

CO Graduation Process, CBRMP-LGED

1. Background Introduction:

Group graduation has taken the shape through a series of discussions and process that literally started in 2008-09 based on the spirit of forming SHG.

The Graduation intends to allow COs to run their organisations start afresh after settling all financial liabilities. It is expected after letting them free from project administration and input support a good numbers of COs will be functional being savings groups with continued aspiration of accumulating more social and financial capitals. This is an agreed approach between the project, CO and the donor. The process is mostly participatory at all steps. Transparency and accountability are the main two values that lead the whole process. It is termed as Honourable Exit – means, no financial liability of the project as well of CO to Bank and to its members.

2. Scope:

During the time from now to June 2010 the project will be planning to phase-out from three Upazilas where the project started working since inception. However, two unions, Surma and Jahangirnagar were scheduled to complete the graduation by June 2009. A total 1295 (Sadar 425, South Sunamganj 373, Biswambarpur 422 and a few from Jamalganj 50 and Tahirpur 25) COs have been brought under phasing out, in other words, CO graduation. Later all COs upon reaching three years of age will be brought under the graduation process. Till to date as on 30 June 2010 a total of 989 COs have been graduated and following a recent survey it is found more than 33% of COs are actively functioning.

3. Methods and steps:

The graduation process is carefully planned, monitored and managed. It takes place through few distinct steps. These are:

- Making a list of functional and non-functional CO
- Making a list of functional CO based on
 - a. 1) Very good and ready for graduation,
 - b. 2) Moderate with some problem and need assistances, and
 - c. 3) Very poor may revived
- Making a schedule of inputs have to be provided by the project, loan delivery/recovery, completing the recovery of loan and fixing the date for Final Account
- Completion of Final Account
- Discussing with the CO leaders on graduation and fixing the date of Declaring Graduation
- Declaring Graduation

- Preserving and sending the document of Graduated CO

The screening process of functional CO and the activity following the categories

For screening graduating CO Critical **Indicators** are used.. It mainly focuses on financial performance of CO, and it is built-in in project's regular CO monitoring system.

Table 1: Rating table to categorize CO for graduation:

| Category | Critical Indicators |
|--|---|
| Very Good: ready for graduation | <ol style="list-style-type: none"> 1. Savings and BKB cumulative loan recovery rate 98 to 100%. 2. Cash in hand below Tk. 1200. 3. Attendance rate above 75% |
| Moderate: with some problem, but may go for graduation with some support | <ol style="list-style-type: none"> 1. Savings and BKB cumulative loan recovery rate 80 to 97%. 2. Cash in hand below Tk. 15000. 3. Attendance rate 50 to 75% |
| Very Poor: need to be revived/reorganized/closed | <ol style="list-style-type: none"> 1. Savings and BKB cumulative loan recovery rate below 80%. 2. Cash in hand above Tk. 15000. 3. Attendance rate below 50% |

After categorization the CO go through few steps for graduation. It depends on the category status of the CO selected for graduation. The steps and activities are given in the following table:

Table2: The steps and major activities in graduation of different categories of COs

| Steps | Ready for graduation | Support required to be graduated | Need to be revived |
|---------------|-----------------------------|---|---------------------------|
| Step 1 | Final account | Support provided | Reorganized |
| Step 2 | Declared Graduation | Final Account | Support provided |
| Step 3 | | Declared Graduation | Final Account |
| Step 4 | | | Declared graduation |

Communication

The communication strategy is carefully designed to ensure that the group members understand the need for graduation and process to be adopted and do not engage in risky behavior such as:

- not attending meetings,
- non giving attention in loan repayment of member
- Not attending any conflict situation

Communication to the COs from the staff is clear and without any ambiguity. SO and CDF are properly oriented on what to communicate.

The period between the communication to the groups about graduation and actual graduation is brief - not more than three months and the work that period is more intensified to keep the whole process on track.

Training needs assessment for the graduated group

Groups can also be imparted necessary training for graduation as well as to reduce the gap in management capacity. In this case training will be provided to only potential members.

Other needs assessment

To complete the work such as road, tube-well, latrine those are yet to complete

Loan recovery measures by aging.

Monthly loan aging schedule is put in place and practiced immediately for organized recovery. The aging scheduling is prepared taking the data /status from Credit Monitoring Sheet and based on the situation staff is provisioned to take the drive for recovering loan.

Table 3: Loan aging Schedule:

| Installment overdue | Number of loan | | Amount | Responsibility |
|---------------------|----------------|-----|--------|----------------|
| | Saving | BKB | | |
| 1-2 | | | | CDF, SO, SMS |
| 3-5 | | | | + SUPM |
| 6 and above | | | | + PMU |

4. Loan distribution plan

The phasing out of a group starts with reducing the BKB loans. Only credit worthy COs and credit worthy borrowers are given another loan from BKB. However at the starting month of the targeted FY of graduation no CO is getting any loan from BKB. The savings loan is being continued for shorter term of 6 months to coincide with the closure of BKB loans. It is being ensured that not more than 25 percent of the members have running loans in the last cycle of BKB and savings loans. Otherwise to say, at a time there is loan not with more than five members. In no cases, new groups are being formed in graduating area.

The maximum loan size has also been reviewed since it is seen that larger loans lead to overdue.

5. Final accounts and distribution of fund:

The in-depth internal audit works as the basis for settling of member dues. The accounts are updated and amount due to each member is recovered. However, if any loan outstand with any member that can not be more than Tk.3000. Following that after a final account, group fund is distributed to members except keeping a minimum balance in BKB account. The group leaders in the presence of the project staff distribute the benefit (own savings + share earned from interests from savings loan, bank loan and demo loan, etc.) to the members. The benefit from

CO earning is distributed based on the savings amount and the age of the member's enrolment in CO at equal (50:50) wattage (please see the annex 5).

6. Opening new books, new scheme of savings with continued hope of progress

The groups who are keen to continue their operations may start afresh with weekly savings. Project will not provide any support to the groups after graduation.

7. Roles and Responsibilities

Since quality issues are being faced in the COs in these three upazilas, each upazila is being closely monitored by PMU officials to avert any crisis. At each graduating Upazila a graduating committee has been formed under leadership of SUPM and the others are:

SMS SE (member secretary)
SMS of concern area (member)
Credit officer (member)
Concern SO (member)

8. Post-Graduation activities

After declaration of graduation a statistical profile is kept with necessary information and further the following documents of the graduated COs are preserved in Upazila and PMU level.

- The graduation declaration letter by SUPM
- The CO resolution on graduation
- The savings and benefit distribution sheet
- The certificate of latest /current balance of group savings
- The certificate of latest/current project loan balance
- The memorandum of Final Account
- Photocopy of the last two pages of the Pass Book of Savings and Project loan

Besides, for understanding the status of the graduated CO a quick survey is also carried out after three months of the graduation

The records use for the graduation is enclosed in annexes.

The Final Account Memorandum

1. Identity of CO
 - I. Name of the CO:
 - II. Date of the formation:
 - III. Village:
 - IV. Union:
 - V. Upazila:
 - VI. District:
2. Previous Internal audit period:
3. Date of Final Account
4. CO Savings, Loan from Savings and other information in relation to Savings
 - I. Savings Account No.:
 - II. Name of the bank branch:
 - III. Total savings:
 - IV. Total savings deposited in bank:
 - V. Saving cash in hand:
 - VI. Savings Loan Distribution, Recovery, Overdue and outstanding, if dues

| Sl.# | Particular | Total loan distribution | Total loan recovery | Overdue | | Outstanding | Remarks |
|------|-------------------------|-------------------------|---------------------|---------|-----|-------------|---------|
| 1. | Principal (Tk) | | | IOD | MOD | | |
| 2. | 15% service charge (Tk) | | | | | | |
| 3. | 2% Penalty (Tk) | | | | | | |
| 4. | Loanee (Nr) | | | | | | |

VII. Savings loan Recovery and Repayment Status

| Sl.# | Particular | Total recovery | Total Repayment (CO/Organisation/Person) | Difference (+/-) | Remarks |
|------|---|----------------|--|------------------|---------|
| 1. | Principal (Tk) | | | | |
| 2. | Service Charge 7.95% for group fund (Tk) | | | | |
| 3. | 2% Penalty for group fund (Tk) | | | | |
| 4. | 1.95% on service charge for group fund (Tk) | | | | |
| 5. | 3.15% for Manager honorarium (Tk) | | | | |
| 6. | 1.95% for President honorarium (Tk) | | | | |

5. Project Loan

- I. Loan Account Number:
- II. Name of the Bank Branch:
- III. Project Loan Distribution, Recovery, Overdue and outstanding, if any

| Sl.# | Particular | Total loan distribution | Total loan recovery | Overdue | | Outstanding | Remarks |
|------|-------------------------|-------------------------|---------------------|---------|-----|-------------|---------|
| 1. | Principal (Tk) | | | IOD | MOD | | |
| 2. | 15% service charge (Tk) | | | | | | |
| 3. | 2% Penalty (Tk) | | | | | | |
| 4. | Loanee (Nr) | | | | | | |

IV. Project loan Recovery and Repayment Status

| Sl.# | Particular | Total recovery | Total Repayment (CO/Organisation/Person) | Difference (+/-) | Remarks |
|------|-------------------------------------|----------------|--|------------------|---------|
| 1. | Principal (Tk) | | | | |
| 2. | Service Charge 10% (Tk) | | | | |
| 3. | 2% penalty (Tk) | | | | |
| 4. | 1% for BDRF (Tk) | | | | |
| 5. | 2% for CO group fund | | | | |
| 6. | 1.25% for Manager honorarium (Tk) | | | | |
| 7. | 0.75% for President honorarium (Tk) | | | | |

6. Demonstration Loan: Total amount received from Project Tk.....

| Sl# | Particular | Total Domo. loan distributed | Total recovery | Overdue | | Outstanding | Remarks |
|-----|---------------------|------------------------------|----------------|---------|-----|-------------|---------|
| 1. | Principal | | | IOD | MOD | | |
| 2. | 15 % service charge | | | | | | |
| 3. | 2% penalty | | | | | | |
| 4. | Loanee | | | | | | |

7. CO Savings and Savings Accounts Balance

| Sl. # | Particular of Receipt | Receipt (Tk) | Sl. # | Particular of Expenditures | Expen. | Balance | Current Bank Balance | Difference | Reasons |
|-------|---|--------------|-------|--|--------|---------|----------------------|------------|---------|
| 1 | Savings Savings deposit Principal loan repayment Security against bank loan refunded | | | Savings Savings loan disburse Security money against project loan Savings return to drop out member | | | | | |
| | Subtotal (1): | | | Subtotal (1): | | | | | |
| 2 | Bad debt 1% on service charge | | | Bad debt Bad debt payment | | | | | |
| | Subtotal (2): | | | Subtotal (2): | | | | | |
| 3 | Group Fund | | | Group Fund | | | | | |
| | 15% service charge on savings loan | | | Payment to President | | | | | |
| | 2% penalty charge on S.L. | | | Payment to Manager | | | | | |
| | 4% Service charge on Project loan | | | Payment to Project | | | | | |
| | 10% service charge on project loan from BKB | | | 10% service charge on project loan to BKB | | | | | |
| | 2% penalty charge on project loan from BKB | | | 2% penalty charge on project loan to BKB | | | | | |
| | Miscellaneous | | | Miscellaneous | | | | | |
| | Road | | | Road | | | | | |
| | Pond | | | Pond | | | | | |
| | Tube-well | | | Tube-well | | | | | |
| | latrine | | | latrine | | | | | |
| | Demonstration | | | Demonstration | | | | | |
| | Length-person | | | Length-person | | | | | |
| | Others | | | Others | | | | | |
| | Subtotal(3): | | | Subtotal(3): | | | | | |
| | Total: | | | Total: | | | | | |

8. Distributable Amount on current Balance of Group Fund

| Sl.# | Particular | Tk. |
|------|--|-----|
| | Receipt from Savings Loan (7.95%+2%+1.95%) | |
| | Receipt from Project Loan (equal to 2%) | |
| | Receipt from Demonstration (Principal + 15% Service charge) | |
| | Others (Bank interest + other income, if any) | |
| | Total | |

9. Member-wise Final Financial Statement

Member-wise information:

Amount in Taka

| Sl.# | Name of the member Hus/Father name | Savings amount | | | Total Savings loan | | | | Total Project Loan | | | | Demonstration Fund | | | Latrine | Tube-well |
|------|---------------------------------------|----------------|-------------------|-----------------|-----------------------|---------------------|-----------------|----------------|-----------------------|---------------------|-----------------|----------------|--------------------|---------------------|----------------------------|---------|-----------|
| | | Total deposit | Savings withdrawn | Current balance | Distributed Principal | Recovered Pr. by CO | Due with Member | | Distributed Principal | Recovered Pr. by CO | Due with member | | Distributed | Recovered Pr. by CO | Due with member (Pr + Int) | | |
| 1. | | | | | | | Principal | Service charge | | | Principal | Service charge | | | | | |
| 2. | | | | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | | | | | |
| 8. | | | | | | | | | | | | | | | | | |
| 9. | | | | | | | | | | | | | | | | | |
| 10. | | | | | | | | | | | | | | | | | |
| 11. | | | | | | | | | | | | | | | | | |
| 12. | | | | | | | | | | | | | | | | | |
| 13. | | | | | | | | | | | | | | | | | |
| 14. | | | | | | | | | | | | | | | | | |

- Note: 1. *If any cash in hand lies with President or Manager that is to be documented separately specifying the amount*
 2. *Page can be added if required*

10. The description of total cash in hand of CO

Amount in Taka

| Sl.# | Account head | Recovered by CO | Repayment to Bank | Total amount of Cash in hand | Amount not booked in Cash Book | Name/designation of the member cash lies with |
|------|---------------------------|-----------------|-------------------|------------------------------|--------------------------------|---|
| 1. | savings | | | | | |
| 2. | Savings loan (principal) | | | | | |
| 3. | Savings loan (interest) | | | | | |
| 4. | Project Loan (principal) | | | | | |
| 5. | Project loan (interest) | | | | | |
| 6. | Demonstration (principal) | | | | | |
| 7. | Demonstration (interest) | | | | | |
| | Total | | | | | |

.....

1. Name and Signature of SO

.....

2. Name and Signature of SMS. 3. Name and Signature of SUPM

11. Member-wise Savings and other Benefit/Profit Distribution sheet

Name of the Organisation:

Date of Formation:

Date of Distribution of Amount:

| Sl.# | Name of the member Hus/Father name | Age of membership (month) | Balance of Savings (Tk) | Receivable amount from profit (Tk) | Total receivable Amount (Tk) | Due (Tk) | | | | Net receivable amount (Tk) | Receipt (Tk) | Signature of the recipient |
|------|---------------------------------------|------------------------------|-------------------------|------------------------------------|------------------------------|--------------|--------------|-------|-----------|----------------------------|--------------|----------------------------|
| | | | | | | Savings loan | Project loan | Other | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 (4+5) | 7 | 8 | 9 | 10(7+8+9) | 11 (6-10) | 12 | 13 |
| 1. | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | |

We the signatories below verified the signature of the recipients and found authentic comparing with the signatures drawn in the attendance register of the CO

Name and Signature of the Social Organizer

Counter signature: Name and Signature of SUPM

Name and Signature of the SMS

Note: The Financial Ratio on Distribution of Benefit/Profit to a member:

Total Profit Earned X Member's own savings

{-----} +

Total Profit Earned X Age of membership of the member

{-----} TK.

2 X Total current savings

2 X Aggregate number of months of membership of all members

Note: Age should be counted in MONTH and fraction of amount should be avoided.

**Community Based Resource management Project
Local Government engineering Department**

Ref No:

Date:

To:

Presided/Manager

.....CO

Village:

Union:

Upazila: , Sunamganj

Subject: Declaration of CO Graduation concluding all liabilities of project with CO along with other assistances

With reference to above, it is to be informed that in cooperation of Community Based Resource Management Project of Local Government Engineering Department on,CO was formed. The main objective for formation of this CO was to increase the capacity and skill of the CO members to become a self-reliant organisation one day. The project along with others provided assistance to improve communication in the village , arrange safe drinking water and sanitary latrine to CO members, transfer improved technology for better agriculture and livestock production in order to raise the income of the community. Reviewing the Final Account of your organisation it is found that the members of your CO have saved Tk..... through their personal savings and the CO raised an amount of Tk. as group fund. Meantimepersons have so far been trained as President and Manger, and other members have got many different training on livelihoods development. At this stage, following the IFAD's approved Graduations Guideline Project thinks that your organization may be recognised as a graduated CO.

Therefore, according to next step to graduation on the date has been fixed to declare graduation of the CO and distribute the CO fund amounting to Tk..... among the CO members. The project believes the savings, acquired skill and other facilities that provided by the project would assist a large to improve your lives in future. The project further hopes that fromyour organisation would run by your own efforts taking no assistance from CBRMP. However, CBRMP may only monitor and review your activities, if project feels required.

We aspire, your organisation will keep going and day by day it would further flourish.

Senior Upazila Project manager

CBRMP- LGED

....., Sunamganj

CC:

1. Project Director, CBRMP-LGED, Dhaka
2. Credit Manager, PMU, CBRMP-LGED, Dhaka
3. Manager, Bangladesh Krishi Bank,..... Branch, Sunamganj

Graduated CO profile of Upazila:

Date of collection (month/year): As of graduate declaration date

| Sl # | Parameters | Unit | CO-1 | CO-2 | CO-3 |
|------|--|--------|------------|------|------|
| | | | Name of CO | | |
| A | General Information | | | | |
| 1 | Date of CO formation | Date | | | |
| 2 | Savings A/C number | Number | | | |
| 3 | Name of the Bank Branch | Name | | | |
| 4 | Location | Union | | | |
| 5 | Gender | M/F | | | |
| 6 | Date of Graduation | Date | | | |
| 7 | Number of member enrolled | Number | | | |
| 8 | Number of existing member | Number | | | |
| B | Members' Savings Status | | | | |
| 1 | Savings accumulated | Tk | | | |
| 2 | Savings withdrawn for drop-out CO member | Tk | | | |
| 3 | Net balance of savings (4+5+6+K.4) | Tk | | | |
| 4 | Savings balance in bank | Tk | | | |
| 5 | 10% Security from Savings | Tk | | | |
| 6 | Cash in hand | Tk | | | |
| C | Income of the CO: | | | | |
| 1 | 10 % on project loan interest | Tk | | | |
| 2 | 2% on project loan Interest for CO | Tk | | | |
| 3 | For BDRF 1% on project loan interest | | | | |
| 4 | On Savings loan Interest (7.95% + 2%+1.95%) | Tk | | | |
| 5 | Demo fund & interest earned on Demo loan | Tk | | | |
| 6 | Manager honararium(1.25%+3.15%) | Tk | | | |
| 7 | President honararium(0.75%+1.95%) | Tk | | | |
| 8 | Others earning (Bank Int. and leftover from different sources, i.e TW, LT etc.) | Tk | | | |
| 9 | Total Income(1 to 8) | Tk | | | |
| D | Expenditure: | | | | |
| 1 | 10 % project loan interest | Tk | | | |
| 2 | BDRF 1% on project loan interest | Tk | | | |
| 3 | Manager honararium(1.25%+3.15%) | Tk | | | |
| 4 | President honararium(0.75%+1.95%) | Tk | | | |
| 5 | Others | | | | |
| 6 | Total Expenditure(1 to 5) | Tk | | | |
| E | Net Income(C.9-D.6) | Tk | | | |
| F | Distributable amount (Savings & Net income) | Tk | | | |
| G | Liabilities to member(adjusted) | Tk | | | |
| H | Distributed amount | Tk | | | |
| I | Average distributed amount | Tk | | | |
| J | Rest amount in Bank | Tk | | | |
| | Loans and other supports | | | | |
| K | Loan from Savings | | | | |
| 1 | Loan disbursed-cumulative | Tk | | | |
| 2 | Number of loanee | Number | | | |
| 3 | Realized | Tk | | | |
| 4 | Outstanding | Tk | | | |

| SI # | Parameters | Unit | CO-1 | CO-2 | CO-3 |
|------|-------------------------------------|--------|------------|------|------|
| | | | Name of CO | | |
| 5 | IOD principal | Tk | | | |
| 6 | IOD Interest | Tk | | | |
| 7 | MOD principal | Tk | | | |
| 8 | MOD Interest | Tk | | | |
| 9 | Number of default loanees (IOD+MOD) | Number | | | |
| L | <i>Loan from project</i> | | | | |
| 1 | Loan disbursed -cumulative | Tk | | | |
| 2 | Number of loanee | Number | | | |
| 3 | Realized and paid to Bank | Tk | | | |
| 4 | Outstanding | Tk | | | |
| 5 | IOD principal | Tk | | | |
| 6 | IOD interest | Tk | | | |
| 7 | MOD principal | Tk | | | |
| 8 | MOD interest | Tk | | | |
| M | <i>Others</i> | | | | |
| 1 | Tube-well fund received & used | Tk | | | |
| 2 | Latrine received | Tk | | | |
| | | Number | | | |
| 3 | Capacity building Training received | Number | | | |