces.

BRAC Afghanistan represents the institution's first international operation and is a response to the needs of millions of displaced refugees. At the time, BRAC recognized the need in Afghanistan as reminiscent of its own beginnings and launched a focused effort that grew dramatically in a few short years despite the very difficult operating environment.



stigma related to women working in Africa than there is in Bangladesh, which makes recruiting women considerably easier in Africa. Since all of BRAC's borrowers are women, the company believes that female COs and staff are at an advantage in communicating with and advising the borrower groups. Another cultural adaptation that BRAC has implemented is that borrowers sit in circles at their group meetings, rather than in rows as they do in Bangladesh, and COs typically sit on the ground in the circle with the borrowers. This arrangement is better suited to the social structure of African societies, which tend to be less hierarchical than Bangladeshi society.

Africa is at the center of BRAC's global vision, in which BRAC considers the opportunity to be as great as the continent's needs, and where African women, in particular, represent an extraordinarily under-developed resource. Over the next 10 years, BRAC plans to build a significant presence in Africa – a scaled platform of integrated microfinance and social development programs in at least 10 countries on the continent.

The BRAC model for expansion

BRAC will continue to work closely with the governments of African countries and partners including donors, apex organizations, local consultants, trade associations, other NGOs and local leaders. In its delivery, BRAC first and foremost seeks familiarity in the local communities, like those in Uganda and Tanzania, where it employs its development approach to scale its outreach broadly and quickly.

providing locally-minded solutions. BRAC does not stop there, but builds on its original post-conflict and natural disaster-driven approach to enhance community development through continuous innovation.

The goal of BRAC's global expansion is to create a network of institutions with shared values, vision and a history of success. By bringing together knowledge, innovation and entrepreneurship, BRAC believes it can build scalable, sustainable solutions to marginalization, poverty, disease, illiteracy, and environmental degradation.

When BRAC's founder and Chairman, Fazle H. Abed studied the structure, source of funding and impact of the top ten humanitarian and development organizations by income, staff and impact, BRAC was by far the largest organization by number of staff but smallest by country presence. Dr. Abed became convinced that BRAC could and should contribute to the global efforts to alleviate poverty and empower the poor in desperate areas of the developing world. Abed believes that BRAC must help define South-South cooperation in a way that explicitly builds on Northern roles for support and solidarity but reverses some of the less effective power dynamics of the past.

BRAC's Approach

- Grounded in strong BRAC ethos and culture
- Staged and segmented approach to new market entry
- Anchor focus on poorer borrowers
- Profit optimization vs. maximization
- Focus on cost management
- Interest rates set at sustainable levels
- Rapid roll out
- Embedded innovation
- Proven adaptability – continual assessment and adjustment
- South-South vs. North-South

BRAC Sri Lanka

Immediately following the devastating tsunami that struck Sri Lanka in December 2004, BRAC management called an emergency meeting and decided to delay its expansion into Africa and respond with a relief and rehabilitation program in Sri Lanka. BRAC initiated its work in the tsunami-affected areas of Sri Lanka in February 2005 and registered as an NGO in May 2005. BRAC's Tsunami Rehabilitation & Livelihood Re-establishment Program has been implemented in seven districts and

includes three components: Livelihood, Social Services and Capacity Development.

The Livelihood Program works to re-establish sectors that were hardest hit by the tsunami, including fisheries, agriculture, poultry, livestock and small businesses. Target beneficiaries are identified through a survey process and are recruited to join Village Organizations (VO) similar to the ones in Bangladesh, with the exception that men who have lost their spouses or are living with disabled spouses and have lost their homes and livelihoods are eligible to join as well. The program provides grants and loans to assist in the re-establishment of businesses in the target sectors.

The Social Services Program has improved sanitary conditions by cleaning and disinfecting wells and installing new wells and latrines. The program also provides stipends for students who have lost their parents to allow them to continue with their studies, it provides medical aid in affected communities, and provides materials for the re-establishment of vegetable gardens.

The Capacity Development Program enhances the efficiency of the overall tsunami relief effort by providing supervision for and links with other NGOs and by ensuring that expertise is transferred to the local communities through training programs.

As of December 2007, the micro-finance program was operating 43 branches, and had 40,701 group members, of whom 34,537 were borrowers. The program had disbursed USD 13.8 million in loans and had an outstanding portfolio of USD 3.2 million. Perhaps most indicative of the success of the program is the fact that BRAC had a repayment rate of 98% in an environment where repayment rates have generally been low due to confusion over the difference between grants and loans.

BRAC Pakistan

Fazle Abed moved BRAC into Pakistan when he saw the great need for both microfinance and social development programs. While the cities of Pakistan are quite vibrant and economically active, the villages of Pakistan remain very poor and lacking in services.

BRAC is currently in the process of registering its operations in Pakistan. Oxfam Novib provided a EUR 900,000 grant in 2007 to assist BRAC in developing its programs in Pakistan. BRAC has moved very quickly and has 24 branches ready to begin operations as soon as its registration is approved, which it expects will occur during the first quarter of 2008. PPAF, the apex microfinance institution in Pakistan, has allocated USD 4 million to fund the development of the loan portfolio, which it will release once BRAC's registration is complete.

