

Ex-Post Monitoring of Completed ODA Loan Projects

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Project Name: "Bangladesh Farming Village Development Credit Project" (BD-39)

Loan Outline

Loan Amount/Disbursement Amount: 2,986 million yen / 2,986 million yen
Loan Agreement: October 1995
Loan Completion: June 1998
Ex-Post Evaluation: Fiscal Year 2002
Executing Agency: Grameen Bank, Bangladesh

Project Objective

By providing unsecured loans through Grameen Bank of Bangladesh to the landless rural poor for purchasing production goods, the project aims to improve the lives of the agricultural sector's poor, support production activities, and strengthen the financial status of Grameen Bank, and thereby contribute to poverty reduction in Bangladesh.

Consultants: None
Contractors: None

Overview of Results

Item	At time of ex-post evaluation*	At time of ex-post monitoring*
	*In the ex-post evaluation, effectiveness was evaluated based on a sample study of target villages in which microcredit beneficiaries resided. (The sample study and various other data appear in Ex-post Evaluation Report on ODA Loan Projects 2002.)	*In the ex-post monitoring, effectiveness, impact, and sustainability are evaluated based on the results of a sample study of microcredit beneficiaries (a total of 125 households in three villages targeted at the time of the ex-post evaluation).
Effectiveness and Impact Effectiveness		After the ex-post evaluation, beneficiaries who had made use of the various loans showed clear improvements in living standards, salary, savings, food security, and the status of women within their households. The effectiveness has been high.

	<p>1. Home Building Loans</p> <p>In all regions, the overall number of houses with galvanized roofs or walls has increased, as has the size of the main wing of houses. The rate of houses with galvanized walls among beneficiaries receiving microcredit (including that from Grameen Bank) has shown a slightly higher increase than the rate among non-beneficiaries.</p> <p>2. Mid- and Long-Term G&C Loans (General Mid- to Long-Term Loans)</p> <p>No indices were collected for water wells. All but one of the three target villages studied had more sanitary facilities. As for the purchase of capital goods, results differed depending on the village under investigation, but they all shared in common the fact that microcredit beneficiaries had more rickshaws or carts than non-beneficiaries.</p>	<p>1. Home Building Loans</p> <ul style="list-style-type: none"> • Some 37% of sample households had received this loan and built improved houses, but half of all households continue to live in the same house at the time of the ex-post monitoring.. The other half of households have expanded or rebuilt their houses. • Houses improved through the loans, by building walls of brick or using galvanized steel on roofs, have expanded in area by a factor of 1.3-1.5 or more. <p>2. Mid- and Long-Term G&C Loans</p> <p>(1) Water wells (including mainly manual pumps and water storage tanks)</p> <ul style="list-style-type: none"> • In 11% of sample households wells were built using this loan; of those, 64% currently use the same well, whereas 36% have made repairs to the well. <p>(2) Sanitary facilities (mainly the provision of simple toilets)</p> <ul style="list-style-type: none"> • Some 6% of sample households built toilets using this loan; of those households 63% are still using the same toilet, whereas 37% have mended them since that time. <p>(3) Purchase of capital goods</p> <ul style="list-style-type: none"> • Most capital goods purchased were for agricultural purposes, with 35% primarily for agriculture; 28% were non-agricultural, and 37% could be used for both. • Of these projects the vast majority were successful, with 65% indicating expansion and 19% indicating improvement. Progress was not limited to the improvement or expansion of agriculture or commerce, as there were many cases where project diversification was achieved by investing interest in other fields.
Impact	<p>I. Positive Impact</p> <p>1. Economic Improvement In the majority of cases, microcredit from</p>	<p>I. Positive Impact</p> <p>1. Economic Improvement a) Increase in Income: 91% of households have improved productivity,</p>

	<p>Grameen Bank (and others) has resulted in clear increases in the income of beneficiary households.</p> <p>2. Increase in Savings Grameen Bank requires the beneficiaries to save some money when they are provided loans. The average savings figure comes to between 2,000 and 5,000 Bangladeshi taka.</p> <p>3. Changes in Financing for Farming Villages With the introduction of microcredit from Grameen Bank (and others), a retreat from traditional high-interest lending was inevitable, and changes have appeared in the form of loaning made to farming villages.</p> <p>4. Empowerment of Women Female members of Grameen Bank are more active than before, and the status of women is thought to have risen. However, microcredits themselves have been mostly used by male household members.</p> <p>5. Ability to Handle Emergencies By investing microcredit in things other than farmland, borrowers have been able to mitigate the effects of natural disasters.</p>	<p>and in 87% income capacity has increased.</p> <p>b) Food Supply Security: 94% of households have improved their eating habits, and 78% have a more secure food supply.</p> <p>2. Increase in Savings Over the past five years, 93% of households increased their savings, with average savings per household increasing from 2,053 taka in 2001 to 6,923 taka in 2005. In 2001, 75% of households had savings of less than 2,000 taka, whereas in 2005, 85% of households had savings in excess of 2,000 taka, and 57% of households had savings in excess of 5,000 taka.</p> <p>3. Changes in Financing for Farming Villages Among beneficiaries, traditional high-interest lending seems to have decreased. Among sample households, only 2% borrowed using high-interest loans. At the same time, among non-beneficiaries in the villages as a whole, a slight increase in high-interest loan borrowing was noted.</p> <p>4. Empowerment of Women The status of women within the household has continued to improve as a result of microcredit. The number of households who responded that the housewife participated in decisions on the use of the loan and the management of family assets came to 84%. In the villages of Thittokur and Gunjal, there were many examples where women beneficiaries acted as village officials and so on, taking part in social activities outside the household. Overall, through microcredits, women's self-confidence and concern for society has risen as their status and right to speak has continued to improve.</p> <p>5. Ability to Handle Emergencies In line with income and economic improvements, beneficiary households' ability to handle emergencies has also improved. 91-92% of households have become able to cope with a sudden need to purchase foodstuffs or to cope with an illness in the family. What is particularly worthy of note is the fact that many families diversified their economic activities and have a more stable base of income than before.</p>
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	<p>II. Negative Impact</p> <p>1. Increase in dowry amounts at the time of women getting married.</p> <p>2. Worsening of relations over repayment among microcredit members.</p>	<p>II. Negative Impact</p> <p>1. In the ex-post evaluation report, the issue of marriage dowries was cited as a negative impact. In the current beneficiary study, while some felt that dowries themselves were a serious problem and their amounts continued to increase, others suggested that the increase in dowry figures simply reflected the economic improvement of households.</p> <p>2. Worsening of relations over repayment among microcredit members - Essentially not a problem.</p>
<p>Sustainability</p> <ul style="list-style-type: none"> • Project sustainability • Operation and maintenance 	<p>I. Subproject Sustainability</p> <p>1. Home Building Loans With reference to the sample village impact study, the following has been confirmed:</p> <ul style="list-style-type: none"> • No particular problems were seen in terms of durability. • Operation and maintenance are relatively favorable. <p>2. Mid- and Long-Term G&C Loans</p> <p>(1) Water wells</p> <p>(2) Sanitary facilities</p> <p>(3) Purchase of capital goods</p> <ul style="list-style-type: none"> • None of these are shown. 	<div style="border: 2px solid black; padding: 5px; margin-bottom: 10px;"> <p>Just as at the time of the ex-post evaluation, there was no problem with the operation and maintenance of the subproject. Even though Grameen Bank, the executing agency, has been strengthening the execution system and improving the scale of funds, and as beneficiaries maintained a high ability to repay loans at the time of the ex-post evaluation and thereafter, financial status has become more favorable.</p> </div> <p>I. Subproject Sustainability</p> <p>1. Home Building Loans</p> <ul style="list-style-type: none"> • No particular problems were seen in terms of durability. • Operation and maintenance are relatively favorable. • All beneficiaries are either maintaining and improving a home that they built using a loan or are building an improved home. • Income has increased; beneficiaries are able to take out new loans; beneficiaries' operation and management capability has increased. <p>2. Mid- and Long-Term G&C Loans</p> <p>(1) Water wells Same as with home building loans.</p> <p>(2) Simple toilets/Sanitary facilities Compared to houses and wells, toilet facilities need relatively frequent maintenance, but this is not seen as an exceptionally big problem.</p> <p>(3) Purchase of capital goods Projects that used capital goods purchased by beneficiaries have for the most part succeeded. Through improvements in productivity and</p>

	<p>II. Executing Agency</p> <p>1. Degree of Governmental Contribution The government's holding ratio of Grameen Bank is 6.67%. The board of trustees comes to a total of 13 people, with one coming from Grameen Bank, three from governmental institutions, and nine from member representatives.</p> <p>2. Organization of Executing Agency The bank has 1,170 branches and 11,494 employees. There are no particular problems with the quality of the employees.</p> <p>3. Grameen Bank's Financial Condition Since the bank is receiving assistance from the government, and stability and fundraising are not issues. However, net profit ratio and net return on financial income have fallen greatly, and it is expected that stricter criteria would be applied to credit management.</p>	<p>income, the living standards of beneficiary households have increased and stabilized.</p> <p>II. Executing Agency</p> <p>1. Degree of Governmental Contribution No change since the time of the ex-post evaluation.</p> <p>2. Organization of Executing Agency Through a drive to expand operations starting in 2004, the number of branches has risen from 1,195 in 2003 to 1,735 in 2005, and in the same period, the number of villages served has risen from 43,681 to 62,089. The number of members of Grameen groups has reached 908,568 people (one group consists of five members). The bank's total number of employees is 16,142,269 (1.7%) of which work at the Dhaka headquarters. There are no particular problems with employee quality.</p> <p>3. Grameen Bank's Financial Condition Through a new operations policy entitled "Grameen Bank II," initiated in the year 2000, the bank has sought to expand the sources and volume of its fund, including deposit receipts from other sources, i.e., not existing members (the poor in farming village districts). At the same time, the bank has continued to diversify its operations; as a result Grameen's financial condition has taken a dramatic turn for the better. Indicators for factors such as profit ratio, net return on financial income, and return on equity, have improved. Therefore the bank has no particular financial problems.</p>
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Grameen Bank Financial Status (%)

Indicator / Year	2000/01	2003/04	2005/06
Profit ratio	0.37	9.99	14.13
Net return on financial income	0.38	11.06	18.66
Return on equity	0.55	10.63	22.16
Lending rate (weighted avg.)	17.42	18.50	19.33
Deposit rate (weighted avg.)	8.57	9.85	10.12
Borrowing interest (weighted avg.)	4.33	3.24	2.28

III. Sustainability of TSL (Loan Recovery and Delinquency Status)

1. The repayment status of subloans is favorable.

III. Sustainability of TSL (Loan Recovery and Delinquency Status)

1. The loan recovery rate improved after 2000, from 88.73% in that year to 99.00% in 2005. The percentage of loans in arrears likewise improved, falling from 11.27% in 2000 to 1.71% in 2005.

Grameen Bank Loan Recovery Rate (%)

Indicator / Year	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	2005 /06
Recovery rate*	88.73	91.00	98.74	99.09	99.05	99.01
Delinquency rate**	11.27	9.00	0.92	2.32	1.84	1.71

*Up to the year 2001 the recovery rate was defined as 100% minus the delinquency rate. From 2002 onwards, the recovery rate was defined as the percentage of actual repayment relative to repayment expiration figures.

**The definition for delinquency up to 2001 was a default on repayment lasting in excess of two years. From 2002 onwards, the entire unpaid loan was considered in arrears in the following cases: (i) repayment had been missed ten times in a row; (ii) for loans with

2. Management of special accounts (revolving funds)

The management of revolving funds did not do well immediately following project start, but in 1997 and thereafter it steadily improved, only to slump once again in 1999.

terms shorter than one year, if one half of the loan had not been repaid within 26 weeks; and (iii) for loans with terms greater than one year, repayment had been missed 26 weeks in succession.

2. Management of special accounts (revolving funds)

Grameen Bank does not provide a special account solely for JBIC yen loan funds; its special account involves various revolving funds besides JBIC funds. With this base, the amount and the number of loans since 2001 has increased rapidly.

Grameen Bank Revolving Fund (RF) Status (%)

RF loans / Year	2000/01	2001/02	2002/03
Amount (million taka)	73.29	56.30	824.69
Number of loans	21,458	12,080	42,275
RF loans / year	2003	2004	2005
Amount (million taka)	177.48	4560.48	8107.52
Number of loans	95,716	240,604	371,731

Includes home building loans and lease loans (micro-enterprise loans).

IV. Sustainability of the Microcredit System

Because of the favorable economic growth in Bangladesh over the past few years, the need for funding has risen substantially in farming village communities, and this trend is particularly strong among the poorest segment of the population. Organizations such as Grameen Bank have been positively responding to this need, taking new steps such as increasing lending amounts and diversifying their product offerings. The number and amount of microcredit (MC) loans is increasing as before, and microcredit organizations are expanding their loan figures. Moreover, under the Grameen Bank II policy, lending schemes are continuing to diversify. Specifically, the bank has introduced micro-enterprise loans, which are larger than lease loans and can be used for a greater variety of applications, together with new product offerings such as life insurance and “beggar loans.”

<p>Lessons Learned, Recommendations, Information Resources, and Monitoring Methods.</p> <p>(1) Follow-up on lessons learned and recommendations made in ex-post evaluation report or in later evaluations</p> <p>(2) Proposals for securing sustainability and instructions given at time of follow-up monitoring</p>	<p>(1) Recommendations found in the ex-post evaluation report are listed below. However, the recommendations are for microcredit overall, and do not pertain to the present project (or ODA loan projects) in particular.</p> <ul style="list-style-type: none"> • The maintenance of an insurance system to cover risk that arises in microcredit schemes; a method for contending with heavy debtors; diversification of lending schemes; the building of new, medium-scale loan schemes; and the further strengthening of savings are all needed. • The approach used to empower women and the poorer classes needs to be strengthened, and an approach for handling “those left behind” (the most destitute) needs to be found. 	<div style="border: 2px solid black; padding: 5px; margin-bottom: 10px;"> <p>Following the expansion in scale of Grameen Bank and the increase in beneficiaries, it is hoped that repayment schedules would take beneficiaries’ convenience into greater consideration, and that technical support would be provided for projects undertaken using loans.</p> </div> <p>(1) Follow-up on recommendations and lessons learned from the ex-post evaluation. None in particular.</p> <p>(2) Recommendations at time of ex-post monitoring. In order for beneficiaries to receive even greater benefits from Grameen Bank’s microcredit, the following two measures are recommended:</p> <p>a) Loan Repayment Schedules - Many beneficiaries pointed out that the weekly repayment schedule used for loans is not always convenient given their income flow (in particular, farmers’ income does not come in regular, short-term periods). Therefore, repayment schedules should, in principle, be set according to the income flow of the project undertaken. Grameen Bank headquarters claims that repayment periods are set taking income into account, but if that is the case, then it is important to make sure that bank clerks actually execute this policy at the bank branch and local office level.</p> <p>b) In this ex-post monitoring, it was not able to confirm details about the most destitute class which is left out of—or not covered by—microcredit schemes. The continuing consideration of measures for these excluded classes, including steps beyond microcredit, is needed.</p>
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