

Effectiveness of Village Development Organizations (VDOs) of Amar Bari Amar Khamar (ABAK) Project



Md. Aminul Islam
Dr. M A Matin
Dr. Md. Abdur Rashid
Engr. Sk. Saeem Ferdous



Rural Development Academy (RDA), Bogura, Bangladesh

Rural Development and Cooperative Division | Ministry of LGRD and Cooperatives

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Rural Development Academy (RDA)
Bogura-5842, Bangladesh
Phone: 88-051-51001,880-51-78602
Cell: 88-01713200938 & 88-01199650367
Fax: 88-051-78615
Email: dgrda.bogra@yahoo.com
Web: www.rda.gov.bd

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Executive Summary

Introduction

Bangladesh has been combating poverty since her independence in 1971. However, some bold initiatives taken by the present government for last one decade help her graduating from a least developed country (LDC) to a developing country and leading to achieve sustainable development goals (SDGs) and intend to be a developed country by 2041. The key consideration is the elimination of all dimensions of chronic poverty from the society to achieve sustainable development. From that viewpoint Amar Bari Amar Khamar (ABAK) project was undertaken for uplifting the livelihoods of small and marginal farm households (with land 0.05 – 1.00 acres) (BBS 2015).

The Honorable Prime Minister Sheikh Hasina of Bangladesh is the enlightened faces of the world political affairs today. After the independence of Bangladesh the achievement of the microcredit programs as much as earned the basket of successes, but livelihood of the poor people goes as far as behind. Honorable Prime Minister Sheikh Hasina realized that, microcredit has created a lot of flows of money at the primary level, but it could not positively impacted to improve the livelihood of the poor peoples.

The implementation of the dreams of Prime Minister Sheikh Hasina is to build up own savings of the poor peoples to get rid of from the poverty by ABAK project's small savings model. Through the small savings of underprivileged poor people and contribution of equal amount of matching grant of government created capital along with revolving fund investment for increasing the permanent capital based village development organization is now moving towards improving the livelihood of the poor people in every village.

The 'Micro Savings Model' has created a new paradigm shift in the rural economy from itself directly related to the distribution of capital and the process of realization for themselves. Which will play an important role in the national economic growth in the future and that raise funds for poor people in the rural areas for sustainable poverty reduction by generating permanent income in the family farm. It will play vital role for reducing national poverty rates at 10% by 2020.

The Project is being implemented throughout the country in each and every Union Parishads (councils), particularly 40,950 wards of 4,550 unions. The project has started in July 2009 and will continue till June 2020 with a cost of Tk. 80.1billion from the development budget of the government. This is for the first time that the government is financing to the poor and marginal people through village development organizations (VDOs) directly as grant for creating their primary capital to use it as a revolving fund. They will use it for their development in the long run. VDOs are the core part of ABAK project and it is important to understand how effectively those organizations are working at community level to achieve the goal of the project. Thus, the main objective of this study is to explore the effectiveness and present situation of VDOs under ABAK project. The study was conducted in 37 Upazilas (sub-districts) under seven districts of north-western Bangladesh. Those seven districts are Bogura, Gaibandha, Jaipurhat, Naogaon, Chapai Nawabgonj, Rajshahi and Sirajgonj, representing more than 1,200 VDOs of the study area and they are the presidents, the managers and the general members of those VDOs. Out of 4767 project beneficiaries 4625 respondents (excluding vice president and general secretary as they are not common in all VDOs) were selected by using purposive sampling methods.

The Objectives of ABAK are-

- To build every village in the rural areas as the center of agricultural production;
- In every village, 60 poor/extreme poor/beggars formed a village development organization (VDO) with 40 women and 20 male members;
- Create funds for the village development organization by donating equal amount of money against the savings of the members micro savings and contribution from government side;
- Provide the revolving fund as grant for village development organizations to invest in income generating activities;
- Provide training on skill development and management of agro-based income generating activities of selected members of village development organizations (VDOs);
- To set up data centers at upazila and union levels to provide digital information management and financial services to the members;

- Provide online banking and marketing services at the upazilas, union and village levels through biometric authentication;
- Establishment of rural education centre (Polli Pathshala) as a multi-lateral education center for the members of every union;
- To provide small entrepreneurship loans to the members who graduated from the poverty line for building them as small entrepreneurs.

The Socio-economic Characteristics of the Beneficiaries

A majority (65.03%) of the beneficiaries of ABAK are falling into the age group of 26-45 years, found young and energetic people of the community. They are able to work hard in agricultural sectors for improving their livelihoods. Most of them (64.41%) have formal education excluding below class eight and can sign only respondents. The ratio of male and female members' enrollment is 45:55, which is quite reasonable and satisfactory at present socio-cultural perspective of Bangladesh. Family size of the beneficiaries of ABAK project in the study area (family size) is found larger in comparison to the national average of 4.5. Most of them are married and a few were found unmarried and destitute widows enrolled in the VDOs. Before the project in 2009, a reasonable number of beneficiary households (23.20%) were found homemakers. A remarkable change is, however, noticed in case of home maker occupation category that reduced to 14.19% after intervention of the project in 2018. This is attributable to adoption of small scale agro-based enterprises, for example, cattle rearing at household level. It is found from the field survey that a substantial number of the project beneficiaries (55.00%) are possessing land property above the level of 50 decimals are not eligible for being the members of the VDOs as per standard stipulated in the operational manual of ABAK. They are included in the VDOs out of the way by applying their social power and local influences as well as political affiliation.

Selection of Beneficiaries in the VDOs

The union level beneficiary selection committee is consisting of 10 members, where a tag officer is nominated by the concerned Upazila Nirbahi Officer (UNO). Other members are the staff of the project, representatives of different government organizations working at union level along with local government representatives of respective Union Parishad are included in the committee for selecting the beneficiaries as per the guidelines of the operational manual of ABAK. However, at the grass root level, the aforesaid committee is

evident non-functioning for properly selecting the project beneficiaries of ABAK. It is found from the field survey that, at the grass root level, the VDOs are forming by politically affiliated persons, local elites, representatives of union Parishad without informing the poor and ultra-poor people during selection of the beneficiaries of the VDOs. It is found in the field that the local elites formed the VDOs in consultation with Upazila Coordinators of ABAK for fulfilling the required number of VDOs in the Upazilas instructed by the project authority. In many cases union Parishad's ward members are also working as a President or Manager of the VDOs of ABAK project. But, it is clearly mentioned in the operational manual that ward members will be acted as advisors of the VDOs.

Loan Repayment

The majority of the beneficiaries (75.00%) felt that no compulsion for repayment of loan money existed in the study VDOs of ABAK. They assumed that when they have money they can repay by installment or at a time. Due to inadequate monitoring for recovering loan from the VDOs, the beneficiaries have become reluctant to repay the money regularly. Most cases, the presidents and the managers of the VDOs also become reluctant in loan disbursement and collection due to discontinuation of their monthly remuneration of Tk. 600.00 after two years of project support. Although a field assistant is assigned for one union, it is observed during the field study that, in case of 15-20 VDOs, it is not enough to operate the loan functions and savings collection smoothly.

Adequacy of the Amount of VDOs Loan

The majority of the project beneficiaries (81.73%) opined that the amount of loan disbursed from the VDOs is not adequate for running the income generating activities as per their plan, because of insufficient amount of savings and revolving funds found available in the VDOs as compared to the number of loan applicants. For example, a project beneficiary expected Tk.30,000.00 for purchasing a cattle, but she got Tk.10,000.00 and could not managed required money for purchasing the cattle. She spent that borrowed money for fulfilling other family needs. Although the loan amount is less in the VDOs of the project, they were waiting for being members of Palli Sanchay Bank (PSB) and hopping they would get more amounts (more than Tk. 40,000 per case) of loan with monthly repayment systems. Regarding the role of Palli Sanchay Bank (PSB) in reducing the poverty of the beneficiaries, it is yet to be performing effective in terms of numbers and amount of loan activities.

Own Capital Accumulation of Beneficiaries

In most cases, the project beneficiaries are reluctant to deposit own savings as capital in the VDOs after two years of project support. They have some concerns over their savings.

- They are not getting proper benefit from their own savings. According to the rules, the beneficiaries will get 5.0% interest on their savings if they continue their membership upto five years. But if they cancel their membership before five years, they will get back only their own savings without any interest.
- If the money is deposited in other commercial banks, they would get higher interest rate (about 8-9%).
- They are considering their savings similar to mortgage. Beneficiaries are not entitled to get loan unless they contribute to their savings Tk. 2,400 in one year. So, both the amount of savings and time duration (one year) are disadvantageous to them. In this regard, they think NGOs provide loan without mortgage or with a condition of less savings and time.

General Impressions of ABAK Project

Problem

- A few of the members are interrupting the project activities due to improper nomination as per the eligibility of the beneficiary selections. So the problems are increasing day by day.

Solution

- Withholding the qualifications of the project proposals, the members who have the same eligibility their membership should be continued. Membership of ineligible members should cancel and return their deposited money along with some dividends and their membership will be canceled.
- To ensure the required number of members, select the eligible new members as stipulated in the DPP of the project and include them in the VDOs.
- If a responsible member is not available, then manage the VDOs with a small number of members.
- Discuss this issue with the VDO members directly at the field level and take action according to their decision.

Problem

- People (Field Assistants) have been appointed instead of manager and president of VDOs, as a result of which there was a problem in the financial situation (distribution and recovery of loan and collection of savings etc.). Loan defaulters are increasing.

Solution

- As before, the manager and the president may arrange for a small allowance for the purpose of performing duties and responsibilities.
- Regularly supervising the union / upazila coordinator and ensuring that the president and managers are performing their duties properly as well as whether the other works including collection and depositing the repayment of the installments and savings are done according to the rules.
- Change a few of the manager and president of the VDOs if needed. If most of the VDO members want this change.
- Recommendations should be given in consultation with concerned officials of district / upazila level as well as discussion with VDO members.

Problem

- There are weaknesses in particular in monitoring and coordination.

Solution

- UNO or Tag Officer, upazila coordinator and other relevant officials will sit to discuss in every two months on the loan disbursement, recovery situation, savings collection and other matters related to the project (information received from the union) and take specific steps.
- In case of any special problem arises, inform the Deputy Commissioner (DC) and send a copy to the district coordinator of ABAK.
- At the district level, the DC will convene meeting after every three months with the district coordinator, concerned district officials, UNO and upazila coordinators of ABAK on the related issues and emerging problems and other matters.
- If possible, arrange to see and show the VDO members about the money deposit along with their pass book and online deposition situation in every 6 months.

- Increase VDOs fund by increasing members' and government contributions. It may be Tk 400 from the beneficiary and Tk 400 from government contribution.
- It may be introduce the provision of withdrawal of own savings along with dividend while leaving the VDOs by the members voluntarily.
- PDBF's loan recovery rate is 98%, so collect their concept papers to introduce their concept in ABAK.
- Needs-based training is not going on. Measures should be taken on ABAK project.

Recommendations

For bringing trust and faith of the beneficiaries in the operational modalities of the project, the following recommendations can be considered:

1. Beneficiary selection should be proper for alleviating poverty of the ultra-poor and marginal people as per guidelines stipulated in the operational manual and DPP of the project;
2. Remuneration for the President and the Manager of the VDOs can be continued for bringing momentum of loan disbursement and repayment in time;
3. The amount of revolving fund can be increased from Tk.3,00,000 to at least Tk.6,00,000 in each VDO for operating loan activities smoothly;
4. An alternate arrangement should be made in absence of UNO for disbursing loan in regular basis for running uninterrupted time bound agricultural activities as he controls the password for loan disbursement;
5. Monitoring should be strengthened for repaying loan and collecting saving regularly;
6. Beneficiaries will get 5% interest on their savings, if they continue their membership up to 5 years. But if they cancel their membership before 5 years, they will get back only their savings without any benefit. Provision may be made into a slab of two years, three years, four years and five years with a fixed rate of interest in case of cancellation of membership;

7. To bring trust and confidence on the management system of ABAK, motivation should be given at grass-root level why government contribution is not paying to the beneficiaries on cancellation of membership;
8. Service charge for online account (5.0%) should be visible writing in the passbook of the beneficiaries to bring their confidence in the transparent accounting system;
9. Loan disbursement dates should be declared well ahead of time so that the borrowers can avail the opportunity smoothly;
10. SME Loan for entrepreneurship development activities should be started at large scale with credit matched training, particularly livestock rearing training is essential;
11. The condition of savings amount Tk. 2,400 in one year for getting loan should be revised and make it to half (Tk. 1,200 in six months);