

Output to Purpose Review (OPR)

Manusher Jonno
Bangladesh

COVERING MEMORANDUM

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Dhaka
November 2005

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1. INTRODUCTION

Manusher Jonno (MJ) aims to enhance the capacity of poor women, men and children to demand improved governance and the realisation of their rights. The project was put in place in September 2002 and in line with objectives will become an independent Trust in January 2006.

As part of the OPR, we were asked to assess the impact of MJ's rights work in reducing poverty as input to DFID's formulation of its future country strategy for Bangladesh.

The long term challenges to MJ are same as those faced by DFID: a difficult enabling environment for poverty reduction. Despite good economic growth, attainment of the MDGs is hampered by increased income inequality, and gross waste of resources due to corruption and mismanagement. Political polarisation and fundamentalism have intensified since MJ was formed, making its work more difficult. By many governance benchmarks, the country performs poorly.

Abuse of power is thus a significant cause of poverty, which economic empowerment strategies for the MDG need to address. Improved living standards for the poor require greater accountability to and engagement by the state with citizens (business and civil society) in general, and the poor in particular. The critical issue is not whether rights work is important, but how to measure the effectiveness of this work, to winnow the chaff from the wheat.

The OPR confirms the findings of other independent DFID-funded reports on MJ. It is a well-run and substantive rights programme which directly addresses each of the MDGs. It is beginning to help Bangladeshis to leverage human rights principles and deliver practical improvements to the lives of the poor and marginalised. MJ is improving its assessment of poverty impacts, and in 2005 has evolved new funding criteria. It is capable of both delivering good project interventions, and more effective approaches to rights work within the country. MJ has established its position as a prime mover in the rights area, a change agent for Bangladesh.

DFID has invested significant resources in piloting MJ to this stage and MJ remains on track to deliver against its objectives. The OPR was carried out between 21st November and 1st December 2004. The Terms of Reference are attached at Annex A. During the report we discussed a number of ideas and recommendations which are set out in annexures.

2. PROGRESS ACHIEVED IN 2005

The 2004 OPR stated that MJ faced a critical twelve month period of its growth. MJ has implemented or made clear progress on all of the 15 recommendations made in the 2004 OPR (see chart 1):

Chart 1: Checklist of Main Recommendations to MJ in 2004 OPR

Programme		
1	Revise log frame outputs and corresponding indicators	Completed
2	Strengthen analytical and policy capacity by programme sub-sectors and Strengthen strategic capacity-building for partners requiring:	
2.1	enhanced set of tools to analyse the project portfolio	More variables now included (e.g. geographic/size/impact)
2.2	Improve policy issues and assist partners in developing common platforms and advocacy work.	Continued to develop programme coherence and linkages. Fully developed strategy in 2 areas/3 in development.
2.3	tailored capacity building aimed at sectoral networks	Upgraded training package & planning study completed.
2.4	strong analysis of the connection between poverty and human rights.	Staff appointed, Categorised poverty focus (direct/indirect) in M&E
Secretariat		
3	Create a Programme Management Unit, with +2 Programme Advisers, plus research officer.	Units established with minor variations
4	Appoint Head of Finance and Administration	Completed
5	Appoint additional staff in finance/project monitoring and separate these functions	Completed
6	Financial monitoring of POs could be contracted out PO monitoring.	Implemented in-house
7	Appoint Head of M&E	Completed
8	Recruit an international M& E expert	Completed
9	PMP to review employment conditions and remuneration and implement	Completed - adopted CARE terms and conditions
Governance		
10	Incorporate, appoint Board and produce governance policies	Work completed – incorporation early December
Finance and Budgeting		
11	Develop a comprehensive strategy/policy for finance and administrative management of MJ including PO appraisal, budget control and financial monitoring.	Accounts and compliance systems in place
12	Separate MJ finance functions from PO grant control	Implemented
13	Establish finance and administrative guidance, formats and procedures for MJ	Completed
14	Set up 5% Activity Fund	Implemented
15	Produce project proposal for donors	Completed

We would summarise progress as follows:

- The grant-making “machinery” is working well. Since 2003, 4000 applications have been assessed and about 3% of these (120 projects) have been approved. In our opinion, selection procedures and assessment are sound and have been further improved in 2005, an achievement in a highly politicised environment, with weak corporate governance standards. Given the volume of requests, the number of complaints is low. The process is free from political bias.
- MJ has committed and contracted all of the £13.5m of grant funds provided for the cycle 2003-2007, and disbursed £4.77m as of November 2004. We expect that normal project slippage will result in some 15% of this becoming available for reprofiling.
- 120 projects have been approved which will provide funding and technical support to a total of 283 NGOs. 2005 saw new initiatives in sector wide advocacy and engagement with duty holders.
- MJ has professional management standards (policy-setting, legal, financial, human resources and information management) which are defined in internal systems, and which we found generally to be operating well, with traction and integrity. Its internal audit system is commendable. The project registry, however, is not adequate.
- MJ has taken the action required to operate as an independent legal entity from January 1st 2006. Legal delays in setting up the Trust¹ mean that Board approval for new policies and budgets cannot be obtained before December, and the “bedding in” of the new accounts and payroll systems is also about two months later than ideal. However, essential systems can be put in place in time and provided a tight timetable for formalising the grant agreement with DFID is met, the 1st January deadline is workable.

The main challenges to the institution remain meeting its high level objective of strengthening its impact on poverty, and realising purpose level objectives:

- becoming more effective in strengthening the capacity of partners to achieve results

¹ The delay in formal appointment of the Board seriously disrupted the transition. Local counsel advised exclusion of two senior Steering Committee members from the MJ Board on the grounds that as employees of another organisation they are in a “master-servant relationship” that vitiates their independence. This would depopulate most voluntary agency boards worldwide, and renders conflict of interest guidelines, which form a normal part of the regulatory system in all civil society environments, pointless. Common sense should have prevailed. We are not aware of any Crown Agents opinion on this matter.

- continuing to refine criteria for strategic selection of projects and the impact focus of monitoring systems, and recording results better
- playing a catalytic role in sector wide work – developing strategic work in the five sectors

3. PROGRAMME CHALLENGES

3.1 Overview

Since inception, MJ has employed an approach focused on the human security needs of poor people (asset accumulation, accountability, inclusion, vulnerability) consistent with the MDGs.

MJ has undergone three external evaluations (Cluster Reviews and 2004 OPR) of projects which have each found that a focus on poverty has been integrated, and that projects designed to impact on poverty are being supported. The initial CR found MJ to be targeting extremely marginalized and poor groups, and the second review found projects had made progress on particular issues of concern to poor people and analysed the poverty impacts of reviewed projects, giving examples of tangible gains such as access to livelihoods and basic services for project target groups. 32 MJ partners are working to secure asset accumulation for the most disadvantaged and marginalised groups, and 32 % of projects have a direct poverty focus.

We reviewed the headline results² of the recent DFIDB Poverty and Human Security Impact Assessment. The report states that MJ has programme activities in all areas relating to the MDGs targets, and is showing positive impacts on Poverty Reduction and Human Security. We agree with this assessment. We believe that the final report will confirm that MJ is a key actor in the rights and advocacy sector for Bangladesh. MJ's strategy mirrors key recommendations outlined by the review (e.g. networking, sector leadership, cooperative strategies with other organisations).

3.2 Measuring and Improving Results

Purpose level change arising from MJ as an institution is likely to result from a combination of factors, including a strong project portfolio, replicability of projects and ability to link this to social movements through cross sector duty holder and governance work.

In 2005 MJ's log frame outputs were simplified and improved, and have been amended to better reflect actual project intervention strategies. However, a few of the indicators at output level do not reflect the qualitative assessments actually occurring in work, and are too process-oriented. We believe that it would be easy to add one or two OVIs at the purpose-level to better measure impact. This is not urgent, and could probably best be done as part of the 2007 Cluster Review. MJ has found the Cluster Reviews to be a valuable contribution to their work.

² The PowerPoint Summary Presentation made to DFID, November 2005

MJ has done extensive work on developing its M&E approach in the past year and appointed a senior M&E adviser³. MJ Projects have now been categorized according to direct and indirect poverty focus, and poverty neutral projects. Projects engaged only in “awareness raising” and not including a focus on duty holder change are no longer supported and 97% of projects target improved service provider response. MJ is engaged in a major exercise to ensure the output and indicators for projects are practical and focused on measurable outcomes.

Final evaluations of first round projects demonstrate that some have secured tangible change and impact. They show that some project objectives are unattainable, and that some projects lack appropriate strategic thinking and understanding of root causes. Some MJ projects will secure measurable duty holder change and capacity to protect rights, and increased access to economic means and basic services. Others will secure mobilization and structures for collective action by the poor and marginalized and the beginnings of demand for change. Others will only have limited impacts and create awareness of rights. As the Cluster Review states, impact which makes institutions generally more receptive to human rights are less evident, though this evaluation may be premature after two years of implementation.

MJ has moved towards a programme approach, and is beginning to be more proactive in seeking specific projects considered to contribute to the MJ portfolio or external environment needs.⁴ The MJ programme approach in different sectors enables projects to be more strategically selected and effects at sector level identified. The programme approach for CHT is being refined following consultation. This has involved external analysis, engagement with relevant stakeholders, and consultation with partners. Sector strategies have been developed gradually, only becoming possible following last year’s staff increases.

3.3 Advocacy

Bangladesh is afflicted by high levels of political intolerance and partisan politics which are obstacles to development. In this difficult environment, MJ has shown that it is able to bring diverse stakeholders together, and increase communication and planning (e.g. violence against women programme, human rights and governance conference, access to information work, planned workers’ rights meeting). It has become the first civil society organisation to work with the All Party Parliamentary Group (APPG). It has contributed to improved working relationships between civil society and government bodies, for example current planning to involve NGOs as implementing partners for the National Institute of Local Government (NILG). The OPR team met with a range of MJ partners and stakeholders who spoke about new opportunities facilitated by MJ for advocacy and

⁴ The five programme areas MJ is using are violence against women and gender, workers rights, socially marginalized and excluded groups, children’s rights and governance including access to justice

engagement with duty holders. MJ governance work involves an increasingly strategic approach to identifying key institutions and entry points.

This work is one of the most difficult and important outputs required to meet MJ's purpose. In terms of DFID's broader goal of linking together rights work to improve its impact, MJ can be an important player.

3.4 Boosting Capacity Building

The limitations in quality of some partner rights' work documented in both the Cluster Reviews (CRs) reflect weaknesses in the human rights sector in Bangladesh. The likelihood of MJ achieving purpose level change will be significantly improved if MJ focuses how to improve partner performance, and expand the volume of projects.

To date, MJ has provided capacity to its partners through a combination of mentoring by its staff, ad hoc training and briefing sessions, and production of manuals. Demand has been identified through its standard monitoring, and via requests from partners, and some funding has been included in grant agreements. This has generally worked well, but has strained staff resources. Importantly, the difficulty of properly meeting projects' demands for training is one reason why MJ is concerned about expanding its portfolio.

In September, MJ conducted a review of the capacity building needs of 20 funded NGOs which together employ approximately 5000 staff. The study measured 11 separate skill clusters - from management and leadership, to finance and communication. The findings provide a solid foundation for ramping up capacity building.

The potential impact of MJ on sector wide capacity is significant, given that through its primary funding and cascading it already has relationships with 283 NGOs. The study confirms that significant chunks of activity could be delivered arms length by MJ (via standing relationships with trainers, outsourcing) in areas such as planning, finance and management. Policy areas, advocacy and substantive work are the areas in which MJ might better deliver itself, or in collaboration with other rights based NGOs.

We feel that "capacity-building" should not become an automatic component of financing for projects. To be effective it needs to be planned and delivered independently from project awards, although there needs to be close collaboration with the grant monitoring and M&E systems.

We therefore recommend that MJ set up a separate programme with spending set at, say, 10% of overall grant spending. The programme should be led by a senior adviser, and would develop a portfolio of training products and services which could be made available to MJ partners, and where appropriate other NGOs, as well as MJ's own staff. This should be implemented as soon as possible.

3.5 Policy Research and Communications

Due to the departure of the communications director, this area has not developed as it should. We reviewed case studies and reports produced, many of which are impressive. But overall, MJ is not disseminating much of the good analysis it is producing, or explaining its practical achievements. We feel that the department needs to be re-established urgently, and a systematic programme of internal and external media and communications implemented. A research strategy linked to advocacy is also needed. This should be aimed at the media, government, NGOs and partners. Material should translate complex social processes into results everyone can understand and appreciate. A sample treatment of a project is attached at Annex B.

3.6 Going Forward

MJ has demonstrated the ability to learn lessons and be self critical and has positioned itself to capitalize on its unique partnership base. There is now a case for intensifying higher level work. MJ needs to move to an adviser per theme/programme issue to create more time for coalition building and sector advocacy. MJ also needs to develop tools for strategic planning at purpose level including stakeholder and risk analysis, and mapping of the external environment. MJ would benefit from linkages with peer organisations in South Asia and developing countries dealing with grant-making and its various sectors.

We have set out notes and recommendations on programme development in Annex C.

4. ASSESSMENT OF GOVERNANCE AND MANAGEMENT

A detailed report on finance and accountability issues is attached at Annex D.

4.1 Governance

We have reviewed and made detailed comments on the high level policy manual which covers corporate governance and internal regulations. These meet best practice criteria. We met with the Chair and members and reviewed its operations.

The incoming Board (meeting as the Project Steering Committee) met three times in 2005. Participation was significantly better than in 2004 and nine members attended each meeting. The new Board is independent⁵, open and accountable, and is made up of highly respected individuals. The Board will meet on 3 December, to ratify the budget and governance policies which have been prepared and discussed.

MJ is managed in an inclusive manner, with a democratic governance style and high levels of participation for all staff.

⁵ The Chair and two members, for example, have served in caretaker governments.

Operational procedures have been drafted and are sound. Amongst these, HR procedures, salary scales and contracts are based on those used by CARE and are well developed. Staff salaries and pay awards must be approved by the Board.

4.2 Project Selection, Approval and Monitoring

This process is generally working well, is credible and well managed. The quality of this work is a unique feature of MJ's work, and staffing capacity should keep pace with volume of work. The Financial Monitoring has also worked well, but needs to be bolstered by the planned increase in staff to increase the frequency of visits. The strong internal audit arrangements have also augmented this process.

4.3 Information Systems

MJ meets its management needs with three separate information systems:

The *Financial Management System (FMS)* covers all transactions including grant funding of partners. MJ has implemented the specific recommendations made in the 2004 OPR and strengthening staffing capacity, and its financial reporting and monitoring is solid. However, MJ is moving from cash accounting as part of a larger entity to an accrual base system, and will require a more sophisticated financial management and forecasting system as an independent organisation. We recommend specific technical assistance to address this (Annex E) and the early appointment of external auditors to provide any technical advice.

To replace the CARE system, MJ is installing the ACCPAC Financial Management System (FMS) in early December 2005. This is later than ideal; additional short term staff will be needed for completion. However, the simplicity of MJ's financial transactions means that there is a good probability of successful system implementation, and fallback arrangements are in place.

The *Management Information System (MIS)* is impressive and provides a comprehensive record in relation to applications for funding and ongoing projects. We tested the integrity of this important system, and conducted walk through tests on a random selection of cases. The MIS system performed well and provides accurate information on evaluation of projects, rationale for decisions and correspondence. However, data relating to Rounds 1-3 have not been loaded as the system had not been developed at that stage. We believe it will now be cheaper to investigate individual queries on an ad hoc basis than load this data. The MJ registry and filing system for projects, however, is poor due to lack of space and should be improved once the new space becomes available in the office.

The *Personnel Management System (PMS)* which includes payroll functions. The PMS system is still being developed in house at MJ and is scheduled to be complete in time for the first salary payment on 225 January 2006. As a result, we could not

assess its effectiveness and integrity but we have suggested that MJ carry out an audit review of this and the FMS in the New Year.

To provide better management information across these three systems we recommend purchase of data mining software which would, for example, bring together project information from MIS with details of grant payments from FMS.

4.4 Internal Audit and Inspection

MJ is developing a reputation for robust financial supervision of projects. In 2004 MJ introduced with CARE assistance an internal audit programme to assess systems, grant allocation procedures and assessment of financial reports. For independence, the MJ audit officer reported to CARE and their Team Leader.

We reviewed various audit reports which are exemplary in their detail, scope and vigour; MJ and CARE should be complemented on the level of scrutiny applied – rare in Bangladesh. We discussed three cases in which MJ/CARE identified financial irregularities and fraud within project partners. These were handled in an appropriate manner, leading to the cancellation of funding. Issues raised by the audits have been acted on by staff. We attach TORs (Annex F) for an internal audit consultancy early in 2006 which should make recommendations on a permanent system for 2007 and beyond, reporting to the Board. MJ believes this service to be essential and will need to be provided for in its budget.

4.5 Transitional Issues

DFID-B and MJ need to conclude a Grant Agreement by early January *at the latest* so that MJ has sufficient funds to operate.

We discussed with CARE how to reflect project balances at 31st December 2005 in the new legal agreements which projects will sign. In principle, the transfer of a register of assets, project balances and the formal assignment of CARE contracts to MJ should be relatively simple, but we have asked CARE/MJ to obtain legal advice on the documentation required. It is essential that project balances on 31st December be recorded in these arrangements.

5. ORGANISATIONAL DEVELOPMENT CHALLENGES 2006-2010

MJ has committed all of the £13.5m in grant funds provided for the cycle 2003-2007, and disbursed £4.77m as of November 2004. We expect that normal project slippage will result in some 15% of the £13.5m becoming available for reprofiling.

Strategic financial planning will however need to plan over a five year cycle. We recommend some steps in early 2006 to assist MJ to step up its financial planning capacity, especially to meet new challenges e.g. managing multidonor funds. Terms of Reference for this are attached at Annex D.

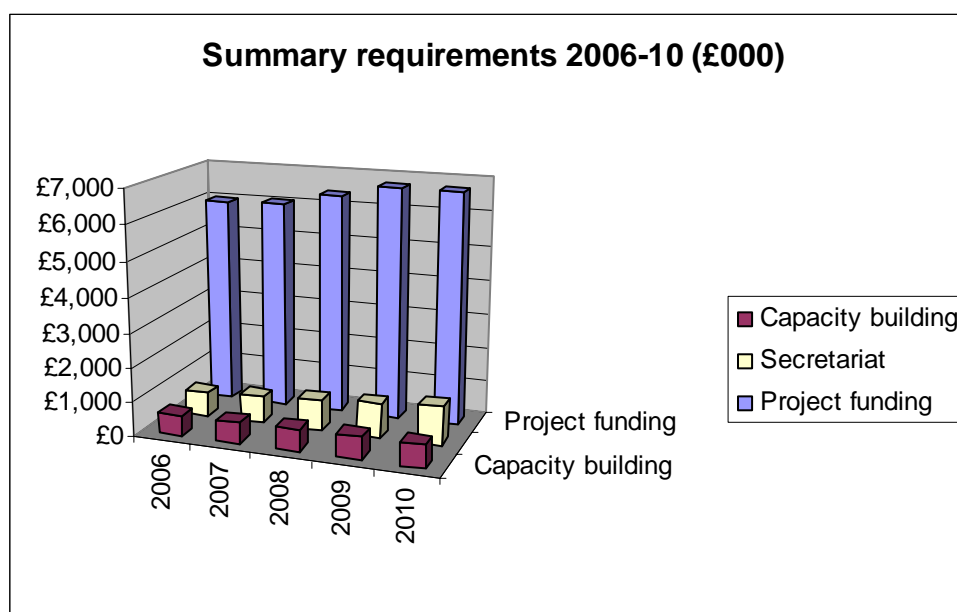
The current MJ budget is split between management costs and grant activities, and we have recommended some refinement in classification of expenditure. We propose that a new budget category – an MJ Capacity Building Programme Fund – be established as soon as possible to assist partners with programme and financial management activities. This is in addition to the Activity Fund, recommended in the last OPR, for services from organisations not approved by the NGO Bureau or Social Welfare.

5.1 Funding Requirements

The strategic planning exercise needs to base projected activity on an assessment of average project disbursement rate, the roll-over/renewal rate for existing partners and an assessment of the potential for new partners. It then needs to work backwards to determine what level of staffing is required to service this work.

We conducted a forward planning “guesstimate” based on available data. On this estimate, potential project numbers should increase to about 166 by 2008 and the remodelling of the overall budget will probably require an increase in MJ operations costs of around 42%. Working on forward commitments of funding, we estimate the spending during the 2007-2009 period would be approximately £23m. This would need to be confirmed by the detailed planning which we recommend be done by June 2006.

Summary requirements 2006-10 (£000)						
	2006	2007	2008	2009	2010	TOTAL
Project funding	£6,021	£6,046	£6,411	£6,706	£6,706	£31,890
Capacity building	£602	£605	£641	£671	£671	£3,189
Secretariat	£700	£788	£886	£997	£1,121	£4,491
TOTAL	£7,323	£7,438	£7,938	£8,373	£8,498	£39,570
Active Projects	140	165	183	198	211	



Given the need to replenish available funds for new contracts, we recommend that MJ delay the next but one funding round (7th) to late 2006, and have factored this assumption into the estimates.

5.2 Staffing and Structure

The staffing capacity will need to be built up in line with the projections above. We recommend that MJ immediately increase the capacity of its staff which needs to increase capacity by about 30% in 2006:

- More senior staff to join its leadership cadre if it is to expand the programme activity.
- 2-3 programme managers to cope with increased numbers of projects. The proposal to create a new programme coordinators level is a good one.
- 5-6 more staff for project monitoring, hr and grant control. This additional staffing is needed to replace functions undertaken at CARE, such as procurement.

5.3 Donors

We estimate that likely funding requirements for 2007-9 are £23m and that taking into account committed funding there is a funding gap of £19m. (By comparison respective figures for 2006-10 are £39m and £30m). There is significant interest in a joint donor programme of support to MJ. NORAD has committed funding for a three year period commencing 2006. MJ completed a project proposal for donors in May 2005 which should now be updated based on the results of above planning exercise. Norway is likely to conduct an assessment of MJ to finalise its support. It would be useful if this could also examine arrangements for multidonor finance and reporting.

6. RECOMMENDATIONS

The OPR summary recommendations are (a checklist of detailed recommendations is attached at Annex G):

1. Formalise Trust and approve budget/policies, fast track GA, appoint external auditor
2. Financial Specialist Consultant – First Quarter 2006
3. Scenario Planning for Revised Programme 2007 – 2009 (by June 2006)
4. Internal audit consultant (3 months) to undertake audit and recommend future arrangements
5. Create communications programme
6. Expand staffing capacity in admin and project management and create a project registry
7. Increase senior staff capacity to improve work on high level planning at purpose and sector level – advocacy and policy
8. Revise OVIs (end 2006) and continue to reformulate M & E to improve capture of impacts
9. Establish stand alone Capacity Building Programme with manager – benchmarked at 10% grant flows

Dhaka, 30th November 2005

Annual or Output to Purpose Review (OPR)

Part A - Project Data

Project Short Title	Manusher Jonno (for the People)		
Benefiting Country / Region		MIS code	139-542-047
Current Project Officer Name	Jeremy Orton	Approved Commitment	£16,520,000
Actual Start Date (dd/mm/yyyy)	01/07/2002	Spend To Date	£5,306,134
Planned End Date (dd/mm/yyyy)	01/12/2007	Date of Review	11 November – 4 December 2005

Part B - Recommendations

Summary of Recommendations	Responsibility
1. Formalise Trust and approve budget/policies, fast track GA, appoint external auditor	MJ/DFID
2. Financial Specialist Consultant – First Quarter 2006	MJ
3. Scenario Planning for Revised Programme 2007 – 2009 (by June 2006)	MJ
4. Internal audit consultant (3 months) to undertake audit and recommend future arrangements	MJ
5. Create communications programme	MJ
6. Expand staffing capacity in admin and project management and create a project registry	MJ
7. Increase senior staff capacity to improve work on high level planning at purpose and sector level – advocacy and policy	MJ
8. Revise OVIs (end 2006) and continue to reformulate M & E to improve capture of impacts	MJ
9. Establish stand alone Capacity Building Programme with manager – benchmarked at 10% grant flows	MJ

Part C – Project Scoring Assessment

Goal Statement		Objectively Verifiable Indicators (OVIs)	
Poor women, men, children and marginalized people achieve their civil, political, economic and social rights		By year 2015, Bangladesh will have improved its standing on the human rights and governance situation.	
Purpose Statement	Objectively Verifiable Indicators (OVIs) *	Progress	Recommendations/Comments
Poor men women and children are able to articulate and demand their rights including access to better services. Institutions' governance is strengthened and their ability to fulfil their obligations to poor people is improved.	By 2007, 50% of MJ funded projects achieve their set objectives, and are rated 'excellent' or 'satisfactory' in final independent evaluations and score 3 or 4 on their annual score.	<p>Based on available data, MJ systems and strategic approach, MJ has the potential to impact at purpose level, if key challenges can be met and the external environment permits.</p> <p>Positive findings indicating potential at purpose level are: capacity to identify and shape advocacy initiatives at issue and cross cutting level and take leadership where needed; beginning to think about strategic engagement with duty holders; robust grant making and project management systems; perception among partners that MJ meets a key need for broad platform of human rights and governance focused organisations.</p>	<p>Key challenges faced by MJ to be addressed:</p> <p>Expand number of projects</p> <p>Develop tools for strategic planning at purpose level including PEST, stakeholder and risk analysis, and map out the environment and challenges for MJ as key human rights and governance institution</p> <p>Establish a separate capacity building programme</p>

Purpose to Goal	
It is premature to assess whether impact at goal level has been achieved, due to the distant nature of the challenge. The OPR found that MJ is on track to achieve its purpose and outputs and evaluation of project performance to date shows strong and innovative rights and governance work is underway.	
Project Purpose Rating - General / Overall progress assessment *	2
Justification *	
MJ has made substantial progress in developing the institutional capacity, strategic policies and human resources to meet its purpose. Achieving impact at purpose level remains conditional on continued DFID and donor support	

State how far the project has helped to deliver the objectives of the Country Assistance Plan (where appropriate)

MJ interventions are aligned with MDGs and show a focus on poverty and human security

Outputs	Objectively Verifiable Indicators (OVIs)	Progress	Recommendations/ Comments	Score
1. A body of appropriate and successful projects established, completed and their effects/ outcomes documented.	1.1 At least 50% projects' final evaluation reports are satisfactory or excellent.	101 projects now funded, 14 projects competed, with 10 rated satisfactory or better in final evaluation	<p>The Cluster Reviews found all projects relevant to human rights and governance and doing important work; promising signs of replicability and sustainability and some innovative and exceptional work. MJ is rigorous in seeking high quality projects at selection, is improving the strategic approach and results orientation of project design, and considers geographic and other factors in balancing its portfolio.</p> <p>MJ to improve capacity of civil society organizations in the human rights and governance field which remains limited.</p> <p>Refine best practice on project design and impact in each sector and disseminate to partners (MJ team review, external dialogue, and analysis of final and mid term evaluation findings).</p> <p>Consider increased staff training at project manager level on issues including strategic planning and advocacy.</p>	2/3
	1.2 At least 50% of projects score 3 or 4 on final annual score sheet.	55% projects scored a composite value of over 3 (largely achieving outputs).		
	1.3 At least 60% of projects aimed at improving service delivery organisations' responsiveness to beneficiaries.	97% are targeting improved service delivery		
	1.4 At least 80% of projects have <i>either</i> direct or indirect poverty focus.	95% have direct or indirect poverty focus		
	1.5 At least 25% of MJ funded projects should have objectives with <i>direct</i> poverty focus.	32%of projects have a direct poverty focus.		
	1.6 At least 25% of the projects are working with most disadvantaged groups and hard to reach area.	32 partners are working with the most disadvantaged groups and hardest to reach areas		

			Ensure cluster review findings on project design are incorporated in training and guidance	
2. Partner organizations improve their capacity to deliver on rights agenda.	2.1 MJ partners have capacity to undertake rights and governance program and 60% partners are engaged in advocacy activities beyond the MJ-funded project (receiving an annual report score at least 2).	From 14 completed projects, 70% are engaged in advocacy activities beyond their MJ projects, with a majority doing good quality work.	MJ provides training on human rights and governance, gender awareness, advocacy, and financial management for partners and supports the development of organisational financial and personnel policies. Project managers visit regularly. Range of trainings offered has been upgraded in response to Cluster Review findings and MJ lesson learning. MJ provides high quality capacity building, but cannot fully meet the extensive needs of partners without upgrading its service capacity. Set up a separate capacity building programme led by a senior adviser. Allocate 10% of grant flow. Continue to provide regular partner visits, with a differentiated level of support and number of visits based on assessment of partner	2
	2.2 70% of the partner organizations have improved financial systems after MJ funding is completed, including internal controls, financial policies, etc.).	65% of partners score 2 or 3 (largely or partially achieved) in improving their internal governance.		
	2.3 60% of partner NGOs demonstrate some improvement in gender awareness at policy level, project level, and some impact level – within the period of MJ funding (receiving an annual report score at least 3).	MJ supports organizations to develop gender policies and operational plans Around 50% of partners demonstrate some improvement in gender awareness at policy level.		
	2.4 60% of projects are eligible for further funding at the end of their first round completion.	8 out of 11 of first round partners are being supported in round 6		
3. Establishment of and participation in 'networks' of NGOs/institutions capable of providing effective rights-based programming	3.1 MJ actively contributes to at least one international and at least 3 national meetings/activist networks per year.	MJ has engaged in a number of high profile advocacy and networking processes. A regional seminar on human rights has been held, MJ is leading an initiative on right to	Appoint 2-3 senior advisers and move to one adviser per themes/programme issue Ensure a focus on clear impacts	2

	3.2 MJ sponsors at least 4 national meetings or platforms on human rights or governance issues	information and facilitating coalitions, for example on violence against women and the public response to the MDGs report. New linkages and stakeholder communication have been created. MJ demonstrates sound approaches to planning and developing activities at the issue and programme level, and to engaging with duty holders	for issue and programme work, bearing in mind the demands of ensuring ownership by partners Access external expertise to support purpose level planning and strategic planning, coalition building and facilitation at programme/issue level	
4. A strong, professional human rights and governance institution established and sustained.	4.1 At least 33 (including the new phase projects) projects are approved each year following MJ specified criteria ⁴ .	105 projects approved in 3 years covering five themes and specific criteria.	Maintain steady growth in portfolio Assess absorption capacity in NGO community	1

⁴ Cover thematic areas, direct/ indirect poverty impact, target, geographical location, size of the grant and level of working.

	4.2 Transparent and accountable selection and fund disbursement system established by 2005.	<p>MJ has revised the Funding Guideline based on the experience and lessons of the past three years. PCN and PP assessment have been streamlined by introducing database. Field assessment standardised.</p> <p>MJ can produce information regarding acceptance or rejection of the applications when needed.</p> <p>Rejected applications for rounds 1, 2 and 3 have not been input to the MIS yet.</p> <p>Strong governance systems across the board</p>	<p>Management information system (MIS) for round 4-6 projects is excellent.</p> <p>Rejected applications to be reported to the Board.</p> <p>Increase field visits for monitoring</p>	
	4.3 Effective M&E system, established.	Adviser M&E appointed and M&E system finalized. M&E guidebook produced quarterly report and annual reporting formats completed.	<p>Improve qualitative OVIs in next CR</p> <p>Continue to refine impact focus of partner output and OVIs and M&E system</p>	
	4.4 MJ stakeholders including donors are regularly informed on rights and governance initiatives.	Newsletter published and website maintained. Substantial national press coverage of activities.	Stronger emphasis on communications and policy required.	

Project Outputs Rating - General / Overall progress assessment *	2
Justification *	
Individual rating against outputs are mostly 2 and relevant justification provided for these.	

Purpose Attribution *
Outputs 1 and 3 are directly related to the achievement of the purpose, while outputs 2 and 4 relates to the building of MJ and partner capacity to work towards purpose. MJ has established its position as a prime mover in the rights and governance field and a change

agent for Bangladesh.

Part D – Risk Management

The risk level for the project should be reassessed during Annual / Output-to-Purpose Reviews.

Risk Category*	
New risks identified	
<p>Ongoing</p> <ul style="list-style-type: none"> • Fraud or corruption at MJ or its partners • Failure to balance funding available with sound projects and management resources • Failure to select best projects or agree appropriate levels of funding • Failure to maintain perceived neutrality of MJ <p>Short term</p> <ul style="list-style-type: none"> • Timetable for Grant Agreement with DFID • Failure to introduce new financial and personnel management systems on time for new Foundation • Failure to transfer balances on projects and with partners effectively from CARE to MJ 	
Action being taken to monitor / manage risks	
<ul style="list-style-type: none"> • Sound policies and procedures, effective internal audit and project monitoring • Budgets being developed • Sound processes in place for all aspects of the funding application process, including detailed analysis of budgets • Openness and transparency of the project selection process and the Board activity • Additional staff resources to be drafted in to allow parallel running despite limited time available. CARE system also still available. • Additional legal advice being sought on transfer arrangements 	
Recommended changes to plans or management strategies in respect of project associated risks	
<ul style="list-style-type: none"> • Additional TA recommended to help develop strategic financial management capacity • “Sunset” clause to be added to partner agreements to limit funding duration • Unsuccessful projects to be reported to the Board to enhance openness. • Alternative strategies suggested to the Executive Director in the event that systems are delayed 	

Does the Logframe Require Revision?

One or two qualitative OVIs focused on measuring impact could be added. This is not urgent and could be addressed by the Cluster Review. The logframe indicators could be reviewed after 2 years.

Do the PIMS Markers Require Revision? [Mandatory for projects approved prior to 01/04/1998]

Method of Scoring – state the team composition, the methods used to conduct the review, how the scoring was agreed upon, and whether partners and stakeholders were involved. *

The OPR, carried out between 21 November and 1 December 2005, included the following team members: Team Leader/institutional expert, Financial and Administration Expert, Programme Issues Expert. The team reviewed all documents provided by MJ, undertook extensive discussion with MJ staff, and interviewed a wide range of senior stakeholders, met with NGO grant-holders. Findings, recommendations and OPR scoring were agreed through team consensus and were all thoroughly discussed with and validated by MJ management and at DFID/MJ/OPR team report back.

Part E – Lessons Learned

You can no longer input general lessons learned. You need to specify at least one of the categories of lessons learned in sections 1, 2 and 3 below.

Lessons learned, and suggested dissemination.*	
1. Working with Partners	<ul style="list-style-type: none"> - Technical Assistance: financial and programmatic support and training is a key demand from partners - Regular access to MJ staff is appreciated by partners - Partnership with MJ considered is important for growth and development of partners. - Many partners have improved internal governance due to partnership with MJ
2. Best Practice / Innovation	<ul style="list-style-type: none"> - Coordination and sharing between MJ partners - Learning and replication between partners - A sense of cohesion and being part of a bigger movement on rights and governance - MJ is concerned with the governance of the entire organization and not just implementation of its own funded project - National, Regional and International networks established
3. Project / Programme Management	<ul style="list-style-type: none"> - Projects need intense monitoring which creates heavy demands on staff - Field visits by MJ staff are crucial and are the best way to assess project implementation - Further expansion of staffing important

Key Issues / Points of information
<p>Low capacity of NGOs is a key challenge</p> <p>Objectives included in project proposals are often vague and difficult to measure</p> <p>Monitoring a large number of partners and maintaining quality is a continuous challenge</p> <p>Independent status will present challenges such as sustainability, maintaining neutrality, transparency in systems, holding on to quality staff etc.</p>

If appropriate, please comment on the effectiveness of the institutional relationships involved with the project (eg comment on processes and how relationships have evolved)
<p>MJ emphasizes a relationship of trust and respect with partners and maintains 200-300 institutional relationships with direct partners, as well as stakeholder (govt, non-partner NGOs)</p>

What key documentary evidence is available to support the conclusions of this report? List any supporting documents annexed to this

report.

List of documents available at MJ for the OPR team:

Monitoring system:

- Listing of the projects according to the LF (poverty focus)
- Monitoring and evaluation framework (narrative version)
- Annual scoring
- Partner Evaluation reports
- Case studies
- Monitoring guideline
- Reports of the M&E consultant
- Field visit reports

Program documents:

- List of the partners according to the program cluster
- CB Review
- Program approach strategy paper
- Reports on different meeting seminar and training
- HR and Governance training manual
- Capacity building workshop reports
- Capacity building strategy
- LSE trip reports
- Strategic planning report
- New PP to the donors

Transition Phase:

- Constitution
- Higher level policies
- Registration related documents
- List of GB
- Minutes of the governing body minutes

Notes for completion

- Where ratings are required please consider the following:
 - 1. = Likely to be **completely** achieved. The outputs /purpose are well on the way to completion (or completed)
 - 2. = Likely to be **largely** achieved. There is good progress towards purpose completion and most outputs have been achieved, particularly the most important ones.
 - 3. = Likely to be **partly** achieved. Only partial achievement of the purpose is likely and/or achievement of some outputs.
 - 4. = Only likely to be achieved **to a very limited extent**. Purpose unlikely to be achieved but a few outputs likely to be achieved.
 - 5. = **Unlikely** to be achieved. No progress on outputs or purpose
 - X. = Too early to judge. It is impossible to say whether there has been any progress towards the final achievement of outputs or purpose. This should be used sparingly.
- Note for subsequent annual reviews you should not be using X unless you can justify using this X rating, it is unusual for projects running for 3 years or more to be scored X.
- Once the review is completed a small subset of the data gathered must be entered into PRISM for analysis purposes. There is an online form within PRISM for entering this data. Under the Enter a Review screen / link click the 'Add Performance Review Online' link. The mandatory parts required on the Online screen are marked on this form with an asterisk *.
- Dates should be entered in the format dd/mm/yyyy e.g. 24/08/2004

Terms of Reference
Annual Review
Output to Purpose (OPR)
of
Manusher Jonno Human Rights and Governance Programme (HUGO)¹
19 Nov – 04 Dec 2005

OBJECTIVE

The goal of this Annual Review is to assess the progress of HUGO outputs against purpose and to assess Manusher Jonno (MJ)'s capacity to manage HUGO as an independent Foundation operating without the oversight of CARE International. There are four principal objectives:

- i. Assess and score progress towards achieving logframe outputs and purpose.
- ii. Assess MJ Foundation institutional capacity to manage the implementation of HUGO independent of CARE.
- iii. Assess MJ Foundation capacity to manage HUGO finances in accordance with best international practice independent of CARE.
- iv. Identify specific project impact(s) that are suitable for wider dissemination through internal DFID and/or external media.

BACKGROUND

1. DFID Bangladesh (DFIDB) supports HUGO a human rights challenge fund managed by Manusher Jonno (MJ) under the supervision of CARE International UK (CIUK). The programme's purpose is to enhance the capacity of poor women, men and children to demand improved governance and the realisation of their rights. MJ aims to support initiatives at local and national levels that build the voice of the poor and their capacity to be heard, supporting improved governance and promoting the rights of the poor and marginalized. The attached Programme Memorandum (PM) contains detailed programme information.
2. The main elements of MJ's management structure up to now have been a Steering Committee (MJSC); a contracted Project Management Partnership (PMP); an Evaluation Agency (EA), and an Annual Review meeting with project partners.
3. The PMP is a five member consortium that won the competition to implement the project. It is led by CARE International UK (CIUK); with CARE Bangladesh, Deloitte & Touche, London School of Economics (LSE), and Bangladesh Legal Aid and Services Trust (BLAST).
4. MJ's day-to-day management is by a Secretariat headed by a Team Leader and professional finance and administrative staff contracted through the PMP (CARE Bangladesh on behalf of the consortium). As was intended when the project was designed, MJ is in the process of securing independent status under Bangladeshi law. MJ has become a Company Limited by Guarantee (CLG) named 'Manusher Jonno Foundation' (MJF), and PMP's management contract will end 31 December 2005. The legal aspects of this process are being overseen by Crown Agents Legal Services (CALS).
5. During inception and the first year of implementation the Secretariat has worked closely with the LSE team to develop monitoring and impact assessment systems.
6. An Evaluating Agency (EA) is responsible for external monitoring and evaluation using a cluster review approach where a group of projects being funded by MJ are selected by theme. The first 'cluster evaluation' took place in July/Aug 2004. The second 'cluster evaluation' will take place in

¹ 'HUGO' is the name of DFID's project funding. Manusher Jonno is the name of the organisation implementing HUGO.

September 05 and the output will inform this Annual Review. It is intended that these provide deeper learning to complement MJ's routine monitoring.

7. MJ funds projects proposed mainly by Civil Society Organisations (CSOs). The size of the fund is £13.5 million over 5½ years and is due to come to an end in December 2007.

UPDATE

8. The Manusher Jonno Foundation (MJF) is now a legal entity - a Company Limited by Guarantee (CLG).

9. The operation and conduct of MJF are bound by the Articles and Memorandum of Association of the CLG and the High Level Policies of MJF. The day-to-day functioning of the MJF is guided by an Operating Manual. All these are now in force. CARE is, however, still under contract to DFID to oversee the use of HUGO funds and take legal responsibility for them. The CARE contract will come to an end in December 2005 and from January 06 MJF will be in sole charge of the HUGO programme and DFID funds. The Grant Agreement between DFID and MJF governing the management and financial accountability of DFID funds is now being drafted.

10. MJ is undertaking strategic planning. This includes actively seeking additional funding support from other sources (and has an outline commitment from Norway), and support for the period after the existing HUGO project period.

11. DFID Bangladesh is also planning its future country strategy for Bangladesh, including consideration of further financial support for rights, advocacy and governance work. Decision making for future funding across DFID's programme will depend on credible evidence that approaches and activities are having an impact on poverty.

12. With this in mind, DFID has commissioned a 'poverty and human security impact assessment' of its rights, advocacy and governance work. MJ will be included in this assessment, which will be complete by the end of **October** 2005. The MJ OPR in late 2004 looked specifically at MJ's monitoring and evaluation and made specific recommendations. Since then, MJ has been working to ensure that its monitoring and evaluation (M&E) systems deliver clear and credible evidence of poverty impact.

13. Regular project reviews – such as the one commissioned by this ToR - will also generate evidence for DFID strategy development. Therefore, the MJ OPR will undertake a verification of the MJ-specific findings of the poverty and human security impact assessment, and of MJ's M&E systems.

SCOPE OF WORK

A. MJF Financial & Corporate Systems

14. Review MJF financial management, staffing, and reporting systems bearing in mind that MJF will soon be operating independently of CARE International and, if necessary, recommend any actions required to strengthen these.

15. This will include a review of the effectiveness, equity and transparency of MJF funding approval process, including selection criteria and procedures from receipt of a proposal to approval (or rejection) of funding. The approach should include a random sample of funding applications and a 'walk through' the paper trail to their conclusion.

B. Logical Framework, monitoring and evaluation

16. In consultation with stakeholders review the logical framework. If appropriate, propose amendments with particular attention to any issues raised by the EA cluster review.

17. Where there is specific evidence of impact being achieved, assess whether this might be suitable for wider communication within DFID, to other donors and/or to other partners through the media.

C. Institutional Development and Autonomy

18. Review the capacity of MJF to achieve the objectives of HUGO, including the capacity to fulfil the capacity building role that complements the grant-making.

19. Review MJ's rate of development to date and assess strategies to manage increases in project numbers and project size. This should include projection (including timeframes) of development of MJ

organisational capacity and potential absorptive capacity; and consideration of different likely funding scenarios, including the case of MJ attracting additional funds from DFID and/or other donors.

20. It should review potential options for contracting out specific support functions, including funding partners that can provide the level of support necessary to smaller organisations.

D. Monitoring and evaluation

21. Review progress made on development of MJ's monitoring and evaluation framework, particularly in relation to poverty impact. This review will be informed by all available documentation, and should consider quality, timeliness and appropriateness.

INPUTS

22. Mission inputs will be as follows:

Role	Person Days Input			Total days
	Preparation	Mission	Finalising report	
1. Team Leader and CS programme institutional expert	2	10	2	14 (10 in country)
2. Social Development expert (from EA)	1	10	1	12 (10 in country)
3. Financial Management expert.	1	10	1	12 (10 in country)

23. In addition, the team is likely to be accompanied by DFID advisory staff for parts of the review. This will be negotiated by DFID with the Team Leader and MJF.

METHODOLOGY

24. The Team Leader will contact and consult MJF and DFIDB; and then propose an OPR schedule for consideration. This should reach MJ and DFID not less than 1 week before the OPR team arrive in country.

25. Not less than 10 working days before the start of the Mission, DFID will provide the MJ PMP and Secretariat with a blank OPR form.

26. MJ PMP/Secretariat will complete draft content for Part A of the OPR format (progress against purpose and outputs). Not less than 5 working days before the start of the Mission, they will send this draft electronically to DFID PO and OPR Team Leader.

27. During the OPR process, the OPR team will review this draft.

28. At the final meeting of the OPR, the OPR team will present key findings and conclusions to MJ/PMP and DFID. The OPR team, MJ/PMP and DFIDB will then collectively agree a final content for OPR format, and score the project (see summary of OPR scoring attached).

29. DFIDB recommends that this is achieved by the following process: i) MJF's draft of the OPR format is presented on projector and discussed; ii) edits and additions are agreed; iii) the content of all remaining sections of the format is agreed and completed 'live'. By the end of the meeting, the final version of the OPR format will be delivered.

TIMING

30. The OPR visit to Bangladesh will take place between 19 November and 3 December 2005.

OUTPUTS & REPORTING

31. The Team Leader will be responsible for quality and timely delivery of all outputs.

32. Before departing Bangladesh, the Team Leader will deliver to Peter Evans, Lead Adviser, DFIDB, a completed OPR format that has been agreed with the MJ PMP and DFIDB.

33. The OPR format will be accompanied by a written report of no more than 8 pages. After iterations, the final draft of this report should be submitted to DFIDB within 3 weeks of the end of the review.

34. In addition, the OPR team will deliver a prose summary of no more than one page, in plain English, of an example of project impact that combines both individual case study detail and a description of the scale of the impact. The summary should include an indication of the prospective target audience and method of communication (e.g internal circulation for DFID or donors and partners; local or national media in Bangladesh or UK or international media).

ANNEX B: SAMPLE ARTICLE/PRESS STATEMENT

Project Tackles Corruption in Salt Sales

Salt farmers in the North Duran area of Kutubdia Upazilla have dramatically increased their income by cutting out corruption in the salt marketing system.

The people of Kutubdia have been involved in salt farming for generations. But while salt production makes a significant contribution to the national economy, poverty levels in these communities have risen in recent years. Some 475 farmers and their families subsist on salt farming in the area.

The farmers have faced two major problems. Dependent on high interest loans from arotars, or middlemen, during the production season, the repayment terms for the loans often require them to sell salt at fixed prices set in advance. The rate paid is often below the market level. In a further twist, local authorities have done nothing to stop the use of rigged weighing containers, which the project found underestimate the true weight of the salt by as much as one third.

At a meeting convened by COAST Trust, a local NGO, which was held in December 2004, local salt farmers and government authorities set up a system whereby the price and weighing system is supervised. Through an agreement with Utterdrun UP a system of 'authorised weights' for salt has been introduced and market prices published. As a result, the broker's agents or *coail* are now required to use a standard pot which ensures that salt is correctly measured. Family incomes for the more than 2100 family members have now risen on average by 50%.

One of the farmers involved, Moktar Ahmed said that the coail were paid Taka 500 by the middlemen for using the false weights.

The project was organised by COAST and funded by Manusher Jonno (MJ). MJ is an independent Trust set up in 2003 to support the efforts of Bangladeshis to tackle poverty by improving the rights of the country's poorest and most marginalised groups.

"We hope that this agreement in Kutubdia Upazill will show the way to a national agreement to stop these illegal practices" said Shaheen Anam, the team leader of MJ
"It shows how partnership between local government and the farmers can work quickly help improve the lives of a large number of poor people"

Note to Editors: MJ supports the work of more than 280 partner NGOs across the country. It is funded by a grant provided by the Department for International Development (DFID) as part of Britain's bilateral aid programme to Bangladesh.

STORY ELEMENT	WHAT YOU NEED TO THINK ABOUT	EXAMPLE
HEADLINE		
	There are usually several ways a story can be presented. What is to likely to attract a reader?	“Salt Farmers’ Boost Income” Alternative e.g. “Project tackles corruption in salt sales”
DESCRIPTION		
Summary line	Usually an expansion of the headline – summarise in one sentence the main part of the story	Salt farmers in the North Duran area of Kutubdia Upazilla have dramatically increased their income by cutting out corruption in the salt marketing system.
Where is it? location, conditions in location	You must try to give the readers specifics about the situation (a thousand salt workers or 50?), where do they live? How do they live? A story for use internationally would need more detail to explain the facts	The people of Kutubdia have been involved in salt farming for generations.
Who is involved? (number, living conditions) position in society	Where are they? Are they very poor? How do they live	But while salt production makes a significant contribution to the national economy, poverty levels in these communities have risen in recent years. Some 415 farmers subsist on salt farming in the area.
What other stakeholders’ organisations are involved in the problem?	Position of government, union, traditional leaders etc	The farmers have faced two major problems. Dependent on high interest loans from arotars, or middlemen, during the production season, the repayment terms for the loans often require them to selling their salt at fixed prices set in advance. The rate paid is often below the market level. In a further twist, local authorities have done nothing to stop the use of rigged weighing containers, which the project found underestimate the true weight of the salt by as much as one third.
What is the specific problem? Low income, corruption, violence etc	Your can generalise must also give one or two examples of concrete problems	

RESULTS/GOALS		
What does/did the project hope to do about this?		At a meeting convened by COAST Trust held in December 2004, local salt farmers and government authorities set up a system whereby the price and weighing system is supervised.
What has it already done?	Results will normally be a better sense of dignity, ore money or assets, fairer treatment	Through an agreement with Utterdrun UP a system of 'authorised weights' for salt has been introduced and market prices published. As a result, the broker's agents or <i>coil</i> are now required to use a standard pot which ensures that salt is correctly measured.
EVIDENCE OF RESULTS/AUTHENTICATION		
HOW DO WE KNOW THIS: Authenticate via direct or attributed statement	The media and reader want to know who says so.	
Statement by beneficiary	Try to get a quote – human interest makes story more interesting and understandable	One of the farmers involved, xxx said that the coil were paid Taka 500 by the middlemen for using the false weights.
Statement by observer/third party		Family incomes for the more than 2100 family members have now risen on average by 50%.
Statement by duty holder		
Statement By MJ		The project was organised by COAST and funded by Manusher Jonno (MJ). MJ is an independent Trust set up in 2003 to support the efforts of Bangladeshis to tackle poverty by improving the rights of the country's poorest and most marginalised groups.
CLOSER/WHAT NEXT?		

<p>An opportunity to look to next steps, what might happen as a result</p>	<p>Chance to draw out lessons of project</p> <p>Often it will be difficult to get statements by other interested parties – but MJ can always produce a statement.</p>	<p>“We hope that this agreement in Kutubdia Upazill will show the way to a national agreement to stop the illegal practices” said Shaheen Anam, the team leader of MJ “It shows how partnership between local government and the farmers can work quickly help improve the lives of a large number of people”</p> <p>MJ supports the work of more than 280 partner NGOs across the country. It is funded by a grant provided by the Department for International Development (DFID) as part of Britain’s bilateral aid programmes to Bangladesh.</p>
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Programme Issues

1. Poverty and Human Security Focus and Impacts

MJ Policy and research work on poverty and human security issues:

- MDG people's progress report
- Participation at institutional level in poverty reduction policy development
- Supporting partners engaged on poverty reduction processes
- Policy work on poverty issues to guide future MJ work is underway

Poverty and Human Security Focus of MJ's project work

External evaluation has found that MJ is focused on poverty reduction and human security and that a focus on poverty has been integrated and projects designed to impact on poverty are being supported. The key findings of a recent DFID study¹ found that MJ is active in areas relevant to poverty reduction and human security impacts and is addressing asset accumulation, reduction of vulnerability, inclusion and accountability. The second cluster review found projects had made progress on particular issues of concern to poor people, and analysed the poverty impacts of reviewed projects, finding that certain projects were achieving specific benefits such as improved livelihoods for project target groups.

MJ has from the outset sought projects which are aligned with MDGs and which address the human security needs of poor people. MJ has undertaken a number of steps designed to increase impact and focus on poverty reduction. MJ has categorized projects according to indirect, direct poverty focus and poverty neutral projects with 32% of projects having a direct focus on poverty. This categorisation relates to the intended impact (whether access to resources and services or building human and social assets), rather than project target groups. MJ is also integrating poverty analysis into reporting formats. MJ also has a sub-sector of projects addressing the rights of the extreme poor and marginalized (32 projects). An OPR overview of MJ project work and of the first final evaluations indicated some have achieved measurable change in duty bearer behaviour, protected vulnerable groups and achieved asset accumulation for the poor. Some projects lack appropriate strategic thinking and understanding of root causes. Some MJ projects will secure measurable duty holder change, increased access to economic means and basic services, or reduction in vulnerability. Others will secure mobilization and structures for collective action by the poor and marginalized and the beginnings of demand for change. Others will only have limited impacts and create some awareness of rights.

MJ is learning how to find and support projects which have a focus on tangible outcomes for poor people. It has increased emphasis on design leading to measurable change during project selection and no longer supports projects only designed to raise awareness.

¹ Assessment of the Impact of DFIDB's Advocacy and Rights Work funded through NGO's on Poverty Reduction and Human Security

Revision of project outputs and indicators to improve their focus on clear outcomes is underway.

MJ is broadly on the right track in its approach to poverty reduction and human security impacts, but as it recognises, its success will be defined to an extent by the capacity its partners. It should also be recognised that in the longer term individual projects are only one way in which MJ may bring about sustainable impact at purpose level. There is a margin of improvement for MJ and partners, and the proportion of projects able to secure change in the lives of poor people can be increased. Increased MJ capacity building services and research and policy work are key, and some specific suggestions are made below.

Recommendations

- Continue to articulate the MJ approach to poverty reduction through internal and external consultation, and the different approaches through which MJs work can impact on poverty and reach the most poor and vulnerable
- Review the different ways in which MJ projects reach and work with the poorest 20%, and their relative effectiveness (mobilisation of direct target groups versus institutional response), and support partners in baseline studies which can identify and target the poorest and most vulnerable
- Consider how certain larger projects with general target groups, for example large access to justice projects might incorporate a pilot focus on extremely marginalized groups or activities focused on securing assets and basic services
- Consider good practice guidelines for partners on both demand side work with the extreme poor and duty holder capacity to meet the needs of the extreme poor
- Form a core group of poverty focused partners who can contribute to conceptual and project work
- The intersection between rights and governance work and poverty needs to be addressed holistically and relationships of power which may be root causes of poverty understood and addressed - the first cluster review pointed to a number of ways in which project design can be improved by social and political analysis
- Refine good practice on project design and impact in each sector (Cluster review recommendations, reviews by MJ team and external dialogue, analysis of final and mid term) and consider external expertise to support this process in particularly challenging areas (VAW, access to Justice)
- Build skills at project manager level on issues including strategic planning and advocacy
- Ensure MJ research and policy work is strategically planned to meet the needs of partners in increasing impact and addressing poverty issues
- Consider linkages between rights based work by MJ and other initiatives such as micro finance and service delivery by other organisations

2. Measuring change

MJ now has sound M and E and project data collection systems which are working to monitor project implementation. The MJ M&E system is a work in progress after a year of intense change and growth, with the team continuing to discuss and work on important areas including indicators at programme level and increased monitoring of poverty

reduction focus. The new log-frame has provided a better overall structure for defining and assessing MJ's work, with appropriate outputs. However, the new OVI and MOVs are perhaps overly focused on statistical data, and do not adequately capture impacts at project, sector or purpose level.

The OPR agrees with the view of the M&E consultant's report that well designed and specific project objectives and indicators are important in achieving and assessing impact, and output and indicators in revised projects do seem more focused on concrete outcomes. It is also the case that MJ is working with partners who often have limited experience in monitoring change, and may tend to collect process data instead.

The OPR agrees with the CR finding that quantitative data is still emphasized at the expense of qualitative. Measuring impact and effectiveness in securing tangible human rights and governance outcomes has been addressed to a certain extent but remains a challenge. MJ M & E process does not yet provide enough information on where actual change has been achieved and whether projects have actually brought about access to services or livelihoods or jobs.

Recommendations

- Use the 2006 Cluster Review to consider some additional impact indicators for the MJ log-frame
- Consider a simple **impact assessment format** to be completed periodically/for quarterly reports at programme or sub sector level, which summarizes tangible outcomes and opportunities for breakthrough².
- Consider **additional guidance for project managers** on assessing whether projects are on track, including identifying impacts and potential for impacts on demand and supply side
- Ensure **potential impact is clearly differentiated from actual impact** in data summaries
- Ensure the design of **final evaluation summaries and programme level indicators addresses impact and are quantitative as well as qualitative**
- Ensure analysis at senior management level of **mid-term and final reports** which feeds **lessons learnt** on a range of key issues (project design and conceptual thinking, local and national advocacy strategies, sustainability) into project management

3. Advocacy and Strategic Planning

Partner linkage and synergies

Since the 2004 OPR the diverse MJ partnership base and MJ networking opportunities are increasingly delivering synergies, linkages and working relationships and learning. These are macro-micro, cross sector (BWLA and DNET on VAW and RTI, access to justice with child rights and violence against women) and local – national. MJ gap

² This should cover project and programme level impact and capture concrete gains for target groups and different levels of response from duty holders (both individual/behavioural and institutional receptivity). Possible frameworks include the previous MJ data set of categories of asset accumulation, reduction of vulnerability, inclusion and accountability and obligation used in the DFID impact assessment.

analysis in programme areas, increased time for strategic planning at management level, lesson learning on impact and duty holder engagement should continue to multiply opportunities.

Increasing impact through strategic planning at programme level

MJ has developed a programme approach in several sectors, which enables projects to be more strategically selected and impacts at sector level identified. This has involved external analysis, engagement with relevant stakeholders, and consultation with partners. Sector strategies have been developed gradually, with a focus on this level of work only becoming possible in the last year after staff increases.

Advocacy and networking at programme level

MJ has demonstrated the ability to identify its niche in different sectors and define a specific contribution. It has already demonstrated the ability to increase communication and contact among key stakeholders (violence against women programme, human rights and governance conference, Right to Information work, planned workers rights meeting). It demonstrates sound strategic approaches to facilitating networking and co-ordinating among partners, and is ensuring the ownership and engagement of partners. This process is at different stages in different sectors.

Strategic engagement with duty holders

The OPR team met with a range of MJ partners. All spoke about the enhanced opportunities for advocacy and engagement with duty holders created by MJ. This is perceived as a unique and necessary contribution in the human rights and governance sector. MJ provides this for a number of reasons. A large platform provides protection and can prevent political polarisation if used strategically; through its partner overview MJ is identifying strategic entry points; MJ reputation provides access and entry point for others; MJ can disseminate lesson learning on effective advocacy. MJ demonstrates senior management capacity and the right strategic approach to capitalizing on this position. It has become the first civil society organisation to work with the APPG (All Party Parliamentary Group). This engagement is part of the Right to Information process, but also meets request from partners that MJ facilitate engagement with different all party working groups. The Right to Information initiative has the potential to further MJ work in many different sectors, but will require sustained work if implementation of legislation is to actually be implemented.

MJ is beginning to facilitate constructive working relationships between civil society and government bodies, and plans to work to link NGOs to work as implementing partners for the NILG (National Institute of Local Government). It is identifying opportunities where direct MJ work with government bodies may generate greater impacts than individual governance projects (BPATC).

Working strategically to balance supply and demand

Many MJ projects include components on both demand creation among poor groups and working to increase the responsiveness of duty holders. With oversight of many different

civil society initiatives, MJ is considering how demand side focused projects might be matched by relevant supply side work.

Impact at purpose level

Purpose level change arising from MJ as an institutional is likely to result from a combination of factors.

- Strong project work which delivers tangible asset accumulation and reduction of vulnerability
- Replicability and sustainability of project work
- Planned and facilitated catalytic effect, such as social movements and mobilisation beyond project level
- Growth and capacity building of the human rights and governance sector
- A platform of organisations where messages on transparency are underpinned organisations own good internal governance
- Impact focused sector and advocacy work
- Cross sector duty holder and governance work
- Unexpected catalytic effect from changes in attitude, relationships and other less tangible outcomes

To date, MJ has often developed and worked organically. It demonstrates the ability to learn lessons and be self critical (overly self critical in the view of one stakeholder). It has positioned itself to capitalize on its unique partnership base. There is now a case for some more systematic approaches to planning of higher level work and the injection of well targeted expert advice on sector and higher level strategy issues.

Recommendations

- Consider moving to an adviser per themes/programme issue to create more time for coalition building and sector advocacy
- Ensure a focus on clear impacts for issue and programme work, bearing in mind the demands of ensuring ownership by partners are refine strategic planning processes for programme and issue work
- Develop tools for strategic planning at purpose/institutional level including political, economic and social trends analysis, stakeholder and risk analysis, and map out the environment and challenges for MJ as key human rights and governance institution
- Consider external expertise and peer learning to support purpose level planning and also strategic planning, coalition building and facilitation at programme/issue level
- Continue to develop approaches to strategic project selection, and variables to consider potential net impacts over different funding round and ensure figures for overall expenditures on different programmes and themes are available
- Ensure opportunities for synergy and impact on duty holders at regional/city level are capitalized on and provide resources and facilitation to partners to support networks

Annex D

Manusher Jonno – OPR 2005 - Financial Accountability Report

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This annexe to the main OPR report combines the financial and governance requirements of the OPR with the additional request for a financial accountability report.

In broad terms, MJ has responded to all the finance based recommendations from the last OPR. They have also made substantial progress towards becoming a separate legal entity with all the system and other requirements that entails.

Financial position

Manusher Jonno - Summary financial position

Details	Approved Budget	Actual July '02-Sept'05	Estimate Oct-Dec '05	Balance
TOTAL PROJECT REIMBURSABLE COSTS:	£481,018	£369,898	£159,100	-£47,980
Cost of Borrowing Capital	£86,772	£16,255	£25,000	£45,517
TOTAL PERSONNEL COSTS :	£1,111,742	£738,894	£300,000	£72,848
TOTAL PROJECT CONTRACT COST:	£1,679,533	£1,125,047	£484,100	£70,385

The latest financial projections show that MJ will underspend the grant to CARE for its own operations to 31 December 2005 by some £70,000 overall. This is based on quarterly accounts by CARE to 30 September 2005, and known and estimated transactions after that date by MJ. Within that figure there are a number of variations against budget with project reimbursables overspent but the others underspent, but the overall position is the most significant. A more detailed analysis is shown at Annex D1. In practice the anticipated level of spend in the last quarter looks high and is being reviewed, although there are significant costs to come such as the large scale and high profile Right to Information workshop in December coupled with a wish to clear any outstanding liabilities (eg airfares for LSE work) before the end of the contract with CARE.

As a result of the last OPR, it was agreed that MJ could use 5% of its budget as an Activity Fund to enable MJ to support activities through partners not registered with the NGO Bureau or Social Welfare. This item is not clearly shown in the accounts or current budgets making it difficult to ascertain whether the limit has been complied with. However, it seems that such expenditure has been limited over the last year while the CARE system did not make it easy to identify it separately. However, for the future, the Fund will be identified in both the budgets and accounts

Budgets and Strategic financial management

Budgets have been developed by MJ for the period 2006 to 2007 and for 2008 to 2010. We have passed a number of comments on the way that these have been constructed to the Executive Director and the Head of Finance & Administration. In addition, these budgets which have been in existence for some months have been affected by a number of the recent considerations regarding size and range of operations for MJ as it develops. As a result, the budgets for 2006 and 2007 are being reworked as a matter of urgency so that revised figures can be available to the Board

when they meet on 3 December 2005 and for submission to DFID. These will reflect the resource envelope available from DFID, as well as funds already pledged by Norway. While the precise figures are not yet available, the total administrative/secretariat budget is expected to be little different from the equivalent figure for 2005, ie about £700,000 for the 12 month period.

In terms of strategic financial management it is important to understand the characteristics of MJ's finances. Sources of income, from funders, have a long lead time because of the complexity (and competitive nature) of donor aid programmes but then tend to be fixed for a period of time. The main cost is grant funding but MJ can currently only pay out the funds allocated for this purpose. MJ's own costs (currently met from a separate grant, but may be supported in different ways in the future) are much more flexible and need to be tailored to match the funding available and the operational needs of the organisation. Thus, strategic financial planning at MJ will have two perspectives that need to be balanced. The first perspective will need to look some distance into the future to ensure that grant funding activity keeps pace with the MJ's ability to manage it and provide policy leadership and from the other perspective that the scale and effectiveness of the organisation can attract the donor funds that it needs. In organisations the size of MJ, this is most often achieved through a collaborative process involving both finance and operational staff to pool and then model the best information available. Ideally, this exercise should be undertaken each year to ensure that strategic plans are still attainable and, in practical terms, should precede and inform the annual budget process.

This is an area where we believe that MJ needs additional support in the short term and as a result have drafted terms of reference for a financial specialist to provide guidance on this and a range of related financial issues (see Annex E).

Key financial risks

Key financial risks for MJ perceived by the OPR team and the MJ response to them are set out in the table below:

Perceived risk	MJ response
Ongoing	
Fraud or corruption at MJ itself or Partner NGOs may lead to funding for MJ being withdrawn.	MJ is establishing sound financial policies and procedures, largely based on those used by CARE, and intends to make arrangements for an internal audit service (as it had under CARE). Internal audit and specific financial monitoring staff will also review partners and projects. As an indication of the effectiveness of these arrangements two partners already dropped as a result of irregularities.
Failure to predict accurately future funding that is available and balance this	MJ is developing better strategic planning capabilities including strategic financial

<p>with the optimum level of MJ operation to support it. This could lead to either:</p> <ul style="list-style-type: none"> • Funding that was under utilised • Funding that was not well controlled because MJ had insufficient programme and/or financial management resources to deliver quality projects. 	<p>planning so that it is better able forecast future needs and resources. We have suggested that this could be part of a small future TA programme.</p> <p>MJ is to consider introducing a “sunset” clause in its partner agreements so that there is a time limit on their ability to draw down funds.</p> <p>MJ is also developing close and effective relationships with a number of funders, both current and potential.</p>
<p>Failure to select the best projects for funding or agree the most appropriate levels of funding for the ones selected.</p>	<p>Project selection criteria are available in advance to those bidding for funding</p> <p>Openness and transparency in the project selection process, which will involve a number of different staff almost on a random basis.</p> <p>There is a line by line negotiation of the level of financial support to be provided.</p> <p>Openness and transparency in the operation of the MJ Board. In addition, the Board will be made available of those projects not approved.</p>
<p>If MJ is unable to maintain its neutrality in the highly polarised political environment that currently exists in Bangladesh, there may be a negative impact on its funding.</p>	<p>Openness and transparency in the project selection process, which will involve a number of different staff almost on a random basis.</p> <p>Openness and transparency in the operation of the MJ Board.</p>
<p>Short term</p>	
<p>The Grant agreement with DFID may not be in position in time for the new MJ Foundation to receive funding.</p>	<p>Steps are being taken to ensure that DFID has all the information it needs, such as budgets, as quickly as possible after the formal creation of the new company limited by guarantee. Approval of the new entity by the NGO Bureau may take a little longer.</p>
<p>New financial management and personnel management systems may not be fully operational in time for the MJ Foundation to take over responsibility for its own finances.</p>	<p>MJ is arranging with CARE to enable it to continue to use the CARE SCALA system. At that time, the SCALA system will be outside its licence period making it easier to organise such an arrangement.</p> <p>Other alternative strategies have also been discussed with the Executive Director, in the event that there are</p>

	delays.
That the contracts and details of project financial balances are not transferred effectively from CARE to MJ causing uncertainty as to the cash balances in the hands of partners or the amounts still payable to them.	Arrangements are being made with CARE for additional legal advice to be obtained. Balances will be confirmed with all partners.

Finance staffing

MJ has responded to the recommendations from the last OPR by:

- Appointing a Head of Finance and Administration (HF&A)
- Appointing additional finance staff
- Separating grant payment/monitoring from MJ's own financial management (with both strands reporting to the HF&A).

The HF&A has 20 years experience of NGO finance and has direct experience of the type of financial management software being introduced for the new MJ Foundation. While the company secretary role is new to him, those requirements are set out clearly in the relevant legislation.

Despite the undoubted experience available within MJ, we recommend that the HF&A has access to professional financial advice to replace that available informally through the CARE network. We believe that this could be achieved most effectively and economically through the early appointment of external auditors for MJ. In accordance with established arrangements, MJ will keep its management accounts during the year on a cash basis (recording receipts and payments as they occur) but will be required to prepare accounts on accruals basis (recording payments when the liability is incurred rather than when payment is actually made). This latter basis also requires a balance sheet with assets and liabilities at appropriate valuations and may be an area where advice is helpful.

Information systems

Essentially MJ meets its management needs with three separate information systems:

- Financial Management System (FMS) which record MJ's own transactions and those relating to grant funding of partners;
- Management Information System (MIS) which provides a comprehensive record in relation to applications of funding and ongoing projects;
- Personnel Management System (PMS) which includes payroll functions.

Each one is covered in more detail in the following sections of this report.

For the future, we recommend that MJ explore the use of high level reporting software (such as Crystal Reports or Business Objects) that can mine data from the different systems in use to provide true management information (ie not just financial or operational but combining the two). As an example, this could bring together

project information from MIS with details of grant payments from FMS to enable, for example information to be provided on actual spend on particular theme areas.

Financial Management System

Currently, MJ is just one element of the larger CARE operations in Bangladesh and this is reflected in the accounting arrangements. MJ has one computer acting as a terminal for the CARE SCALA system for the input of financial data. Additional data relating to MJ is also input by CARE (eg salary payments) to give the full financial position. This is then emailed back to MJ on a monthly basis, providing aggregate details on transaction in the month and the position to date. However, this information does not include budgets. Printouts including budgets (working to the full 3.5 year budget rather than an annual one) are provide by CARE to MJ on a quarterly basis.

To replace the CARE SCALA system, MJ is intending to install the ACCPAC Financial Management System (FMS) in early December 2005. ACCPAC is a well established accounts package and one which MJ finance staff have already used extensively. In view of the importance of this system, the OPR team held a meeting with the software supplier to discuss progress and plans for implementation. The software will be run on a single PC in the Finance Department and will not be available through the MJ intranet. While this is good from a security perspective it means that hard copy budget reports are needed to keep managers up to date with spending patterns.

The chart of accounts (CoA) for the system (the structure within which financial information is captured and important in enabling that data to be used for management and regulatory reporting purposes) has been drafted and is largely based on the structure used by CARE to minimise changes for staff. Indeed, the majority will see no practical change at all. However, the structure is a simple one and concentrates on the nature of transactions (eg salaries expenditure) rather than their purpose (eg as part of the cost of programme management). Further meetings are planned with the software suppliers to extend the coding arrangements within the CoA to enable it to provide information in the same format as the more complex structure of the MJ budget proposed from 1 January 2006.

It is the intention to input financial data for October and November 2005 to the new system so that it can be compared with the output from SCALA. This will be followed by dual running for the remainder of December to give further assurance regarding the system and ensure that all information is available for the inception of the new MJ Foundation.

Overall, this process is being undertaken rather later than is ideal and is likely to require additional short term staff for completion and input of data to the system. An extended period of parallel running (say, at least two months) would have given a better opportunity for any teething troubles with the new system to be identified and rectified. However, dates have been set for the outstanding work to be completed which, coupled with the relative simplicity of MJ's financial transactions (on a cash basis while the complexities of grant funding are largely dealt with outside this system), means that there is still a good probability of successful system implementation.

The next stage for MJ will be to consider how the systems need to evolve to meet the changing needs of the organisation. These could well include:

- Multi-donor funding
- Hypothecated funding
- Regional office operations

When these future needs are clearer, it is recommended that there is a further brief review to guide systems development in view of its importance to the financial integrity of MJ. The opportunity could also be taken to confirm satisfactory implementation of the current changes. For ease, outline Terms of Reference for this and other related work are attached at Annex E.

We recommend that the system is subject to an internal audit or other independent review to ensure its integrity. Draft terms of reference for such an exercise, including other related work are set out at Annex F.

MIS

There is a comprehensive and well developed management information system which has been developed in house using open source software which holds a wide range of information on project funding applications (from project concept note stage) through to project monitoring. This system is available over the MJ intranet and, for security, access is password protected and input limited to the MIS section. This provides assurance on system and data integrity.

The system contains a huge amount of data with over 30 individual databases each containing a range of items of information. Data is organised by bidding round and then stage in the approval process:

- Project Concept Note (PCN)
- Project Proposal (PP)
- Project Proposal Visit (PPV)

At each stage there are summaries to show the reviews and analyses undertaken and provide clear evidence to justify the decision either to reject the application or progress it to the next stage. Rejection letters are also available on the system and show the reasons that the application has been rejected. Hard copy material from applicants is stored outside the system. However the MIS has only recently been set up and does not contain the data from the applications for the first three rounds of bidding. It is MJ's intention that this data will be input over the few months. However, we believe that this substantial exercise is probably not worthwhile when considered in the light of other priorities for MJ's resources.

Hard copy records for those first three rounds of bidding are stored in an outbuilding at the MJ offices. Levels of applications for these rounds were extremely high and so the volume of documentation is substantial. These documents are in piles and not properly filed, so finding a specific application, out of the 1200 in round 1 to deal with a query, for example, is a mammoth task. Given the time that has passed since these rounds and the very limited number of queries received, we suggest that a few

days of clerical time is spent getting the documents into alphabetic order within rounds but little more.

Walk through tests were carried out for a selection of project applications on the system. This involved examining records and approvals at each stage, correspondence with the applicant, as well as checking back to the hard copy documentation. All records were found and appeared to be complete.

We recommend that the system is subject to an internal audit or other independent review to ensure its integrity. Draft terms of reference for such an exercise, including other related work are set out at Annex F. As with all systems developed in house, it is also important that it is properly documented so that it can be updated and amended as necessary in future years even if the relevant staff are no longer with MJ.

Personnel Management System

At present, all Human Resources (HR) policies are set by CARE. They also operate the HR system for calculating salaries, taxation and provident fund contributions. These amounts are then posted to the SCALA financial management system by CARE and the amounts are notified to MJ who make payments to the individuals concerned by bank transfer.

The HR policies for the new MJ Foundation are still in draft form (see section below) but are closely based on those for CARE. The MIS Officer has recruited a number of computer programmers who are currently developing a Personnel Management System (PMS) which will be based on the same systems architecture as the MIS. It will also be available throughout the MJ intranet with a single point of data entry and an access hierarchy. The system will hold basic data on individuals, leave and disciplinary arrangements. It will also hold salary details and be capable of calculating tax and provident fund contributions to arrive at the net amounts payable. This data will need to be given to finance staff or exported to the FMS to generate actual salary payments.

The plan is for the full system to be available for testing by 10 or 15 December. The first salary payments using the new system are not due until 25 January which gives a little time for testing and refinement. All data has been assembled from scratch (ie not drawing down data already held on the CARE system) and will require input (using additional temporary staff) before the first salary payment can be made. This is a tight timescale. To test the effectiveness of the process, we recommend a parallel run of the December data on the new system.

We recommend that the system is subject to an internal audit or other independent review to ensure its integrity. Draft terms of reference for such an exercise, including other related work are set out at Annex F. As with all systems developed in house, it is also important that it is properly documented so that it can be updated and amended as necessary in future years even if the relevant staff are no longer with MJ.

Financial reporting arrangements

Currently, as mentioned above, MJ has to rely on information that is provided by CARE in terms of overall financial performance and performance against budget. These provide a limited amount of analysis and the main budget used was that covering the 3.5 year period of CARE's stewardship of MJ. However, they were sufficient for financial control purposes given the relatively small size of MJ's own operations.

In terms of the new FMS, there is a wide range of standard report formats available, and tailored reports can be specified quite easily. Discussions with the software company have centred around monthly budget reports including but also include the development of report formats to meet DFID reporting requirements. The flexibility in reporting should improve financial management for the new MJ Foundation. Thus reporting arrangements should improve in the future when the FMS is set up. These reports will feed into the current budget management process, which will remain unchanged.

Financial policies and procedures

The key issue is that MJ, as part of CARE, currently uses sound policies and procedures and these will largely be carried through to the new MJ Foundation. The fact that these are the policies and procedures with which MJ staff are already familiar should minimise problems on moving to independent status.

High level policies have been drafted with assistance from D&T and agreed by the Steering Committee (SC). These have been elaborated in a draft procedures manual (also drafted with assistance from D&T) which draws on experience of the CARE procedures but tailored for a smaller organisation. Detailed review of the procedures reveals a small number of areas where further refinement may be necessary, but the existing draft is fundamentally sound:

- Detailed procedures need to be drafted to support the higher level policies on II Ethics, III Governance and VII Information management. These would cover, for example, procedures for maintaining and reporting on the required "register of interests" (which should also include senior members of staff) or procedures for the safekeeping of data.
- Reference is made to external audit but there should also be provision for the rights of auditors from funding bodies and also internal audit if such a service is set up (see below).
- Procedures should be drafted to show how suspected fraud, in MJ itself or its partners, should be investigated and reported.
- Procedures should be drafted for the receipt of income – it is accepted that this may be exceptional, but may arise from the provision of services to other organisations or the disposal of redundant assets.
- Provisions should be drafted on revisions to budgets where changes are needed in year.
- Introduction should include a general duty for MJ staff and Board members to comply with the procedures and ensure value for money in the use of MJ resources.

In particular, these procedures provide for levels of financial control which are appropriate to the scale of MJ, including:

- Procedures for ordering and tendering for goods and services depending upon the values concerned
- Independent authorisation of invoices for payment.
- Cheque signing arrangements with two signatories above £300 and more senior signatories above £1,000.
- Payments by cheque sent direct to the supplier by finance staff.
- Key control procedures such as bank reconciliations.

There are also areas where existing material, such as the standard form of contract with partner NGOs and the explicit zero tolerance policy, could also be included in the procedure manual to make it a more comprehensive and practical document.

Internal audit and financial monitoring

As well as monitoring for programme activities, projects are subject to financial monitoring both by specific financial monitoring staff and MJ's own internal auditor. These visits also have an element of financial management capacity building for the partners. In addition, internal audit covers MJ's own financial management systems. Financial monitoring of projects, the more general aspects of internal audit and financial management capacity building are covered in the sections below.

Financial monitoring of projects

The current plan is that there should be more than one financial monitoring visit to each project during its two or three year life, and there is no intention to change this as the new MJ Foundation is created. To date there have been 65 financial monitoring visits and reports in the 3.5 years of MJ's operations which now embrace 101 projects. Given the intended coverage, this is a relatively low hit rate. Checklists have been introduced to structure the coverage of these visits and ensure completeness. However, there also seems to be little differentiation between the visits despite the significantly varying needs and sophistication of the partners. (The largest project is more than thirty times larger than the smallest. Some partners use accounting software whereas others still maintain manual records. Some partners deal with fifteen or more other donors and make grants payments to other NGOs.)

These visits are augmented by the independent work of the internal auditor who had a separate programme of visits based on her own analysis of risk. 16 visits have been undertaken but the post is now vacant and no work is currently ongoing. From discussions with staff and partners, it would seem that there was very little difference between the two types of visit.

Both forms of financial monitoring have been important in protecting MJ's financial interests, having identified a wide range of financial issues including potential fraud and failure to comply with agreed procedures. The emphasis is on rectification of the problems found although, inevitably, partners would like an even more supportive relationship. As an indication of MJ's determination to maintain effective financial control, the financial problems encountered in two cases have been so severe that the partner has been dropped from the programme.

Given the clear benefits to both MJ and its partners of these visits, it is disappointing that coverage has not been greater. However, we are pleased to note that there are plans for three additional staff to undertake the financial monitoring work for the MJ Foundation (although this will depend on the eventual budget allocation). If internal audit services continue to be provided, it would be useful for there to be better co-ordination of their activities to avoid any duplication (one project was visited by financial monitoring staff in March 2004 and internal audit in April 2004).

At present all visits are much the same. With the additional resources, it may be possible to grade the partners and then tailor the monitoring visits to their needs, eg the nature and frequency of the visits. Inevitably, however, the underlying issue is that this monitoring process must meet MJ's needs to enable them to ensure effective financial control of funds supplied by MJ and ensure accuracy of the information flowing back to MJ.

Internal audit

While under the control of CARE, MJ was required to employ an internal auditor. This officer was dedicated to work on MJ systems and its partners' operations but, to provide suitable independence, was responsible to the Finance Director of CARE and operated from their Internal Audit Department (who would also have been able to provide professional leadership and advice). That role was highly effective and added significantly to the openness and transparency of MJ and the effectiveness of its systems, but the internal auditor has now left MJ and the post has not yet been refilled.

A dedicated internal audit function is unusual in an NGO of the size of MJ yet, if operating effectively, can provide significant assurance about the effectiveness of financial systems to the Board, senior management and funders. The need for this assurance is accentuated by the introduction of major new systems at MJ, especially those developed in house. This leads us to make recommendations relating to both short and long term requirements.

In the short term, we recommend an exercise be commissioned to establish the basis for an ongoing internal audit service, carry out audit/post implementation reviews of the FMS and PMS systems and also carry out project and other audits. Three months should be sufficient for this work. Draft terms of reference for this are attached at Annex F.

In the longer term, based on the exercise referred to above, we recommend that MJ consider how best it can arrange an internal audit service such as:

- Contracting the role/service from another NGO or employing a person jointly
- Contracting a service from a professional firm
- Combine with similar organisations to form an internal audit consortium
- Combining the role of internal auditor with another within MJ such as the Compliance Officer (but this would have to be a post that did not compromise the independence of the internal audit role)

Financial management capacity building for partners

Partners visited as part of this exercise were all keen to receive help with building their financial management capacity. This is also covered in the questionnaire that they have been asked to submit on more wide ranging capacity building.

At present, financial management training is provided primarily as part of the orientation process for new partners. However there were some concerns regarding the timing of this training (but confusingly it was too early for some who needed to recruit staff and too late for others who already had staff). Part of this training introduces the detailed procedures for partners and makes use of a summary of the audit and financial monitoring findings to help new partners avoid similar problems in the future. MJ plans a substantial increase in the staff available for monitoring visits and financial management capacity building for partners, and we suggest that this is an opportunity to:

- Provide more regular training for partner finance staff
- Allow finance staff to attend training on a more frequent basis (so that new staff at an existing partner can be trained, or existing staff can be “updated”)
- Provide a comprehensive pack of information to partners at contract time (there seemed to be some debate as to whether this was only available at the time of the training or not, but it would benefit from including the findings of the monitoring visits).
- Establish regional finance forums where partner finance staff can get together to discuss common issues and solutions
- Prepare cascade training material for the partner finance staff to use in training their operational colleagues

Part of the challenge for MJ is the disparity between the large and small partners, and the well organised and less organised partners. MJ experience shows that it is not just the smaller partners who are less organised and need much more assistance. However, specifically in order to help some of the smaller partners, MJ is planning to supply the “Simply Accounting” computer package to 20 or so partners to improve capacity and control. It will be important to monitor the effectiveness of this exercise.

Achieving value for money

Achieving value for money is a key requirement for all organisations receiving public funds. This requires:

- Procedures which require the consideration of VFM issues;
- Ensuring that those procedures are operating effectively.

In relation to MJ’s own expenditure, there are two key elements, salaries and procurement. Salaries at MJ are currently set by CARE and are in accordance with their normal salary scale. The independence of this arrangement gives considerable assurance that the amounts actually paid are in line with the market and thus represent value for money.

Salary levels for the new MJ Foundation have not yet been set, and indeed cannot be until the available funding is confirmed and the MJ budget approved. However, it is

expected that they will not differ significantly from those currently paid under the care structure, thus continuing to represent value for money.

Procedures for procurement are currently those set by CARE and stipulate levels at which quotations and tenders need to be obtained to ensure competition in the process. These seem entirely appropriate for Bangladesh. In addition, a desk review indicated that for, a sample of acquisitions, these procedures were operating. The procedures that have been drafted for the MJ Foundation are based on those for CARE and again would appear to be appropriate and support the achievement of value for money.

Given the limited resources available for grant funding and the competitive nature of that process, value for money has to be a key consideration in assessing applications for funding. In all cases, there are detailed budget discussions as part of the project approval process. All elements of value for money, ie economy, efficiency and effectiveness, are a key part of those line by line discussions on budgets. Furthermore, MJ has a set of Financial and Operational Guidelines for Partner organisations which, inter alia, stipulate minimum levels of control (ie they can implement more stringent ones if they want) over procurement activity, based on those for MJ itself.

Transition from MJ to MJ Foundation

Broad advice was given by Crown Agents early in 2005 on the steps needed for the transition of MJ from an activity of CARE to a separate legal entity, MJ Foundation. This has recently been fleshed out into a more detailed transition plan, with detailed steps, deadlines and responsibility for action. A small number of suggestions have been made regarding additional items or elaborations for this plan.

Overall progress is sound with many tasks completed. However, a number of key issues are dependent upon the MJ Foundation becoming a formal legal entity (company limited by guarantee), including agreement with DFID for funding, the budget for Board approval and the opening of a Bank account to enable payments to partners to continue.

Issues concerning systems are covered elsewhere in this report, but issues relating to the transfer of projects and project balances and fallback arrangements in the event of system delays are set out below.

Transfer of ongoing projects from CARE to MJ

This is a rather technical, and potentially time consuming area that will now have to be dealt with as a matter of some urgency. Experience of similar organisational change elsewhere indicates that technical matters such as this may not get the attention they require when there are more high profile issues affecting the future of the organisation to be dealt with. However, it is essential that these transfer issues are dealt with as a priority by both CARE and MJ to ensure that the MJ Foundation starts from a sound base.

At present, partners have a contract with CARE for the completion of their projects. These contracts provide, in essence, for partners to hold a quarter's funding as a

financial “buffer” and then draw down funds on a quarterly basis (reflecting any over or under estimate of funding from the previous quarter). It is our understanding that DFID reimburse amounts as they are paid to partners (rather than to reimburse actual expenditure as is the case for MJ itself). As a result, on the date that the new MJ Foundation will need to take responsibility for the partners and projects, those partners will hold about £1million of DFID project funds in advances. It is absolutely critical that there is agreement between CARE, MJ and the 101 individual partners regarding the amount of this balance (and indeed the funding still to be provided). Given the queries that arise month by month on the current advance/reimbursement process, the difficulty in reaching agreement on these balances is not to be underestimated. Then this balance will need to be transferred out of the accounts of CARE into the accounts of MJ.

In accounting terms, the balances should be reflected in the CARE accounts as a series of 101 debtors and a single creditor to DFID for the aggregate amount. This is on the basis that, if all the projects were to stop at that date, partners would hold funds that they had not earned (ie had not been spent on project activity) and would be due back to CARE and DFID in turn. These accounting entries will need to be netted out of the CARE accounts and set up in the accounts of the MJ Foundation. There are a number of ways this could be dealt with but it is essential that it is done in a way that causes least confusion and disruption for individual partners.

We understand that, in terms of physical assets, CARE will provide a list of the ones acquired with project funds and submit this to DFID for them to approve transfer to MJ. The simplest solution for the project advances would be for these financial assets (ie the debtors for the buffer funding etc) to be treated in the same way, with a list sent to DFID for approval so that they can be written off from the CARE accounts and on to MJ accounts.

We have been advised that the intention is for MJ to issue new contracts to each partner in early January 2006 and these will be based on the CARE contract currently in place. This will be a major exercise (additional temporary resources are already planned) and can only be undertaken when the balances are confirmed. We would expect that CARE would require agreement from the partner organisations for the cancellation of their current contracts. These provide for “variation” but assignment in the way proposed is probably beyond that.

It may be that alternative solutions would have been possible such as legal transfer or novation of the existing contracts, removing the need for their reissue and the need to wait for the financial position to be clarified. As a result we recommend that CARE and/or MJ seek legal advice on this matter consider what is the most efficient approach available. In any event, agreement from the partners would probably still be needed. .

Fallback arrangements

MJ staff have every expectation that systems will be in place in time for operation of the Foundation. However, it is useful to have plans for a fallback position in the event that one or more systems is not ready on time.

In the event that the new FMS is not available, MJ is arranging with CARE that their SCALA system will still be available for use. This is made easier by the fact that the system will then be out of its licence period so there will not be any contractual problems. This would not be ideal as the structure of the accounts will not match that intended for the new MJ Foundation, but it would work for a short period.

Other arrangements to deal with the financial management system and the personnel management system have been discussed with the Executive Director and can be implemented if necessary.

Annex D1 - Manusher Jonno - Summary financial position

Details	Approved Budget	Actual July'02-Sept'05	Estimate Oct-Dec '05	Balance
FARES				
Secretariat staff in country travel costs	£16,571	£12,331	£2,500	£1,740
Short term consultants in country travel costs	£8,622	£5,122	£2,000	£1,500
International Flights for short term consultants from	£19,286	£12,068	£3,000	£4,218
Int (regional) flights for short term consultants and S	£5,176	£485	£4,000	£691
Secretariat staff training	£21,089	£14,499	£6,000	£590
Sub-total	£70,744	£44,504	£17,500	£8,739
SUBSISTENCE AND ACCOMODATION				
Secretariat Office Rent	£26,656	£18,153	£20,000	-£11,497
Secretariat staff local and regional travel lodging and	£7,158	£5,559	£1,600	-£1
Short term consultants (national and international) a	£9,439	£8,266	£1,000	£174
Short term consultants (national and international) S	£2,445	£1,446	£500	£500
Sub-total	£45,699	£33,424	£23,100	-£10,824
EQUIPMENT				
MJ Secretariat Office Supplies	£13,827	£10,038	£3,000	£789
Secretariat Furniture and Equipment	£71,412	£59,562	£20,000	-£8,150
Vehicle Fuel	£7,238	£2,439	£4,000	£799
Vehicle Rental from DFIDB	£28,010	£26,201	£5,000	-£3,192
Vehicle Purchase 4wd	£70,000	£49,614	£3,000	£17,386
Sub-total	£190,487	£147,854	£35,000	£7,633
MISCELLANEOUS				
Communications	£9,542	£8,579	£1,500	-£537
Utilities, Maintenance and Repairs	£14,505	£11,850	£2,000	£655
Sundry	£11,388	£9,131	£10,000	-£7,742
Publicity and Communications	£12,203	£9,026	£1,000	£2,177
Workshops, discussions, debates, including launch e	£89,461	£89,654	£45,000	-£45,193
Training for capacity building of MJ partners	£15,013	£753	£10,000	£4,261
Publication and cross learning for the partners.	£4,942	£1,942	£3,000	£0
Training/Organisational development for potential c	£3,108	£1,108	£1,000	£1,000
Database Development	£5,068	£3,181	£0	£1,886
Other Costs (Legal/Contractor Srvs, Trans/Regist fe	£3,955	£3,989	£10,000	-£10,035
Proposal Assessment costs	£4,905	£4,903	£0	£1
Sub-total	£174,088	£144,115	£83,500	-£53,527
TOTAL PROJECT REIMBURSABLE COSTS	£481,018	£369,898	£159,100	-£47,980
Cost of Borrowing Capital	£86,772	£16,255	£25,000	£45,517
TOTAL PERSONNEL COSTS	£1,111,742	£738,894	£300,000	£72,848
TOTAL PROJECT CONTRACT COST	£1,679,533	£1,125,047	£484,100	£70,385

Development of MJ Financial Systems

TORS Financial Specialist

MJ will introduce a new financial management and reporting system on 1st January 2006, and become responsible for all aspects of reporting and accounting as a new legal entity.

The purpose of the assignment is assist MJ to review progress early in this process, and to meet three specific objectives

- 1) assure the new accounts system and assist MJ to identify and address any teething problems;
- 2) improved financial modelling and planning - strengthen the forward planning system for budgeting and reporting to ensure it is capable of handling multidonor funding;
- 3) assist the Senior Management Team participate in strategic budgeting

Duties

The consultant will:

1. Carry out a brief post implementation review of the introduction of the ACCPAC FMS and
 - 1.1. Identify any further action required following the implementation
 - 1.2. Check the accuracy of the importing of partner balance figures at 31st December 2005 to the MJ system
2. strengthen the financial modelling and planning to meet MJ's future FMS needs to enable it to handle:
 - 2.1. Multi-donor funding
 - 2.2. Hypothecated funding
 - 2.3. Regional office operations

and assess any implications for the Chart of Accounts

3. Review and recommend to MJ any changes in management and board reporting requirements
4. Review and advise on reporting software with the capacity to access data from a variety of MJ information systems
5. Assist the Senior Management Team to develop the strategic financial planning process and consider changes to the system or structure of information to help inform this.

Timing and Inputs

15 days – over first half 2006

Short term consultancy to establish the basis for internal audit and undertake key assignments

Terms of Reference

The consultant(s) should:

- Establish key risks affecting MJ operations and agree these with MJ management.
- Identify all the auditable systems and activities (including partners and projects but recognising the work of the financial monitoring team) and agree these with MJ management
- Set out an audit needs assessment and a strategic audit plan (3 years) for MJ
- Establish terms of reference for an internal audit service for MJ
- Carry out an audit/post implementation review of the Financial management system, running test data and checking access and physical controls
- Carry out an audit/post implementation review of the Personnel management system, running test data and checking access and physical controls
- Carry out audits of other systems as necessary
- Carry out audits of projects as necessary

Duration

3 months

Checklist - Summary of Recommendations

1. Poverty and human security focus and impacts

- 1.1. Continue to articulate the MJ approach to poverty reduction through internal and external consultation, and the different approaches through which MJ's work can impact on poverty and reach the most poor and vulnerable
- 1.2. Review the different ways in which MJ projects reach and work with the poorest 20%, and their relative effectiveness (mobilisation of direct target groups versus institutional response), and support partners in baseline studies which can identify and target the poorest and most vulnerable
- 1.3. Consider how certain larger projects with general target groups, for example large access to justice projects might incorporate a pilot focus on extremely marginalized groups or activities focused on securing assets and basic services
- 1.4. Consider good practice guidelines for partners on both demand side work with the extreme poor and duty holder capacity to meet the needs of the extreme poor
- 1.5. Form a core group of poverty focused partners who can contribute to conceptual and project work
- 1.6. The intersection between rights and governance work and poverty needs to be addressed holistically and relationships of power which may be root causes of poverty understood and addressed - the first cluster review pointed to a number of ways in which project design can be improved by social and political analysis
- 1.7. Refine good practice on project design and impact in each sector (Cluster review recommendations, reviews by MJ team and external dialogue, analysis of final and mid term) and consider external expertise to support this process in particularly challenging areas (VAW, access to Justice)
- 1.8. Build skills at project manager level on issues including strategic planning and advocacy
- 1.9. Ensure MJ research and policy work is strategically planned to meet the needs of partners in increasing impact and addressing poverty issues

2. Measuring change

- 2.1. Use the 2006 Cluster Review to consider some additional impact indicators for the MJ log-frame
- 2.2. Consider a simple **impact assessment format** to be completed periodically/for quarterly reports at programme or sub sector level, which summarizes tangible outcomes and opportunities for breakthrough¹.
- 2.3. Consider **additional guidance for project managers** on assessing whether projects are on track, including identifying impacts and potential for impacts on demand and supply side
- 2.4. Ensure **potential impact is clearly differentiated from actual impact** in data summaries
- 2.5. Ensure the design of **final evaluation summaries and programme level indicators addresses impact and are quantitative as well as quantitative**
- 2.6. Ensure analysis at senior management level of **mid-term and final reports** which feeds **lessons learnt** on a range of key issues (project design and conceptual thinking, local and national advocacy strategies, sustainability) into project management

3. Advocacy and strategic planning

- 3.1. Consider moving to an adviser per themes/programme issue to create more time for coalition building and sector advocacy
- 3.2. Ensure a focus on clear impacts for issue and programme work, bearing in mind the demands of ensuring ownership by partners are refine strategic planning processes for programme and issue work
- 3.3. Develop tools for strategic planning at purpose/institutional level including political, economic and social trends analysis, stakeholder and risk analysis, and map out the environment and challenges for MJ as key human rights and governance institution
- 3.4. Consider external expertise and peer learning to support purpose level planning and also strategic planning, coalition building and facilitation at programme/issue level

¹ This should cover project and programme level impact and capture concrete gains for target groups and different levels of response from duty holders (both individual/behavioural and institutional receptivity). Possible frameworks include the previous MJ data set of categories of asset accumulation, reduction of vulnerability, inclusion and accountability and obligation used in the DFID impact assessment.

- 3.5. Continue to develop approaches to strategic project selection and balancing the MJ portfolio and ensure figures for overall expenditures on different programmes and themes are available
- 3.6. Ensure opportunities for synergy and impact on duty holders at regional/city level are capitalized on and provide resources and facilitation to partners to support networks.

4. Finance and Administration

- 4.1. A collaborative approach to strategic financial planning to be completed each year in advance of the budget round.
- 4.2. Technical assistance to work with MJ on strategic financial planning and look at the transfer of partner fund balances.
- 4.3. Early appointment of the external auditors to give the Head of Finance & Administration ready access to financial advice.
- 4.4. Use of high level reporting software to combine information from the various financial systems, i.e. FMS, MIS and PMS.
- 4.5. Consider the next stage of development of the FMS to cope with MJ's future needs.
- 4.6. Internal audit review of the FMS in the New Year.
- 4.7. Rounds 1, 2 and 3 details for failed applications should not be input to the MIS.
- 4.8. Filing for the hard copy documentation for rounds 1, 2 and 3 failed applications should be improved.
- 4.9. Internal audit review of the MIS in the New Year.
- 4.10. MJ to ensure that the MIS system is properly documented
- 4.11. There should be parallel running of the December payroll using the new PMS software to test its operation.
- 4.12. Internal audit review of the PMS in the New Year.
- 4.13. MJ to ensure that the PMS system is properly documented
- 4.14. Detailed recommendations made on improvements to financial policies and procedures.
- 4.15. More partner financial monitoring visits and visits more tailored to the needs of individual partners.
- 4.16. Short term internal audit consultancy to undertake audit work but also plan how internal audit should operate for the future.
- 4.17. Consider alternative arrangements for the provision of internal audit, e.g. contracting it out or providing it on a collaborative basis.
- 4.18. Made suggestions for improving partner financial management capacity building.

- 4.19. Monitor effectiveness of the implementation of a basic computer accounting package for partners.
- 4.20. Seek legal advice on the most effective way of transferring agreements with partners from CARE to MJ.
- 4.21. Agreements with partners to include the value of balances with partners and funding still to be provided.