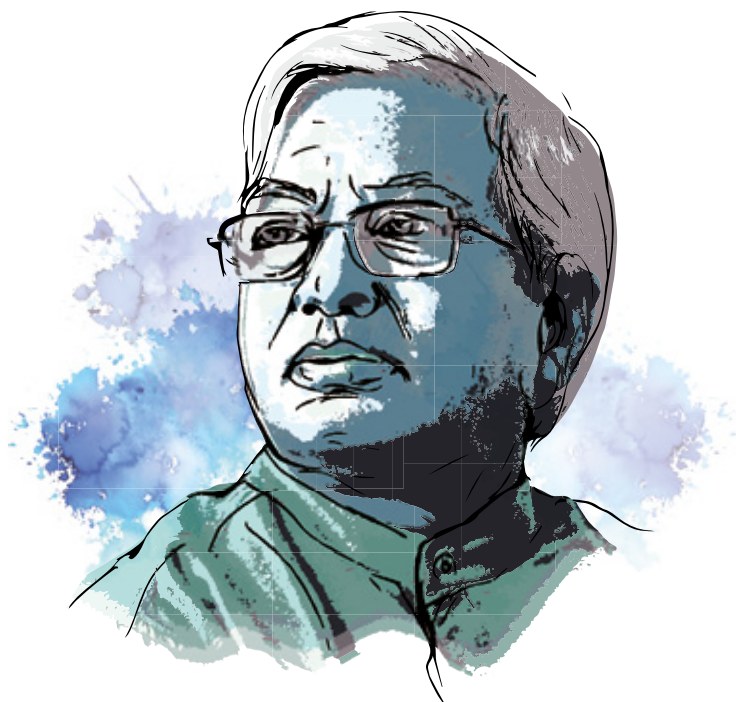




**STICHTING
BRAC INTERNATIONAL
ANNUAL REPORT 2019**



Sir Fazle Hasan Abed KCMG
1936 - 2019

We will not say 'rest' in peace.

Thank you, Abed bhai.

Thank you for showing us how meaningful one's life can be.

Thank you for instilling the courage in us to take on the impossible.

Thank you for showing us how to listen and learn,
to fail and to get up again in the service of others.

Thank you for making us see that no one is ordinary and
to seek potential in everyone.

We will not say 'rest' in peace.

The Abed bhai we know would not rest until we build an equal world.

We know you would not want us to lament your loss for long.

You would want us to tirelessly fight poverty and inequality,
like you did the last 47 years.

We promise to rise to that responsibility.

We promise to be worthy of your legacy.

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CHAIRPERSON'S FOREWORD



For more than 48 years, BRAC has been operating in conflict-prone and post-disaster settings, fighting to alleviate poverty and injustice. Our holistic approach gives people the tools they need to lift themselves out of hardship and suffering.

This is the first year for the BRAC family without our founder, Sir Fazle Hasan Abed. He has left behind a legacy of exemplary guidance, strong values, and a frontline workforce ready to fight any challenge. Abed Bhai, as the BRAC family calls him lovingly, always told us to “provide the right resources and opportunities to people living in poverty, and see them transform into agents of change in their own lives, families, and communities”. His ethos and vision will remain unmatched, and the void is irreplaceable.

Today, our world is struggling with the coronavirus pandemic, hunger, gender inequality, lack of access to education and healthcare, climate change, and human rights issues. The impact on lives and livelihoods is devastating. For BRAC, responding to emergencies and finding new and innovative ways to help people in vulnerable situations is a responsibility. Innovation is in BRAC’s DNA. Our teams test new ideas, design pilot programmes, learn, adapt, and try again. We then share our learnings with the world, showing what works and what doesn’t in solving the most complex social problems. To date, BRAC International has reached over 45 million people through our COVID-19 response programming.

Our bold Global Strategy for 2030 plots a path for BRAC to empower 250 million people living in poverty to have control over their own livelihoods in the next 10 years. In this journey, we will continue to work in partnership with governments, the private sector, and other non-government organisations to build innovations that can bring transformational change.

Now more than ever, we must strengthen our systems and mechanisms and work together to fight inequality in all its forms, so that our “new normal” is a better world for everyone. We are grateful to our partners, peer groups, and key stakeholders for supporting us as we work to empower people and communities in situations of poverty, illiteracy, disease, and social injustice.

A handwritten signature in black ink, which appears to read 'Ameerah Haq'.

Ameerah Haq

(Was appointed as the BRAC International Board Chair on 6 August, 2019, and resigned on 7 April, 2020. Currently she is the Chair for BRAC Global Board)

LETTER FROM THE EXECUTIVE DIRECTOR

STRONGER TOGETHER IN TIMES OF TRANSITION



2019 was a year of great change and transition for BRAC International. First and foremost in our hearts, we lost our dear founder, Sir Fazle Hasan Abed. Abed Bhai's guidance, vision, and spirit are irreplaceable and deeply missed. Before his passing, Abed Bhai spearheaded the creation of a new Global Board to lead us in the post-founder era. This body is guided by the new BRAC Global Strategy which sets a bold vision for BRAC over the next decade. This strategy not only helped bring the BRAC family together but provides an enormous amount of guidance for our work, outlining a path to reach at least 250 million people by 2030.

In this spirit of transition, we began 2019 working to build a strong base for the years to come by consolidating and strengthening our programme and organisational management. Our core focus areas included improving our programme quality, both in design and implementation, by developing new program quality standards and improving our front line supervision and monitoring, evaluation, and learning (MEL) systems through targeted in-country pilots.

We also took several steps to build BI's capacity to achieve impact at scale. We developed a Microfinance Growth for Impact Plan: a strategy for converging Microfinance operations with other social development programmes, while opening a new Africa Regional Office in Nairobi, Kenya, to build leadership and greater supervision at the field level. Steps were taken to improve our grants management capacity at all levels to respond to the needs of our donors and those we serve.

While our management focus was on strengthening internal capacity, on the ground we continued to deliver innovative programs to support those living in situations of poverty and inequality. In 2019, we reached a total

of 6.6 million people, predominantly women and girls, across 10 countries in Asia and Africa. BI Microfinance, our signature financial inclusion programme, provided 650,000 program participants and their families access to basic financial services and support in six countries, five in Africa and one in Asia.

The COVID-19 pandemic has emerged as a major challenge while continuing our organisational strengthening work and programming. Building on our existing capacity, we have been working with governments through National Coordination Committees and Task Forces in each of our countries of operation to quickly meet the needs of those affected by the virus. To date, BI has reached over 45 million people through our COVID-19 response programming. We have also worked to develop innovative ways to continue our existing programmes safely and effectively. For example, our early childhood education team has been utilising local radio stations to deliver play-based learning to children stuck in their homes in Uganda and Tanzania.

Our innovative spirit was not limited to fighting COVID, but also fighting the other great challenge of our time: climate change. We see how the changing climate is affecting the people we serve, decimating livelihoods, health, food security, and pushing people into poverty. We are acting now to build and deploy tools that will enable us to fight climate change-induced disasters by strengthening early warning systems and supporting locally-led climate adaptation programmes.

It is through these challenging times that we see the true spirit of BRAC. Abed Bhai always believed in the power of collective action and effort to meet the challenges that face us. It is through the support, compassion, and generosity of our partners, peers, host governments, and donors that we are able to continue fulfilling his vision to protect, help, and uplift vulnerable people everywhere.

We believe that those living in poverty and inequality are not only resilient but that they are able to take control of their own lives. Together we can build towards an even brighter future.

A stylized, handwritten signature in black ink, appearing to read 'Dr. Musa'.

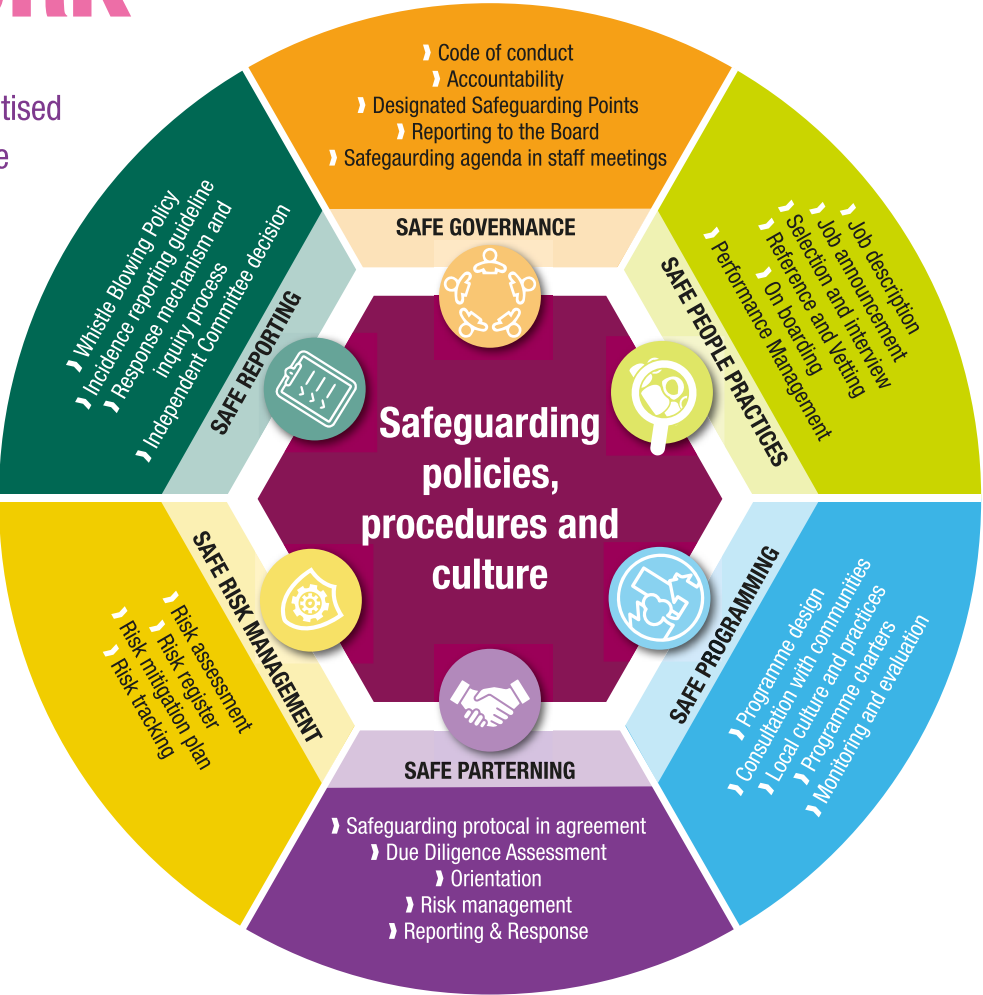
Dr Muhammad Musa
Executive Director
BRAC International

BRAC SAFEGUARDING FRAMEWORK

Since its inception, BRAC has prioritised the safety and wellbeing of all those it works with – stakeholder of all programmes, members of staff and volunteers, and partners and donors. From the beginning of 2018, BRAC strengthened its safeguarding compliance, and has committed to ensure that safeguarding measures are incorporated across all levels of the organisation.

BRAC currently operates with six safeguarding standards: safe governance, safe people practices, safe programming, safe partnering, safe risk management and safe reporting. A safeguarding unit has been formed within BRAC Human Resources and Learning Department to provide technical support in strengthening safeguarding at organisational, programmatic and partnership levels.

BRAC has developed a standalone safeguarding policy as well as specialised policies to address sexual harassment, protection of children and adolescents, prevention of workplace bullying and violence, rights of persons with disabilities, and whistleblowing. All members of staff at BRAC are trained on safeguarding through classroom and online sessions. Different programmes and departments are in the process of developing risk mitigation plans to



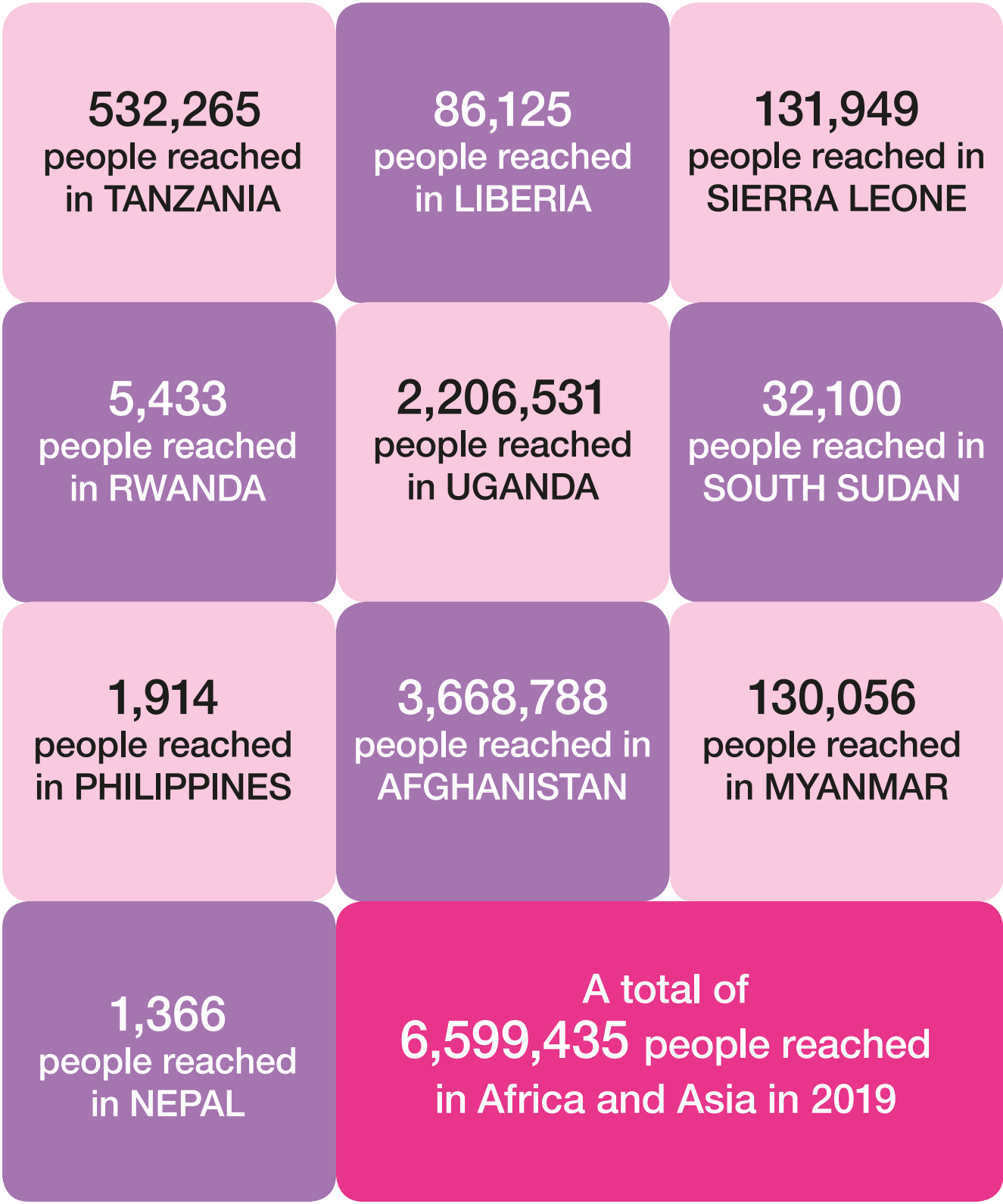
curb safeguarding risks associated with their work.

BRAC’s overall strategy to safeguard people is firstly through means of prevention. If that fails, each case or incident violating the policy is addressed through a mechanism that is fair, transparent and objective. Our priority is to take safety measures for the complainant if and when an incident arises.

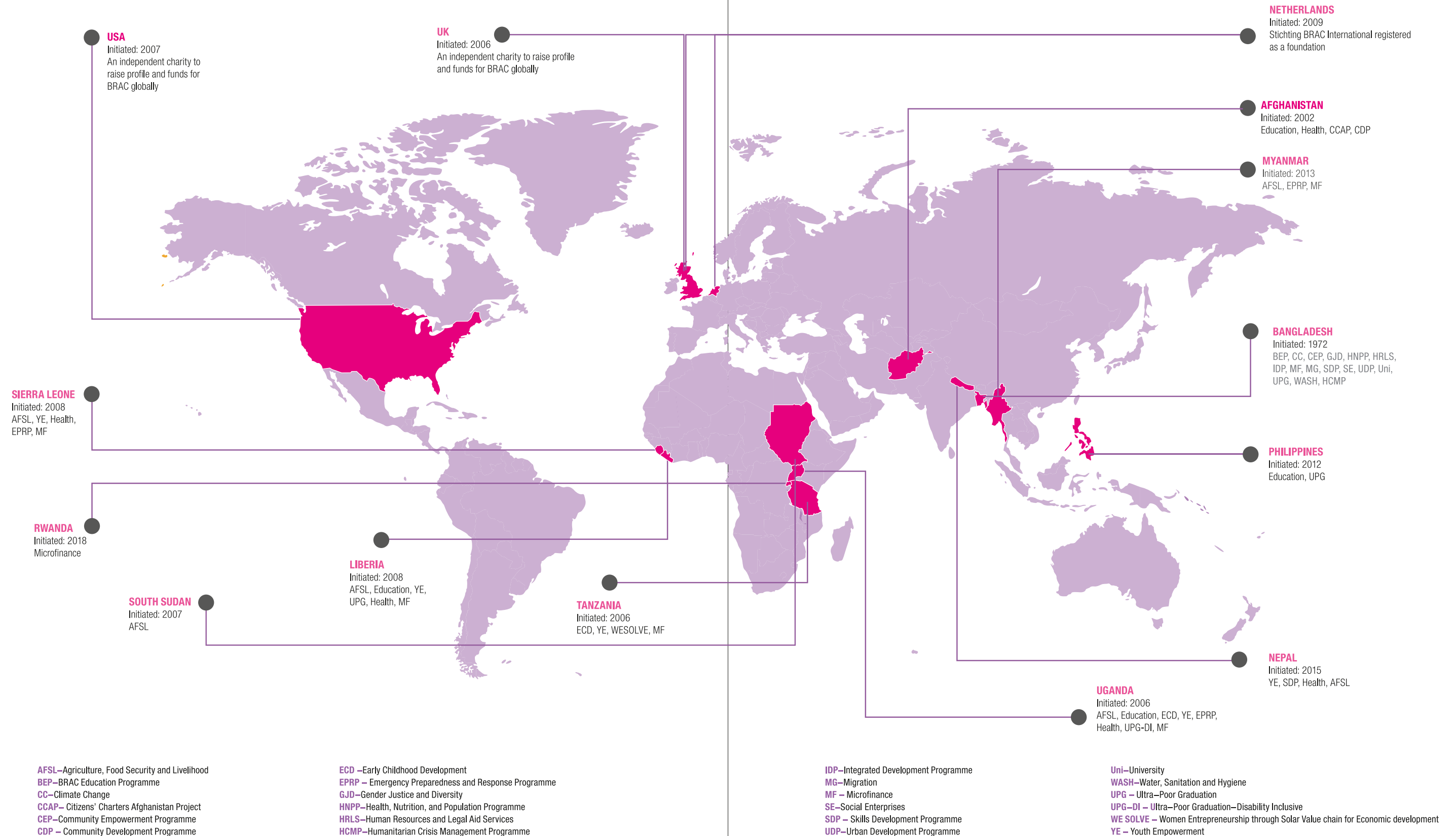
BRAC has a robust internal investigation process and unit with two separate streams to address

safeguarding-related breaches, as well as two independent decision-making committees. A centralised 24/7 call centre has been established to lodge complaints. Additional emphasis is given on awareness and data management related to complaints regarding all forms of harassment and bullying. BRAC’s safeguarding unit implements action plans jointly developed with DFID, and in collaboration with all its programmes and departments to build a strong safeguarding culture within the organisation.

OUR COUNTRY-WISE REACH IN 2019



BRAC ACROSS THE WORLD



STICHTING BRAC INTERNATIONAL MANAGEMENT, AS OF 31 DECEMBER, 2019

MANAGEMENT BOARD



DR MUHAMMAD MUSA
EXECUTIVE DIRECTOR
BRAC International



SYED ABDUL MUNTAKIM
DIRECTOR
Finance
BRAC International



RUTH OKOWA
DIRECTOR
Africa Region
BRAC International



M ANOWAR HOSSAIN
DIRECTOR
Asia Region
BRAC International



SHARMIN SULTAN
DIRECTOR
Human Resources
BRAC International

DIRECTORS



SHAMERAN ABED
SENIOR DIRECTOR
Microfinance, Ultra Poor Graduation
BRAC and BRAC International



DIRK BROER BOOY
SENIOR DIRECTOR
Programme Development, Resource
Mobilisation and Learning,
BRAC and BRAC International



HANS ESKES
DIRECTOR
BRAC International Holding B.V.



SONIA WALLMAN
DIRECTOR
Grant Management, Programme
Development, Resource
Mobilisation & Learning,
BRAC and BRAC International



KENNETH CAROL VAN TOLL
DIRECTOR
Institutional Fundraising
and Partnership
BRAC International



MARJOLEIN VAN DEN HOVEN
DIRECTOR
Private Sector Fundraising
BRAC International



AUDREY AHWAN
DIRECTOR
Programme Development, Resource
Mobilisation and Learning,
BRAC and BRAC International



MOUTUSHI KABIR
DIRECTOR
Communications and Outreach
BRAC and BRAC International



NANDA DULAL SAHA
DIRECTOR
Internal Audit
BRAC and BRAC International



MD SAJEDUL HASAN
DIRECTOR
Humanitarian Programme
BRAC and BRAC International

STICHTING BRAC INTERNATIONAL SUPERVISORY BOARD



Marilou van Golstein Brouwers
Chair (Appointed Chair to the Board on
7 April 2020, member since 28 March 2019)

Stichting BRAC International Supervisory Board BRAC International Holdings B.V. Supervisory Board

Marilou van Golstein Brouwers is a former chair of the Management Board and founder of Triodos Investment Management BV, a subsidiary of Triodos Bank.

Ms Brouwers is an international entrepreneurial impact investment banker, with more than 30 years of experience in values-driven business and banking, with immense expertise on impact investing.

She started working for Triodos Bank in 1990 and was involved in the founding of Triodos Investment Management, of which she became the managing director in 2003. She was the chair of the Management Board from January 2015 to December 2018.

Ms Brouwers is currently active in a variety of roles. Within Triodos Bank, she is a member of several boards and involved in the start-up of the Triodos Regenerative Money Centre. She is also a member of the Board of Directors of the Global Impact Investing Network and the Special Working Group on impact economy by the Global Steering Group for Impact Investment. She is chair of the Supervisory Board of B Lab Europe and the Supervisory Board of Qredits, The Netherlands, one of the Women Entrepreneurs Finance Initiative Leadership Champions.

Ms Brouwers has served on the board of directors of banks in Uganda, Kenya, Tanzania, Russia, Afghanistan and Pakistan. She was a member of the Group of Advisors for the United Nations Year of Microcredit in 2004 and 2005, of the Executive Committee of CCAP (2003-2008), the Board of Trustees of Women's World Banking (2003-2012), the Advisory Committee of the Mastercard Foundation Fund for Rural Prosperity (2014-2017) and the Advisory Council on International Affairs Committee for Development Cooperation in The Netherlands. She was chair of SBI Limited (2011-2013), the Steering Committee of the Principles for Responsible Investment / Principles for Investors in Inclusive Finance (2011-2013) and the Advisory Board of Women in Financial Services in The Netherlands (2011-2016). She was also treasurer of the Max Havelaar Foundation (2008-2015).

Ms Brouwers studied business and economics at Erasmus University in Rotterdam.



Ameerah Haq
(Was appointed as the Board Chair on
6 August 2019 and resigned on 7 April 2020)

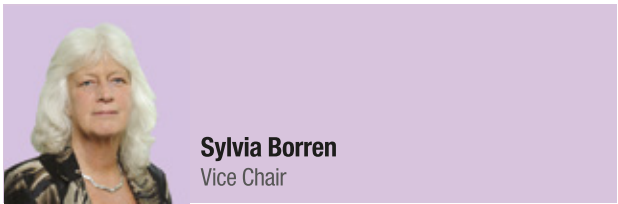
Stichting BRAC International Supervisory Board

Ms Ameerah Haq is the former UN under-secretary-general for the Department of Field Support. She held the position of under-secretary-general from 2009 till her retirement and was the senior-most Bangladeshi national in the United Nations during those years. She most recently served as the vice chair of the high-level independent panel on peace operations for the UN. She has over 39 years of UN experience including 19 years of field experience. She was the last special representative of the secretary-general (SRSG) in the UN Integrated Mission in Timor-Leste. She has also held the positions of deputy SRSG and UN resident coordinator in Sudan, as well as deputy SRSG and UN resident coordinator in Afghanistan. In addition, Ms Haq has held senior positions within the UN development programme and has served as UN resident coordinator in Malaysia and Laos.

Ms Haq currently serves on the Board for the Centre for Humanitarian Dialogue in Geneva, on the secretary-general's senior expert group on Human Rights Up Front, on the Board for the Peace Operations Training Institute, Williamsburg, Virginia. She is also a special advisor to the United Nations Foundation in Washington and a member of the Special Advisory Group of the Challenges Forum of the Folke Bernadette Academy of Sweden. Ms Haq lectures frequently at many universities and speaks at seminars hosted by think tanks and non-governmental organisations.

During her service in the UN, Ms Haq was awarded the highest Presidential Medal in East Timor by President Jose Ramos Horta, the highest civilian medal of the Lao People's Democratic Republic and the Malalai Medal of Honor from President Hamid Karzai of Afghanistan, which is among the highest civilian honors given for courage and dedication. She is also the recipient of the Julia Taft Outstanding Humanitarian Service Award during the time she served as humanitarian coordinator for her work in Darfur, Sudan.

Ms Haq received a bachelor of science degree in psychology from Western College for Women in Oxford, Ohio in 1969. She subsequently went on to receive a master of science degree in Community Organization and Planning from Columbia University, New York in 1972, and a master in business administration from New York University in 1974.



Stichting BRAC International Supervisory Board


Sylvia Borren has worked all her life within and for civil society organisations, both professionally and as a volunteer.

She was part of the Dutch and global women's and sexual rights movements (COC, ILGA, IWC for a just and sustainable Palestinian-Israeli peace) and is now advisor to the UN Women National Committee Netherlands and ATRIA (the Institute on gender equality and women's history). Ms Borren was part of the anti-poverty movement (director of Oxfam Novib 1994-2008, co-chair of the Global Call to Action against Poverty and EEN) and is now the Vice Chair of the Stichting BRAC International Supervisory Board.

She was on two national governmental advisory commissions (for Youth Policy and the Advisory Council on International Affairs), co-chair of the Worldconnectors (a Dutch think tank), on the board of a large mental health institute (Altrecht), worked as an organisational consultant with De Beuk for many years, led the project Quality Educators for All with the trade union Education International, and continues to be a member of the Worldconnectors.

Ms Borren was recently director of Greenpeace Netherlands (2011-2016), part of the Forest Stewardship Council Netherlands, and is now on the advisory commission of Staatsbosbeheer, which manages nature reserves.

She is now a freelance consultant at 'Working for Justice' and a senior adviser for Governance & Integrity.



Dr Debapriya Bhattacharya
Member

Stichting BRAC International Supervisory Board

Dr Debapriya Bhattacharya, a macroeconomist and public policy analyst, is a Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dhaka, where he was its first Executive Director. He was the Ambassador and Permanent Representative of Bangladesh to WTO and UN Offices in Geneva and Vienna and former Special Advisor on LDCs to the Secretary General of UNCTAD. Earlier, he was a Senior Research Fellow at the Bangladesh Institute of Development Studies (BIDS).


He studied in Dhaka, Moscow, and Oxford. Visiting positions held include Senior Fulbright Fellow at the Center for Global Development, Washington DC. He serves on the boards and working groups of various leading institutions and editorial boards of reputed journals including Oxford Development Studies. He was General Secretary of the Bangladesh Economic Association for three consecutive terms.

Dr Bhattacharya chairs the Southern Voice, a network of 50 think tanks from Africa, Asia, and Latin America, dedicated to following up and reviewing

the implementation of the Sustainable Development Goals (SDGs). He led the pioneering multi-country studies on shaping the 2030 Agenda of the United Nations, data deficits of SDG monitoring, and early signals of SDG implementation in the developing countries. He also chairs LDC IV Monitor, an independent partnership of eight international organisations and academic institutions engaged in monitoring the outcome of the fourth United Nations Conference on the Least Developed Countries.

He serves as the Convenor of the Citizen's Platform for SDGs, Bangladesh - a platform of more than 100 NGOs and private sector bodies, seeking to contribute to the delivery of the SDGs at the country level.

He recently edited the volume Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises, Routledge (2018); Southern Perspectives on the Post-2015 International Development Agenda, Routledge, London (2017); team leader of the study Quest for Inclusive Transformation of Bangladesh: Who Not to be Left Behind (2017).



Parveen Mahmud FCA
Member

Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSf, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananyinna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



Stichting BRAC International Supervisory Board

Shabana Azmi is an internationally celebrated film and theatre actress. She has won five national and five international awards for best actress.

She is a highly respected social activist and tireless campaigner for the rights of women, slum dwellers, and the underprivileged. She heads the Mijwan Welfare Society (MWS), an NGO that works for empowerment of the girl child in rural India. MWS works on education, primary health and sanitation, skill development, and employment generation.

Ms Azmi was nominated to The Rajya Sabha by the President of India in 1997. She is a recipient of the Padmashri and Padma Bhushan. She was awarded the Gandhi International Peace Prize in 2006. At the bicentennial celebrations of international human rights in Paris in 1989, she was honoured along with Mother Theresa by President Mitterand of France. She also won the Crystal Award at the World Economic Forum 2006. She has been conferred five Doctorates by renowned universities, both national and international. She has received the prestigious Martin Luther King, Rosa Park, and Chavez Awards and is a visiting professor at the University of Michigan. A former UN Goodwill Ambassador for Population and Development, she continues to work on issues of public health. She has recently been nominated as Global Leadership Ambassador for Women in Public Service Project initiated by Hillary Clinton.



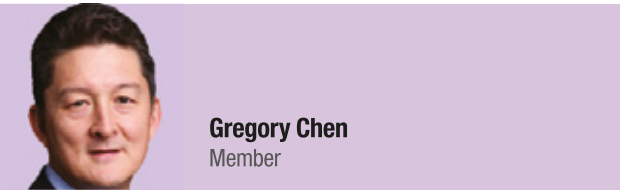
Stichting BRAC International Supervisory Board

Victoria Balyejusa Sekitoleko is a former Minister of Agriculture in the Ugandan government. She was a representative of the United Nations Food and Agriculture Organization (FAO) in China, Mongolia, and South Korea, and previously served as the FAO's representative in Ethiopia to the African Union and to the Economic Community for Africa.

Ms Sekitoleko is currently the chair of the governing board of the Uganda Agribusiness Alliance, which unites all those involved in the industry to optimise their ability to profitably and sustainably pursue the many global opportunities in the world's largest industry.

In 2010, Victoria founded the Uganda Community Cultural Center which trades as Speakers Forum. This trains professionals to become skilled presenters and also supports community libraries.

Ms Sekitoleko was educated at Makerere University in Kampala, where she attained a BSc in Agriculture majoring in Farm Management and Extension.



Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Gregory Chen has worked on financial inclusion for 25 years, with most of his work spanning across South Asia. His work focuses on hands-on advisory and implementation with microfinance institutions and, for the past decade, with newer players in digital finance. This has included work with digital players like bKash, Wave Money and also development organisations including the Aga Khan Development Network, BRAC, and Dvara. His work has included deep technical engagements with more than a dozen financial sector regulators. He has also worked as a corporate banker at Bank of America and with the financial services consulting firm Enclude.

Mr Chen is a member of CGAP's management team and oversees CGAP's policy Engagement. He focuses on helping policy makers adapt to the rapid change in the world of financial services brought on by technology, and particularly to ensure that financial systems can responsibly reach the disadvantaged.

Mr Chen is a regular speaker on microfinance and digital finance at the Boulder Institute for Microfinance, BRAC University, Johns Hopkins, Tufts University, Yale University, and American University, among others. He has a master's degree in international development from Harvard Kennedy School and a bachelor's degree from Wesleyan University.

GROUP FINANCE AND
AUDIT COMMITTEE

- Composition of the present finance and audit committee is as follows:
- Parveen Mahmud FCA, Chair
 - Dr Muhammad Musa, Member
 - Syed Abdul Muntakim, Secretary
 - Sylvia Borren, Member
 - Hans Eskes, Member
- The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:
- Financial reporting and budgeting processes
 - System of internal controls and risk assessment
 - Compliance with legal and regulatory requirements
 - Qualifications, independence, and performance of the external auditors
 - Qualifications, independence, and performance of the internal auditfunction

DEVELOPMENT PARTNERS





PROGRAMMATIC REACH OF BRAC INTERNATIONAL IN 2019



833,921

people through the **Education programme** in Afghanistan, Philippines, Uganda, and Liberia



16,623

people through the **Early Childhood Development programme** in Tanzania and Uganda



100,313

people through the **Agriculture, Food Security and Livelihood programme** in Myanmar, Nepal, South Sudan, Uganda, Liberia, and Sierra Leone



59,359

people through the **Youth Empowerment programme** in Nepal, Tanzania, Uganda, Liberia, and Sierra Leone



7,725

people reached through the **Emergency Preparedness and Response programme** in Myanmar, Uganda, and Sierra Leone



3,307,849

people reached through the **Health programme** in Afghanistan, Nepal, Liberia, Uganda, and Sierra Leone



2,401

people reached through the **Ultra-Poor Graduation programme** in Uganda and Liberia



646,442

borrowers and **150,231** depositors through the **Microfinance programme** in Myanmar, Uganda, Liberia, Tanzania, Sierra Leone, and Rwanda

AGRICULTURE, FOOD SECURITY AND LIVELIHOOD

LIBERIA, MYANMAR, NEPAL, SIERRA LEONE, SOUTH SUDAN, UGANDA

Agriculture interventions focus on raising levels of food security and nutrition, improve sustainable food productivity and incomes, and contribute to the growth of the economy. Globally, 821 million people lack enough food they need to live an active, healthy life. One in every nine people goes to bed hungry.



OUR APPROACH

Agriculture, Food Security and Livelihood (AFSL) programme focuses on four strategic directions: a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.

In **Liberia**, AFSL builds the capacity of farmers, small entrepreneurs, community-based organisations (CBOs), community service providers, and other stakeholders through supply of essential inputs and creates sustainable market linkages. We conduct awareness campaigns in communities to improve nutritional behaviour-change, and we strive to empower women farmers to increase their participation in agricultural production. In **Sierra Leone**, AFSL focuses to improve food security of smallholder farmers through fostering diversification of the livestock

sector and reducing poverty through developing a functioning livestock value chain. AFSL facilitates training of farmers, strengthening the capacity of market actors, extension agents, and introducing new livestock technologies. For cassava value chain, focus is on farmers' training, private sectors engagement, strengthening capacity of market actors - input and output dealers and linking them to each other. In addition, our Microfinance activities are integrated with the AFSL intervention through agri-loan facilitation for livestock and agriculture actors for West Africa (Liberia and Sierra Leone).

In **Uganda**, farmers, newly arrived refugees, persons with specific needs, extremely vulnerable individuals in the host communities are trained and supported through the Food and Agriculture Organization (FAO) funding. Moreover, BRAC Uganda Seed Enterprise Ltd produces quality seeds and disease-free banana plantlets to supply commercially to farmers. In **South Sudan**, the AFSL programme provided emergency livelihood support to food insecure, displaced households, and vulnerable populations affected by hunger, malnutrition and destitution.

In **Myanmar**, AFSL conducted needs assessments on people with disabilities and provided training on agricultural technologies and business skills through modules for over 3-4 months on aquaculture and pond-dyke farming. Meanwhile, in **Nepal**, training of vulnerable households focussed on goat rearing, vegetable cultivation, supplying them with inputs, and establishing sustainable market linkages.

MOVING FORWARD

AFSL will continue to collaborate with governments, partners, community-based organisations, and the private sector to provide technical assistance and expand into new sectors with high impact such as cash crops and fisheries, facilitate adoption of products and innovations, including increased use of technology in agriculture and financial services. The Microfinance programme will play a major role with agri-loan products for West Africa (Liberia and Sierra Leone).



A LITTLE HELP ALONG THE WAY

Dick S. Johnson, a pig farmer for 35 years. Currently lives with his wife, four children, and four grandchildren in Waterloo, Freetown, Sierra Leone.

In the course of pig farming, Johnson has always sought effective ways and methods to find improvements. "I am one of the few pig framers that opted for cross breeding with exotic breeds. That method has earned some of the biggest and commercially viable pigs in the recent years for me", shares Johnson.

In 2019, BRAC Sierra Leone provided training on pig farming and livestock biosecurity to Johnson which covered many aspects of technicalities he was not aware of. They learnt how to take proper care of the pigs and piglets in a hygienic way and not leave them unattended; they should have their designated pots to drink and eat so that they don't consume their own feces.

Farmers like Johnson in the community now regularly meet and share experiences as an organised group in order to sharpen their knowledge further. BRAC Sierra Leone's training helps build the capacity of farmers.

"BRAC helped me build a new structure in my pig farming expertise. Most importantly I have been able to educate two of my children till their university with the earning from pig farming. I am incredibly proud of this achievement. I am grateful to the support I received from BRAC which helped me to enhance my farming and living standard", shares Johnson.



DID YOU KNOW?

- ✓ Around the world, 821 million people do not have enough food to stay healthy.
- ✓ One in every nine people goes to bed hungry each night.



HIGHLIGHTS

Trained **1,140** farmers and **100** school management committee members on agronomic practices: crop production, consumption, and post harvest management in Sierra Leone

3,150 people (52% women and 16% children under-5) have benefited from increased household income and improved food and nutrition security in Sierra Leone

Trained and supported **4,032** farmers with climate smart agriculture & homestead gardening and 2,016 poor households for livestock and livelihood in Liberia

1016 – farmers have been supported for low land development and vegetable gardening in Liberia

55,966 farmers (Newly arrived refugees, Persons with Specific Needs (PSN), extremely Vulnerable Individuals (EVI) in the host communities) trained and supported in Uganda

32,100 farmers trained, distributed of crop seed and emergency livelihoods kits in South Sudan

Provided **50** women farmers one-day training on goat rearing and insurance in Nepal, and also distributed 50 six-month old female goats to women farmers in Nepal

The small-scale aquaculture project in Sagaing Region, Myanmar, has **426** households as participant and provided 291,600 fingerlings to direct participants in Myanmar

SUSTAINABLE DEVELOPMENT GOALS



EARLY CHILDHOOD DEVELOPMENT

TANZANIA, UGANDA

Experiences during early childhood years shape brain architecture and have a direct impact on social, emotional and learning skills. Marginalised children in Tanzania lack access to early childhood education, protection, and are exposed to adversities that may impair their optimal development. Similarly, children in Uganda live in poverty, malnutrition, dismal humanitarian conditions and with lack of quality early childhood services.



OUR APPROACH

BRAC's Early Childhood Development (ECD) programme is an investment in human development towards breaking intergenerational cycles of poverty. We provide early learning opportunities through our Play Labs to 3-6 year olds, with a play-based early learning model. Our Play Labs are safe play spaces, providing a conducive playful learning environment with cost effective locally made learning materials to children in marginalised communities.

With trained Play Leaders at our Play labs centres to facilitate learning through play. We involve parents with volunteering opportunities and enhance their capacity through parenting education. Parents and community members develop play materials for children. We also provide technical support to governments to enhance the quality of early learning services through curriculum development and capacity building. Our centres are either community based or co-located with government primary schools.

MOVING FORWARD

With our extensive experience in implementing a play-based ECD model, we will scale up our interventions to reach more communities and families. Moving forward we plan to strengthen our quality of service delivery; diversify our programme by developing models for humanitarian context such as: Humanitarian Play Labs, social enterprise model of ECD, and by providing technical support to primarily government and other stakeholders by strengthening their capacity to deliver quality early childhood development services for a sustainable future.



DID YOU KNOW?

- ✓ 90% of a child's brain develops by age 5.
- ✓ Worldwide 175 million children are not enrolled in pre-primary education.



HIGHLIGHTS

CHANGING LIVES PLAYFULLY

Birungi Rukia is a 35-year-old Play Leader teaching at our play lab at Narwara Islamic Primary School. She is a single mother of two boys, and lives in Narwara village, Luwero district, Uganda.

She completed her education up to Ordinary Level in 2001 and gave birth to her first son soon after. In order to look after her son, she ventured into a small-scaled grocery business which did not last for long. In 2009, she got married and had her second son. Unfortunately, the marriage fell apart and she resorted back to petty businesses to look after her two children.

In 2018, BRAC Uganda organised a meeting to sensitise the Narwara community members on play-based learning. Rukia was intrigued to learn about the ECD model, training opportunities, and how parents can also get involved.

Rukia decided to join one of the training offered by the ECD programme. She learnt how to make play materials, lesson plans, learning aids, and importance of child centered teaching, play-based learning, and how to provide emotional support to students.

The community leaders encouraged Rukia to start teaching at the community based Play Lab. "I love teaching and spending time with young children but was scared to apply," Rukia says. The Head Teacher of Narwara Primary School supported her to make the right decision of becoming a Play Leader.

"The students are lively, smart, and eager to learn, they are the reason why I want to come to the Play Labs and teach them," Rukia says. "The Play Lab project has changed my image in the community. Parents now trust and respect me. They are amazed by the practical learning we offer to their children. I am forever grateful to BRAC Uganda for this life changing experience".

In Uganda, we established **70** Play Labs, **57** in government primary schools, and 13 in the community targeting 3–5 year olds, with a total enrollment of **2,174** children (girls: 1,102, boys: 1,072). In addition, we extended technical support to 40 government primary schools

111 Play Leaders and 120 lower primary teachers were trained on play based pedagogy in Uganda

3,345 parents were trained on ECD and parental well being in Uganda

We reached a total of **2,194** children (1108 boys and 1086 girls) and **2194** parents through our ECD interventions in Tanzania

We established **35** Play Labs in Government Primary Schools in Tanzania

19 out of 20 play labs in Mbeya region while 17 out of 20 in Dar-es-salaam have been sustained by the respective Play Leaders who took over the operation with technical support from BRAC



EDUCATION

AFGHANISTAN, PHILIPPINES, LIBERIA, TANZANIA, UGANDA

More than 258 million children in the world are out of school, and nearly 800 million adults are illiterate. Sub-Saharan Africa comprises 47% of the world's out-of-school children. People in poverty and discrimination are the most affected by this global learning crisis.



OUR APPROACH

Our Education programme started in **Afghanistan** in 2002, aiming to remove barriers that prevent children from receiving education. We communicate the benefits of having schools in the villages, strengthen rural communities, and make local governments more responsive.

In the **Philippines**, our “ADM” project (2012-2019) provided basic education to children in the remote areas of the 5 provinces of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). In collaboration with the Australian government, Department of Education (DepEd), Ministry of Basic, Higher and Technical

Education (MBHTE, and fifteen local partner organisations, we followed the K-to-12 curriculum of DepEd and developed instructional materials to cater to the diverse needs of the communities.

In **Tanzania**, our project “Education, Empowerment and Life skills for Adolescent Girls and Young Children (EELAY), funded by NORAD, provides free tutoring sessions through face-to-face teaching and access to basic educational materials for out of school girls so that they are able to complete secondary education.

In **Uganda**, our “Mastercard Foundation Scholars’ Programme” promotes gender equality by providing an enabling environment and competitive criteria for access to quality secondary education and we strive to ensure at-least 60% enrolment of girls and support them to transition into university or employment through Technical Vocational and Education Training (TVET).

In **Liberia**, our approach emphasises child-centered learning, teacher training, improving the learning environment, promoting gender sensitivity, child safeguarding, and working to support the Liberian Ministry of Education.

MOVING FORWARD

We will continue to influence global and national policies to improve children's access to quality education. We will invest in the use of digital tools to support e-learning. We will work alongside communities, governments, and partner organisations at many levels to address all obstacles that keep children out of school, aspects of basic education including access and retention at all levels.



EDUCATION IS A LADDER OF OPPORTUNITY

Nasrin Gul is a 13-year old who lives in Mahal-e-Arifan area of Enjil District in Herat province, Afghanistan, with her family of seven. She attends the Adolescent Learning Program (ALP) classes. She suffers from a physical disability that makes walking and strenuous tasks difficult.

Nasrin's sisters and brothers are younger than her and they do not attend school.

The family had been displaced from Jawand District of Badghis, and they moved to Herat due to conflict and insecurity. Nasrin shared that life was difficult in Badghis and they felt unsafe.

Nasrin Gul expresses her gratitude saying, “My father was uncomfortable sending me to schools that were taught by male teachers, until he heard and researched about BRAC Afghanistan's classes. My mother and teachers convinced my father to allow me to study. Now, both of my parents are happy with their decision; as they see that I can now read and write and my teacher is also a female. My mother attends every meeting organized by our respective teachers. My father is aware of the class environment and has no concerns with continuing my education. I am happier now than I was in Badghis and prior to joining this class. I am the only person that can read and write in my family so it has had a positive impact on all my family members. I feel proud and empowered”.



DID YOU KNOW?

- ✓ More than 258 million children, adolescents, and youth are out-of-school.
- ✓ Around the globe, 132 million girls are out of school, including 34.3 million of primary-school-age, 30 million of lower-secondary school-age, and 67.4 million of upper-secondary school-age.



HIGHLIGHTS

We operated **263** community-based Secondary Girls schools (CBGS) with 7,675 girls in 10 provinces of Afghanistan in 2019

11,558 children were enrolled in primary schooling in Afghanistan in 2019

1,964 learners across the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) catered during 2018–2019 in the Philippines

5,449 scholars have been successfully selected and enrolled for Secondary education in Uganda. 83% have transitioned into further education at University and other tertiary institutions

3,245 scholars completed their secondary education and have been supported to transition into university in Uganda.

5,573 adolescent girls and young women were recruited to participate in the fourth phase of the GOAL project in uganda

626 girls were registered for Alternative Education Pathway in Tanzania

987 children were enrolled in our early childhood development intervention in Tanzania

Enrolled and supported **9,524** children (4,121 boys, 5,403 girls) in 45 primary public schools and 20 community learning centers in Liberia

Graduated **454** students (253 boys, 201 girls) from primary to secondary in Liberia

HEALTH

AFGHANISTAN, SIERRA LEONE, LIBERIA, UGANDA

In Afghanistan, only 59% women can receive post-childbirth treatment and a mere 51% deliveries are attended by skilled midwives. Meanwhile, the maternal mortality rate in Sierra Leone is the highest in the world with 1,360 mothers dying in every 100,000 live births. In Liberia, the infant (under-five) mortality rate is 84.6 per 1,000 live births, and the country has some of the highest prevalence rates for malaria and tuberculosis in Africa. Neonatal disorders, HIV, and malaria are some of the top causes of death in Uganda.



OUR APPROACH

In Afghanistan, we established health posts and health centers with various scopes and range of services, including sub health centres, mobile health teams, basic health centres, comprehensive health centres and district hospitals. Our core services include basic healthcare, child health and immunisation, public health nutrition, communicable diseases control, and mental health amongst many others.

In Sierra Leone, our Community Health Promoters (CHPs) embark on robust engagement and sensitisation at schools and communities. We work together with the district health management teams to conduct awareness sessions and radio shows on the prevention and control of malaria. In Liberia, we operate the “GFATM NFM-2 TB Project” aiming at strengthening TB/HIV collaboration to reduce mortality and morbidity in Montserrado county. Under this project we worked exclusively with * The National Leprosy and Tuberculosis Control Programme (NLTCP) of Ministry of Health (MOH) to support selective 12 Health Facilities for ensuring better and timely treatment for referred TB patients. Moreover, our “TB Reach Wave-6” project aims to engage informal and formal healthcare practitioners to improve TB case detection and treatment outcomes in Montserrado county.

In Uganda, our intervention complements government efforts by empowering the CHPs to deliver critical maternal, child health and water-sanitation related services to communities living in the last mile.

Our overall objective is to provide low cost treatment, lower morbidity and mortality amongst children under-five from preventable diseases, improve access to a wide range of basic health products in poor, rural areas, and improve the micronutrient intake of children under-five.

MOVING FORWARD

We plan to move forward with innovative and complementary projects and reach out to vulnerable people in hard-to-reach communities. We will be working intensively with community stakeholders, influential bodies, and governments to create healthy communities.



A MOTHER SURVIVES

Hawa Konneh, 32 years old, is currently unemployed and lives with her children in Thinkers village, Liberia. Recently after her husband passed away, she fell ill with symptoms such as incessant coughing, loss of appetite and weight. She visited the hospital but could not get a proper diagnosis.

Hawa was visited by two of the BRAC Liberia’s Health programme staff who briefed her on healthcare information and advised her to get her cough tested. They provided her with a sample cup to collect the cough and took her to Eternal Love Winning Africa Hospital (ELWA) the next day. She received a call after 2 days to get her results and got diagnosed with tuberculosis. Fortunately for her, the doctor reassured her saying that it could be cured if she took her medicines regularly.

The Health programme staff who had visited her earlier, continued to check up on her over phone calls and visits to ensure that she was taking her medicines. Two months into the treatment, she had recovered and regained her appetite. She expresses her gratitude towards BRAC by saying: “I am grateful for BRAC Liberia Health programme for saving my life. I hope they continue working hard and saving more lives.”



DID YOU KNOW?

- ✓ More than 50% of the people in the world do not have access to proper healthcare.
- ✓ An estimated 5.2 million children under-5 die mostly from preventable and treatable causes.



HIGHLIGHTS

In 2019, we implemented five projects in Afghanistan, covering a total of **38** districts and **2,742,824** people

12,053 out patient department services were provided for children under-5 and **272,100** children were screened and monitored for growth in Afghanistan

Mobilised **1,066** functional community health clubs with **10,660** club members in Sierra Leone

Reached a total of **2,558,000** people with key messages on the prevention and control of malaria in Sierra Leone

102,955 households were visited by CHPs and Programme Assistants in Liberia

3,880 sputum collected and tested at the GeneXpert Centers and Microbiological Center in Liberia.

Registered **15,000** new pregnant women through **3,200** CHPs in Uganda

The CHPs assessed more than **200,000** under-five sick children, and treated them for malaria, pneumonia, and diarrhea respectively in Uganda

HUMANITARIAN PROGRAMME

Disasters and humanitarian crises not only hamper achievement of development goals but also cause significant setbacks in organisational operations. BRAC has a long history of emergency response, since its inception in 1972. BRAC International is currently operating in 10 disaster and conflict-prone countries, where 807 disasters affected more than 237 million people, killed over 325,000 and caused almost USD 60 billion in damages since 2000.

The BRAC International Humanitarian Programme (BIHP) strives to provide assistance to increase the resilience of individuals and communities facing emergencies and natural disasters in the BRAC International (BI) countries of operation through improved systems, standard operating procedures for disaster response, disaster preparedness plans, disaster risk vulnerability assessments, and capacity building initiatives for its key staff.



Emergency Preparedness and Response Programme (EPRP)

BIHP, in partnership with the Bill and Melinda Gates Foundation, is implementing the EPRP in Myanmar, Sierra Leone, and Uganda, to build the local emergency

preparedness and response capacities through a participatory, community-based, and inclusive approach in six schools, six communities, and six local governments.

Disaster Preparedness in Refugee Settlements

In Uganda, we are operating in the refugee settlements of Arua and Kiryandongo, to support both the refugees and members of the host communities. Our programme helps community members adapt to population changes, environmental changes, and socioeconomic shifts. The intervention also educates them to prevent and prepare for disasters and hazards.

MOVING FORWARD

BIHP is developing a BI Standard Operating Procedure (SOP) for Humanitarian Response, in addition to developing a Global Humanitarian Response Strategy. The development of these documents will help BRAC International become a worldwide leading organisation, ready to save lives and alleviate suffering of individuals affected by disasters. BIHP will also provide support to all 10 Country Offices through the provision of capacity building training sessions to improve their disaster response capabilities.



A SURVIVOR AND A SAVIOR

Beatrice Loana is a community volunteer working with BRAC Uganda in Kiryandongo Refugee settlement. In 2019, under the Emergency Preparedness and Response Programme (EPRP), she was one of the selected Trainer of the Trainers (ToTs) among the Community mobilisers.

Beatrice is a refugee, coming from the war-torn South Sudan. “We lost 4 people while fleeing when the war broke out and many lost their lives as well since we could not rescue them or provide first aid to the injured ones,” she says. “Being an Emergency Team Volunteer with BRAC Uganda has been one of the best achievements as a young girl who dropped out of school. I feel privileged to be able to help my community,” she adds.

BRAC Uganda provided her with training on first aid, search and rescue. The training equipped her with the necessary skills and knowledge on how search and rescue groups work. She is now more confident and better prepared to help her community members in case of any disasters or emergencies.

Beatrice shares that she is grateful to BRAC and Uganda Red Cross Society for the training that she has received since she can now save lives and help rebuild her community which became her new home.



DID YOU KNOW?

- ✓ Natural disasters kill on average 60,000 people per year, globally.
- ✓ On average more than 25 million people are displaced every year by sudden-onset disasters.



HIGHLIGHTS

In Myanmar, **354** flood-affected people were oriented on disaster risk reduction and preparedness during the flood recovery response initiative for Bago, Nyaunglaybin, and Taungoo

In Bago Township, Myanmar, **3,919** students and 317 members of the community participated in an earthquake simulation exercise

A total of **442** participants received training on First Aid, Search and Rescue, Disaster Preparedness, and Disaster Risk and Vulnerability in Myanmar

From 11 June 2019, BRAC Uganda Emergency Teams responded to the Ebola outbreak throughout all the border points with the Democratic Republic of Congo, the West Nile region, and the South Sudan border point including the refugee settlement. During the response, **460** community members, **200** refugee community volunteers, **50** members of the refugee welfare council and **200** BRAC staff were sensitised on Ebola

In Sierra Leone, **160** community volunteers and **122** school disaster management club volunteers were trained, and 60 government staff were oriented on disaster management and response

In Uganda, **235** students, **83** teachers and education department officials, and **726** community members were trained on disaster preparedness, first aid, and search and rescue

SUSTAINABLE DEVELOPMENT GOALS



MICROFINANCE

LIBERIA, MYANMAR, RWANDA , SIERRA LEONE, TANZANIA, UGANDA

Access to financial services is a critical component to solving some of the world's most persistent problems such as poverty and inequality. Yet, approximately 1.7 billion adults in the world do not have access to formal financial services. Over half of all unbanked adults are women.

OUR APPROACH

Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

In 2019, we started an initiative to systematically measure our social outputs and outcomes.

The first baseline impact assessments covered five countries: Myanmar, Liberia, Sierra Leone, Tanzania, and Uganda. The results from the survey demonstrate that we are achieving our mission, and our interventions can bring positive improvements in the quality of life of our clients. This exercise complements the ongoing Social Performance Management and Client Protection initiatives, and will enable us to set targets and define strategies to reach more people living in poverty, and achieve positive long-term impact.

BRAC International Microfinance (BI MF) operates in six countries outside of Bangladesh. Each company is registered under the laws of respective countries and uniquely positioned to serve their markets.

We provide inclusive financial services in a way that is accessible and convenient, and tailored to the local needs of our clients. Our main products include a collateral-free, group-based microloan provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses. We are focusing on digitising field operations and adopting alternative delivery channels to enhance operational efficiency and offer greater value to our clients.

In 2019, our microfinance operation in Uganda transformed into a Tier 2 Credit Institution - the first such

transformation for BI MF. With this transition, the new entity called BRAC Uganda Bank Ltd (BUBL), now offers three savings products customised for different demographics, in addition to our loan products.

BRAC Myanmar Microfinance Company Limited (BMMCL) has the third largest branch network among microfinance operators in Myanmar. Alongside our core products, we provide microenterprise loans specifically tailored for women, credit to smallholder farmers, and an inclusive financing product for persons with disabilities.

Launched in 2019, BRAC Rwanda Microfinance Company PLC (BRMCP) is the first BI MF entity to have fully digitised operations from the outset. It offers a group-based microloan for women entrepreneurs, and a voluntary savings deposit service. BRAC Tanzania Finance Limited (BTFL), BRAC Liberia Microfinance Company Limited (BLMCL), and BRAC Microfinance Sierra Leone Limited (BMSLL) are the largest microfinance providers in the country by the number of clients and branch networks. In addition to our core products, BMSLL and BLMCL also offer loans for jobholders with low to moderate income who are often unserved by mainstream banks.

MOVING FORWARD

With the COVID 19 pandemic, our clients' financial resilience, built up over the past 14 years, has been severely tested. We are endeavouring to maintain it through additional support and providing the right financial tools to strengthen and multiply their inherent resilience at the individual, household and community level.

As part of BRAC International Microfinance's Growth for Impact Strategy, we are looking to further our global footprint and enter up to five new countries by 2024 with a net increase of over 1 million active clients. We will continue to conduct client impact assessments every year, to set targets and define strategies to achieve positive long-term impact for our clients and further enhance our rural and poverty outreach to achieve greater impact at scale.



AN UNBROKEN SPIRIT

My name is Zar Chi Lin. I am 23 years old and I live in Mandalay. I experienced bullying when I was in school due to my physical condition. I could not go out or work like everyone else. It was hard for me to live a normal life.

I always wanted to contribute financially to the household as the eldest daughter of my family. We completely depend on the income of my father who works as a carpenter. It is hard for him to support our family by himself due to the irregular nature of his work.

As part of a project of BRAC Myanmar Microfinance for persons with disabilities, I received training on life skills, business development, and technical management. This gave me the knowledge and confidence that I needed to start my own business. I took a loan of 500,000 MMK [USD 358], and also received a 500,000 MMK [USD 358] as grant to buy stock to start my own clothing shop.

With BRAC Myanmar's support, I have gained the confidence to work towards my dream - to become the owner of the biggest shop in the biggest market of my city.



DID YOU KNOW?

- ✓ Globally, only 65 percent of women have an account compared with 72 percent of men
- ✓ Globally, half of unbanked adults come from the poorest 40 percent of households within their economy



HIGHLIGHTS

646,442 total clients, an increase of 13% from 2018

USD 267.57 million microfinance loans disbursed, an increase of 8% from 2018

97% of the clients we served were women, 57% lived in rural areas and 83% reported they could not easily access a good alternative to BRAC

2019 BASELINE IMPACT ASSESSMENT HIGHLIGHTS

Conducted by 60 Decibels using Lean Data surveys with the support of Global Partnerships (All the surveyed clients were women)

96% of clients reported that their quality of life has improved because of BRAC

83% of clients reported using savings to pay for an emergency expense after working with BRAC

91% of clients reported that their ability to save more has increased

96% of the women surveyed reported earning more and **69%** reported contributing to family decisions more frequently

SUSTAINABLE DEVELOPMENT GOALS



ULTRA-POOR GRADUATION

Liberia, Philippines, Uganda

Nearly 400 million people in this world live in ultra-poverty, earning less than USD 1.90 per day.

Ultra-poverty is not just about a lack of money. The ultra-poor are in a poverty-trap facing challenges to everyday survival that come in many forms: they typically have no assets, such as land or livestock, no skills, no education, little to eat, and limited access to clean water, health and public services. They are marginalized within their own communities and can express no hope for a better future.



OUR APPROACH

BRAC's Ultra-Poor Graduation (UPG) approach is a globally recognised model for its innovative and holistic solution to ultra-poverty. It is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.

The year 2019 saw the successful completion of the first Graduation pilot in **Uganda** with 94% of youth participants (1,474 people) meeting the mandatory graduation indicators. In October 2019, a new Disability Inclusive Graduation project was launched in partnership with Humanity Inclusion (HI) and National Union of Women with Disabilities of Uganda (NUWODU). This project aims to help 2,700 people aged 15-64 living in ultra-poverty, of those a minimum of 405 (15%) people are with disabilities. In **Liberia**, our objective for the year 2019 was to uplift 750 female-headed households living in ultra-poverty and help them achieve economic self-reliance for a sustainable future. We implemented the project in 2 counties: Bong and Margibi. In the **Philippines**, we provide Kabuhayan (livelihoods starter kits), asset transfers, training in asset and business management, savings mechanisms, social and health issues, and coaching by Graduation Community Facilitators.

MOVING FORWARD

We will focus on building robust systems for Monitoring, Evaluation, and Learning (MEL) to identify, verify, and share results from UPG projects internally and externally with other poverty reduction and social protection actors. This will involve piloting a digital data management system in Uganda, and multiple impact studies in collaboration with renowned knowledge partners in Liberia and Uganda.



SUCCESS IS SELF-RELIANCE

Theresa Sumo, a 35-year-old mother of 9 children, lives in Horton's Farm community in Kakata, Margibi County, Liberia. She was a cassava farmer and a day labourer struggling with providing for her family before she joined the BRAC Ultra-Poor Graduation (UPG) programme.

"Life has been challenging for me and my family over the years. Finding food for my nine children and sending them to school has left me at the mercy of God and my relatives," she states.

Upon getting selected into the UPG programme, funded by Dutch Postcode Lottery, Theresa was trained on framing pigs and producing soaps. She was given 3 pigs as main assets along with raw materials for soap making (as supporting assets). She was also provided with a weekly stipend of 980 LD (5.00 USD) from the programme through the Village Savings and Loan Association (VSLA). The programme has also supported her with construction materials to build a pig pen. Equipped with the training that she has received, she started her journey as a pig farmer.

The 2 female pigs that she had received farrowed 18 piglets together. Furthermore, she is also making 2000 LD (10.00 USD) as net profit from her soap making business. This has enabled her to pay her children's school fees and food. She is now hoping to generate enough money to build a house for her family.

"I'm so proud of myself that I could come this far. I always felt like a nobody but I am now recognised in my community for my success. I'm grateful to BRAC for bringing this programme to my community and helping us," she says. Moving forward, she plans to extend her farm and her soap making business, build her new house and send her children to good schools so that they can also become successful in the future.



DID YOU KNOW?

- ✓ 80% of the people in ultra-poverty live in just 14 high-burden countries.
- ✓ The Graduation approach has been adapted in over 43 countries by NGOs, governments, and multilateral institutions.



HIGHLIGHTS

89% of the 1,650 project participants in the pilot UPG project graduated from ultra-poverty in Uganda

In June of 2019, livelihood assets distributed increased by the following points: 138%, pigs 673%, chicken 46% and small business 5% in Uganda

97% (1,601) of targeted youths had at least 2 income sources

1,181 participants have received complete livelihood asset packages in the Philippines

About 70% of the 966 participants who participated in the Household Welfare survey in December 2019 reported that they were able to save in the Philippines

Transferred productive assets to 750 households in Liberia

Formed 40 Village Savings and Loan Associations in Liberia

SUSTAINABLE DEVELOPMENT GOALS



YOUTH EMPOWERMENT

Liberia, Nepal, Sierra Leone, Tanzania, Uganda

Young people, particularly girls across the developing world face risks and barriers during adolescence that prevent them from accessing opportunities, gaining fundamental skills, and making healthy transitions into adulthood. Early marriage, gender based violence (GBV), economic vulnerability, and lack of access to proper healthcare and education creates a cycle of economic and social disempowerment.



OUR APPROACH

Realising the diverse needs of young people, particularly the girls, BRAC's Youth Empowerment Programme takes a three pillared approach to ensure youth are educated, socially and economically empowered and their enabling environment is strengthened to support them reaching their full potential. Following this approach our signature model Empowerment and Livelihood for Adolescent (ELA) aims to empower adolescent girls and young women (AGYW) aged 10-22, help them to become active agents of social change in their own families and communities. In Tanzania, Sierra Leone and Liberia we work to socially and economically empower 900 AGYW (aged 10-22), along with 30 girl mentors by positively influencing their

knowledge, attitude and practice on GBV, Sexual and Reproductive Health (SRH) and economic potential. In Uganda, our programme empowers AGYW (13-19 years) through equipping them with knowledge and skills particularly on SRH, HIV, GBV, financial literacy, vocational training, and creating linkages with the livelihood sector. In Tanzania, the "Goal" project, helps girls aged 14-24 with entrepreneurship and employability skills, and give them the opportunity to learn through sports. Additionally, our "Skills for Their Future" project supports girls aged 16-19 by providing digital literacy and entrepreneurship skills. The Education, Empowerment and Life-skills for Adolescent Girls and Young children (EELAY) project provides access to secondary education for out of school girls, and creates opportunities for them to get engaged in income generating activities. In Nepal, through the safe spaces our programming offer adolescent girls knowledge on multiple social issues: SRH, GBV and abuse, and child marriage. Besides, through an apprenticeship approach we also aim to promote productive employment and income generation for young girls.

MOVING FORWARD

We aim to reach young people in hard-to-reach areas, and continue to support in improving their social and economic wellbeing. We look forward to integrating digital technology, strengthening partnership with the government, and other organisations to create a holistic integration and synergy for the sustainability purpose.



CRAFTING A BETTER LIFE

Rabia Aziz is 18 years old and lives with her parents in Temeke, Dar es Salaam, Tanzania. She is a member of Empowerment and Livelihood Adolescents (ELA) club in Temeke. Before joining the club, Rabia was a secondary school student who was unable to continue with her education because her family could not pay the school fees.

At home, Rabia was always helping her mother with her small-business of selling chilli sauce, which was the main source of income at her home. Since she joined the ELA club, Rabia was able to learn a lot more about running a business as she received a lot of training on entrepreneurial skills.

With the skills she learned from the club, she is now able to grow her mother's business from selling six bottles a day to 20 bottles a day. She had learned ways to market and sell products, to keep records and be able to calculate profit and loss which resulted in the growth of her family business.

"Previously I blamed myself for the business not doing well, but now I am very well equipped to grow this business and also be able to start another one," shared Rabia.



DID YOU KNOW?

- ✓ 1 in every 3 women have experienced physical or sexual violence.
- ✓ By 2021 around 435 million women and girls will be living on less than \$1.90 a day.



HIGHLIGHTS

Recruited **770** girls in our youth empowerment initiatives in Tanzania

453 girls were empowered with life skills, entrepreneurship, employability and vocational training education in Tanzania

We reached **17,195** adolescents through 616 "safe spaces" in the project areas of **24** districts in Uganda

3,972 adolescents received livelihood training while **1,048** were equipped with start-up kits in Uganda

Engaged **600** parents during community forums across **10** communities in Sierra Leone

Trained **150** youth club Mentors who are in charge of **30** girls each in Sierra Leone

Supported **300** vulnerable adolescent girls and young women across two counties in **10** communities in Liberia

Provided life-skills education to **300** young women to help them build their self-esteem and obtain their full potential in Liberia

300 girls aged 11-21 regularly attend the 16 youth clubs in Nepal

94 out of 99 girls completed lighting and electrical technician training in Nepal

SUSTAINABLE DEVELOPMENT GOALS



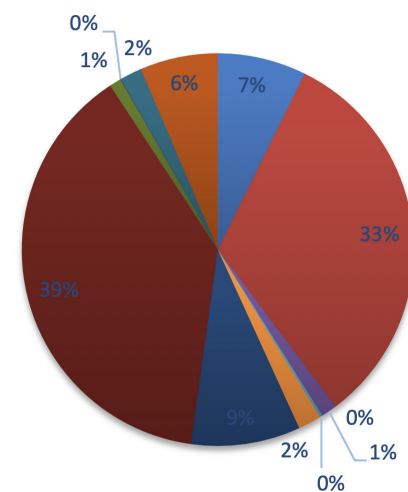
FINANCIALS

FINANCIAL HIGHLIGHTS

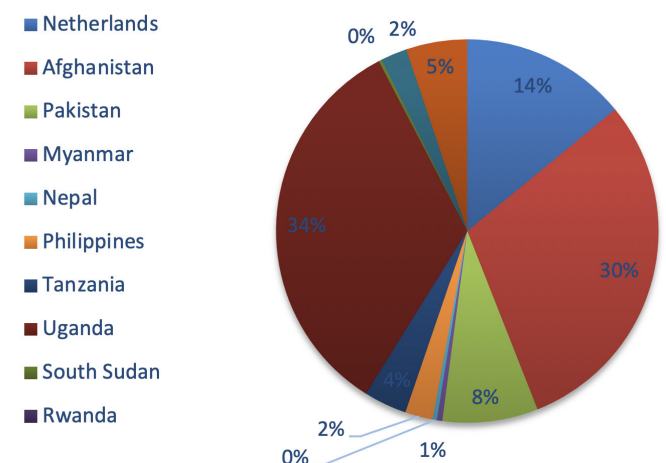
GRANT INCOME BY COUNTRY

Country	2019	2018
	USD' 000	USD' 000
Netherlands	2,715	6,410
Afghanistan	12,047	13,644
Pakistan	-	3,681
Myanmar	482	209
Nepal	79	164
Philippines	713	1,065
Tanzania	3,348	1,657
Uganda	14,316	15,241
South Sudan	361	117
Rwanda	16	-
Sierra Leone	674	1,015
Liberia	2,389	2,360
Total	37,140	45,564

2019 USD'000

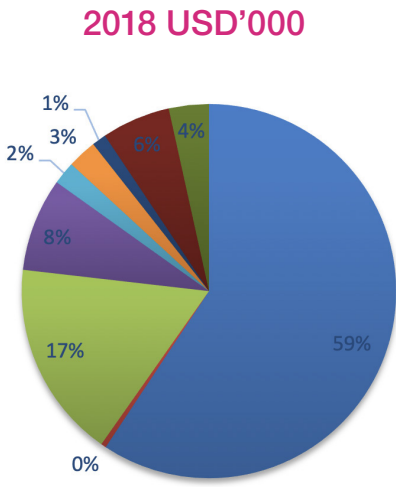
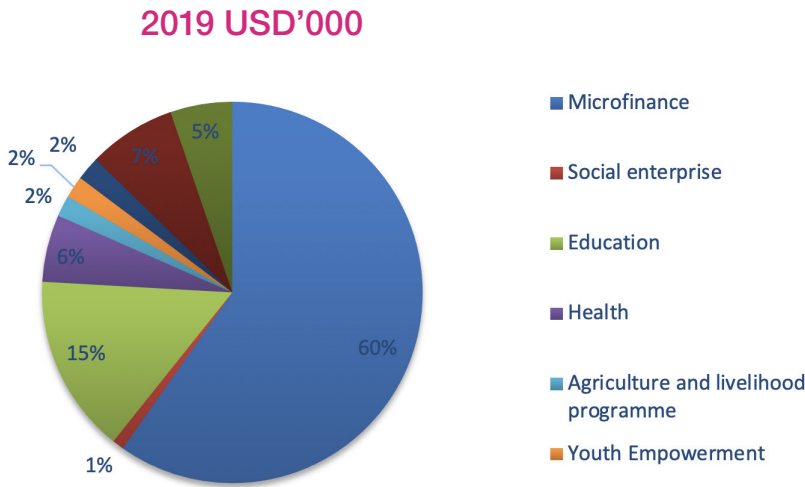


2018 USD'000



PROGRAMME EXPENSES

Programme Expense	2019	2018
	USD' 000	USD' 000
Microfinance	61,975	67,612
Social enterprise	1,023	509
Education	15,712	19,470
Health	5,910	9,192
Agriculture and livelihood programme	1,856	2,255
Youth Empowerment	1,943	2,879
Research	2,092	1,401
Others	7,734	6,761
Secretariat costs	5,466	3,941
Total	103,711	114,020

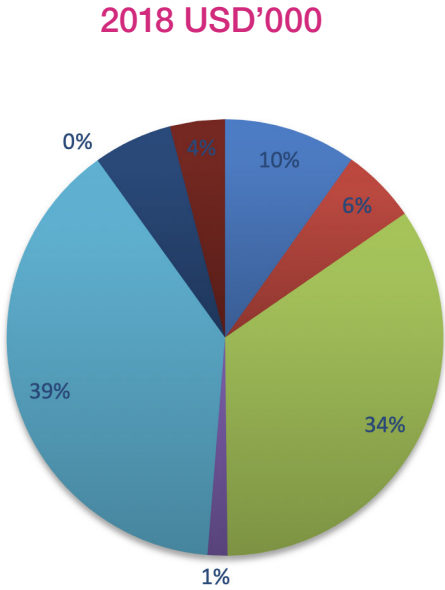
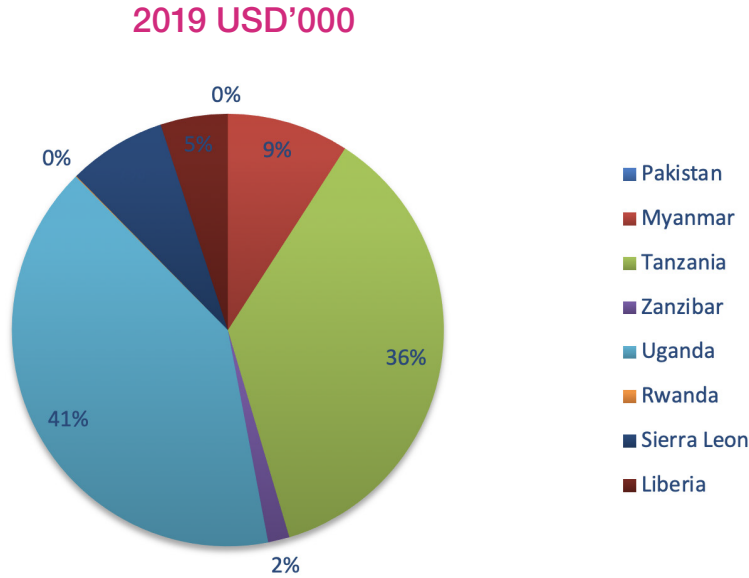


CONTRIBUTION TO GOVERNMENT EXCHEQUER

Contribution to Government Exchequer	2019	2018
	USD' 000	USD' 000
Income tax	6,756	4,220
Withholding tax	2,393	2,681
Pension and other contributions	1,371	1,932
Total	10,519	8,833

SERVICE CHARGE BY COUNTRY

Country	2019	2018
	USD' 000	USD' 000
Pakistan	-	5,553
Myanmar	5,398	3,137
Tanzania	21,437	19,442
Zanzibar	950	831
Uganda	23,971	21,902
Rwanda	34	-
Sierra Leone	4,342	3,308
Liberia	2,980	2,299
Total	59,112	56,472



Stichting BRAC International

Consolidated financial statements 2019

Disclaimer: In the event of any differences or inconsistencies between the text and quantitative information on this internet site and that in the original annual report, including the audited financial statements, as filed at the trade register of the Chamber of Commerce, the latter shall prevail.

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Supervisory Board Report

The Supervisory Board has an overseeing role at Stichting BRAC International (SBI), acts as the employer and advisor for the Management Board. The Supervisory Board upholds the principles of the Code of Good Governance for the Foundation and acts accordingly.

The Supervisory Board's mandate and tasks are laid down in statutes.

Composition and functioning of the Supervisory Board

The Supervisory Board was chaired by the founder of BRAC Sir Fazle Hasan Abed until the 6th August 2019. Ms Ameerah Haq took over the role of the Chair from Mr Abed at this date and she was replaced by the current Chair Ms Marilou van Golstein Brouwers on 7th April 2020. The current chair of the Stichting BRAC International Supervisory Board is also the chair of the Supervisory Board of BRAC International Holdings B.V., the subsidiary for microfinance and social business entities.

The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no Board remuneration applicable for the Supervisory Board. As the organisation values women empowerment and diversity, five out of the seven (70%) Supervisory Board members are female.

The list of current Board members is as follows:

	Name	Member	Nationality
1	Ms Marilou Van Golstein Brouwers (Appointed Chair to the Board on 7 April 2020, member since 28 March 2019)	Chair	Dutch
2	Ms Sylvia Borren (Appointed on 28 December 2016)	Vice Chair	Dutch
3	Ms Parveen Mahmud (Appointed on 28 December 2016)	Member	Bangladeshi
4	Dr Debapriya Bhattacharya (Appointed on 28 December 2016)	Member	Bangladeshi
5	Ms Shabana Azmi (Appointed on 28 December 2016)	Member	Indian
6	Ms Victoria Sekitoleko (Appointed on 8 November 2018)	Member	Ugandan
7	Mr Gregory Chen (Appointed on 6 August 2019)	Member	American

The following persons have served as members of the Supervisory Board previously and resigned in 2019:

- Sir Fazle Hasan Abed KCMG (Resigned on 6 August 2019);
- Ms Ameerah Haq (Appointed as the Board Chair on 6 August 2019 and resigned on 7 April 2020);
- Dr Ahmad Mastaqur Raza Chowdhury (Resigned on 6 August 2019);
- Mr Shafiqul Hassan (Resigned on 6 August 2019);
- Ms Irene Khan (Resigned on 6 August 2019);
- Dr Fawzia Rasheed (Resigned on 6 August 2019).

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the strategy, annual report, financial statements, budget, and business plans.

The Supervisory Board members are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In the discharge of its duties, the Supervisory Board is guided by the interests of the Foundation and its associated institutions.

In doing so, the members confirm that:

- the Supervisory Board met four times in duly conveyed meetings during the year;
- they retain full and effective control over the Foundation;
- the Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2019 audited financial statements and Board report, the 2020 revised budget and the 2020 annual plan and budget. The annual report of external auditors for 2019 was presented and discussed with the Supervisory Board. The Board also approved all new projects undertaken by the Foundation during the year.

The Finance and Audit Board committee, consisting of two members of the Supervisory Board, prepares advice for the Supervisory Board on the annual financial statements, budget and annual report. The committee also monitors the follow-up of points raised in internal, external audits and recommendations in the auditor's letter to management.

Board Nomination Committee was tasked in 2019 with recruiting a new Executive Director for BRAC International, Director, Africa Region and new supervisory board members for Stichting BRAC International. The board nominated two new members in the Stichting Supervisory Board and also appointed a new Executive Director for the Foundation.

The board members also provided significant time in development of BRAC's Global Strategy in 2019. The global strategy will guide different BRAC entities to work together for the next 10 years to achieve the mission.

The Supervisory Board as an employer and advisor

The General Meeting of Shareholders appoints the Management Board. The Supervisory Board determines the salary and other terms of employment of the Management Board members and conducts their performance reviews. The Supervisory Board assists the management board by giving advice.

Compensation

Members of the Supervisory Board do not receive compensation for their work. The Foundation only provides an honorarium of USD 200 (two hundred) to members for attending Board and Board committee meetings.

The Hague, 25 June 2020

On behalf of Stichting BRAC International Supervisory Board

Signed

Ms Marilou van Golstein Brouwers

Signed

Ms Shabana Azmi

Signed

Ms Sylvia Borren

Signed

Ms Victoria Sekitoleko

Signed

Ms Parveen Mahmud

Signed

Mr Gregory Chen

Signed

Dr Debapriya Bhattacharya

(Signed)

Management Board Report

The Management Board of Stichting BRAC International ('the Foundation') hereby submits the Management Board Report for the year ended 31 December 2019.

General information

Stichting BRAC International is a foundation, organised and existing under the laws of the Netherlands with its registered address at Spaarneplein 2, 2515 VK The Hague.

In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world.

Our identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it has helped. BRAC was ranked the number one NGO in the world for the fifth consecutive year in 2020 by the Geneva based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector through its operations around the world. BRAC retained the top spot in the 2020 top 500 NGOs World rankings.

The journey of BRAC began in 1972 in the newly sovereign Bangladesh and dedicated itself in poverty alleviation through empowering the poor and the ones in need. Over the course of its evolution, BRAC has been playing a significant role to arrest poverty in the communities and society as a whole. Currently BRAC reaches out an estimated 138 million people with over 110,000 dedicated and motivated employees.

In 2002, BRAC started to venture out of Bangladesh in Afghanistan and started to implement programmes according to the contexts in different countries. Over the years, BRAC expanded its operation both in Asia and Africa. In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands, to govern all entities outside Bangladesh and with an objective to engage in charitable and social welfare activities in any country of the world.

Stichting BRAC International runs as a welfare institution that brings BRAC's various development programmes into one platform in all entities outside of Bangladesh. The institutional expertise on successfully implemented programmes is deployed in countries while programmes are either replicated or re-designed as per the country context. The activities in countries are in the following major thematic areas: Financial inclusion, Health, Education, Early Childhood and Adolescents, Agriculture and food security and Research and specially designed programmes for Targeted Ultra-Poor communities in countries. Financial inclusion through microfinance programmes runs in six out of ten countries that are making substantial contribution to achieve economic emancipation and getting out of poverty for the people in general.

Our global reach

Stichting BRAC International is based in the Netherlands. However, its reach is far greater, and it creates opportunity for an estimated 110 million people living in poverty in 10 countries spread over two continents. As of December 2019, it operated in Six countries in Africa: Uganda, Tanzania, South Sudan, Liberia, Sierra Leone and Rwanda, and four countries in Asia: Afghanistan, Nepal, Myanmar and the Philippines. In 2019, BRAC International started its Africa Regional office in Kenya.

All of the operations in the countries are brought under one umbrella, giving our international programmes greater cohesiveness and efficiency. BRAC UK and BRAC USA are independent affiliates that raise the BRAC profile globally and are engaged in fund raising in North America and European Markets.

In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

Management Boards role in financial matters

On the financial matters, the Foundation plays the role to consolidate the financial results of all microfinance and social development operations. The consolidated financial statements include the financial data of the Foundation, its group companies and other legal entities over which the Foundation has control.

Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

Our vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Our mission

To empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large-scale positive changes through economic and social programmes that enable women and men to realise their potential.

Our values

Innovation

The Foundation has been an innovator in the creation of opportunities for the people in need to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in ground breaking development initiatives.

Integrity

The Foundation values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Foundation holds these to be the most essential elements of our work ethic.

Inclusiveness

The Foundation is committed to engaging, supporting and recognising the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness

The Foundation values efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Our goal

Stichting BRAC International aims to contribute to welfare activities to alleviate poverty and improve the lives of the people. In line with the Millennium Development Goals (MDG) and Sustainable Development Goals (SDG), Stichting BRAC International will work to:

- end poverty and hunger through financial inclusion;
- achieve universal primary education;
- promote gender equality and empower women;
- skill development of the adolescents;
- improve reproductive and maternal health;
- ensure environmental sustainability.

The Foundation receives grants and other assistance to the attainment of its goals.

Our commitment towards the SDGs

The Sustainable Development Goals (SDGs), officially known as 'Transforming our world: The 2030 Agenda for Sustainable Development' is a set of 17 'global goals', first of which, is 'No Poverty'. Other notable SDGs are no hunger (#2), quality education (#4), gender equality (#5), clean water and sanitation (#6) and climate action (#13).

Stichting BRAC International, by its nature is a socially responsible organisation. The commitment of the organisation is to eradicate poverty from the world through helping the people under poverty by engaging them in economic activities and create sustainable income generation for themselves. In addition to that, we support people who do not have access and affordability to quality education, healthcare and other subsistence needs. We respond to humanitarian and rehabilitation needs in countries around the world. With experience in post-war rehabilitation programmes in Bangladesh in 1972 and Afghanistan in 2002, we went to Sri Lanka after the tsunami in 2004. We also went to Haiti after the 2010 earthquake and Nepal after the 2015 earthquake.

The environment where the legal entities under Stichting BRAC International operate are very often difficult to work in, such as post-Ebola crisis in West Africa, political conflicts in East Africa and few of the Asian countries, countries with hyper-inflation where foreign currency loss dents the bottom line to a large extent. However, we are committed to carry out our mission to develop countries in fragile conditions despite all drawbacks.

Stichting BRAC International carries out all of its development programmes mainly from donor grants through its branches and controlled entities in various countries. The microfinance programmes are run through its 100% owned subsidiary, BRAC International Holdings B.V.

Governance

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

Supervisory Board

Stichting BRAC International has a seven (7) member Supervisory Board. The Supervisory Board Report on page 3-5 outlines the governance role of the Supervisory Board and composition of members.

Management Board

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval.

The Management Board is appointed by the Supervisory Board and their performance is reviewed annually.

The following persons have served as members of the Management Board in 2019:

Name	Member	Nationality
Dr. Muhammad Musa (Appointed on 1 May 2019)	Executive Director	Bangladeshi
Ms. Ruth Okowa (Appointed on 6 August 2019)	Director	Kenyan
Mr M Anowar Hossain (Appointed on 30 August 2018)	Director	Bangladeshi
Mr Syed Abdul Muntakim (Appointed on 6 August 2019)	Director	British
Ms. Sharmin Sultan (Appointed on 6 August 2019)	Director	Bangladeshi

The following persons have served as members of the Management Board previously and resigned in 2019:

- Mr. Faruque Ahmed (Resigned on 30 April 2019);
- Mr. Shameran Abed (Resigned on 6 August 2019);
- Ms. Lamia Rashid (Resigned on 6 August 2019).

The Foundation is trying to bring in more female participation into its Management Board. The male/female gender diversity in the Management Board is 60/40.

The Management Board meets on a monthly basis. In the discharge of their duties, the Directors are guided by the interests of the organisation and supervise the activities carried out by the subsidiary entities. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

Consolidation principles

Stichting BRAC International has the role to manage and consolidate the financial results of the social development programmes, microfinance and social enterprise operations in the eleven countries and an investment in Sri Lanka. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the Organisation has control.

Control exists when Stichting BRAC International, directly or indirectly via BRAC International Holdings B.V., has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

Significant risks and uncertainties

Risks and uncertainties are integral part of operation for any kind of organisation. For Stichting BRAC International, significant risks and uncertainties mainly involves around instability and uncertainties in the post-conflict and in-conflict countries where we operate in. The Foundation is taking necessary measures to handle this on a continuous basis with a risk management framework.

Risk management is practiced across the organisation in a structured approach, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high risk elements. The risk management is categorised into five major categories 1) Strategic, 2) Operational, 3) Financial, 4) External and Environmental, and 5) Political and Legal risks.

Strategic risks

The strategic risks are mainly identified from the organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the program teams of the countries and head office and affiliates.

Operational risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationship with local governments and adoption of local cultures. Operational risks are mitigated through communication, visits and following up from head office as well as local country offices on a regular basis. In addition to that the country monitoring team provides quarterly reports to the group monitoring head which is reviewed and discussed in the management team.

External/environmental/political/legal risks

The risks associated with external environment are beyond our control. These types of risks, such as impact of climate change, natural and man-made disaster, and sudden changes in governmental or legal regulations or regulatory requirements are mostly having precautionary measures as risk mitigation and are mostly based on learnings from previous experience. Maintaining good relationship with government agencies and rapport building are most common mitigation activities.

Financial risk

The financial risk management policy seeks to identify, appraise and monitor the risks identified by Stichting BRAC International, whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. The organisation does not, however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, has sought the grant assistance of donors.

Credit risk

The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the organisational customer base, including the default risk of the country in which customers are located, as these factors may have an influence on credit risk.

In addition, natural calamities, such as natural disaster or disease outbreak triggers risk of credit, which is beyond any control or cannot be mitigated through precautionary measures.

Exposure to credit risk is monitored on an ongoing basis by the respective management teams. For risk management reporting purposes, the Foundation considers and consolidates all above mentioned elements of credit risk exposure. In some subsidiaries (Uganda and Tanzania) the local entities have taken credit insurance policies with third parties to manage the exposure in both client and entity level. The Foundation expects to take such approach in all its subsidiaries subject to availability in the local market.

Stichting BRAC International does not have any significant exposure to any individual customer or counterparty. The service of providing unsecured loans to group members in subsidiary BRAC International Holdings B.V. is one of the main aspect of the group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

The Foundation recognises that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritize and manage the risks involved in all activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

Policy objectives:

- Protect the Foundation and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Foundation will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout the group.
- Meet legal or statutory requirements.
- Assist in safeguarding organisational assets: people, finance, property and reputation.
- Financial instruments only can be used to mitigate risks, these cannot be used for trading and speculation purposes.

The Management Board is responsible on behalf of the Foundation for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The risk management function is responsible to oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment and ensures that those are in conformity with global standards.

Currency risk

Stichting BRAC International is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency and at the Foundation level the US dollar (USD). The presentation currency is USD. The currency in which transactions primarily are denominated is USD. Stichting BRAC International uses hedging mechanism to reduce currency risk where possible. In case of hyper-inflation economies such as South Sudan, hedging is extremely difficult. In those situations, the group manages risk by keeping funds as much as possible in USD and converting funds into local only when necessary.

Year-end closing exchange rate by Country, Local Currency / USD is given below:

Country	2019	2018	Currency depreciation / (appreciation)
Uganda (UGX)	3,665.21	3,715.25	-1%
Tanzania (TZS)	2,295.00	2,298.50	0%
Zanzibar (TZS)	2,295.00	2,298.50	0%
Rwanda (RWF)	922.52	879.10	5%
Sierra Leone (SLL)	9,716.71	8,450.00	15%
Liberia (LRD)	186.41	157.18	19%
Myanmar (Kyat)	1,479.80	1,550.00	-5%
South Sudan (USD)	1.00	1.00	0%
Afghanistan	77.46	75.31	3%
Nepal	113.13	110.74	2%
Philippines	50.74	52.72	-4%
The Netherlands (EUR)	0.91	0.88	3%

Interest rate risk and cash flow risk

Stichting BRAC International's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans provided to group members. The organisation does not engage in speculative transactions or take speculative positions on its interest rates.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall responsibility for management market risks rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangement are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institution facilities.

Stichting BRAC International manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the organisation maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions.

The Internal Audit team through a periodical checks ensure that the organisation is in compliance with all applicable laws and regulations.

Financial reporting risks

Risks related to false reporting to donors or lenders of the Foundation, lack of sound financial policy, systems and processes are being mitigated through multi-layered internal control systems, that makes the monitoring process stronger.

The Internal Audit department conducts audits on a sample basis using risk based approach. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

The Internal Audit function regularly monitors the control check points. The in-country Internal Audit team carries out audit at a branch level throughout the year while the Internal Audit team at the head office performs a country-office audit annually. The Management team is updated with the audit findings and recommendations on a monthly basis. The Internal Audit team at the head office reports to the Audit and Finance Committee, thus maintaining full independence from the Management.

The Internal Audit team ensures through a periodical checks that the company is in compliance with all applicable laws and regulations.

External audit of Stichting BRAC International and all of its subsidiaries are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements mainly following local GAAP, IFRS and the laws of relevant countries for the subsidiaries. For consolidated report for Stichting BRAC International Dutch Accounting Standard 640 of Dutch GAAP and the Netherlands Civil Code (BW2 Title 9) are applied.

Code of Conduct

Stichting BRAC International voluntarily follows a set of codes of conduct to operate in a multi-cultural environment. The Human Resources department of the organisation is the custodian of the codes of conduct and is responsible for overall supervision, implementation and practice across the organisation.

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and safe guarding policy in the organisation. The 'whistle blower' policy is in place and HR takes actions as and when required.

Budget Utilization

In 2019, the Foundation had a budget of USD 113.2 million in the field of financial and development services. As of December 2019, we have been able to utilise USD 103.7 million. The budget amount includes cost of operation, capital expenditures and portfolio growth for microfinance. Sectorial budget versus utilisation rates are given below:

Particulars	Budget USD'000	Utilisation USD'000	Utilised %
Microfinance	65,584	61,975	94
Social Enterprise	914	1,023	112
Education	18,827	15,712	83
Health	8,718	5,910	68
Youth programme	1,880	1,943	103
Agriculture and Livelihood programme	1,979	1,856	94
Social Protection (CCAP)	3,211	2,094	65
UPG	2,558	1,248	49
Others	2,126	4,392	207
Secretariat costs	6,168	5,466	89
Research	1,186	2,092	176
	113,151	103,711	

Activities

Social Development Programmes

Fund raising in Social development programme remained a challenge. In 2019, the Foundation raised new grants of USD 13 million for various programmes in Afghanistan, Tanzania, Sierra Leone, Liberia, Uganda, Myanmar and Philippines. As of 31 December 2019, the Foundation has a donor commitment of USD 68 million for 100 projects in its operating countries.

Education Programme

Active in: Liberia, Uganda, Afghanistan and The Philippines

Based on the positive findings of a feasibility study in Afghanistan of post-Grade 10 education for girls through community based educational approach, BRAC is undertaking a new initiative to implement higher secondary education for girls through the same method. In Afghanistan, negotiations have resulted in the approval for the Girls Education Challenge-Transition (GEC-T) extension phase starting from January 2020 funded by DFID/PwC as well as a new education project of CAD 12 million funded by GAC. BRAC Philippines recently served as a resource expert for the government in crafting a senate bill positioned to provide an alternative learning system of education for adults, out-of-school youth, members of cultural minorities and indigenous people. Education programme reached 833,921 people in 2019. The target was to reach 835,357 people.

Early Childhood Development (ECD) Programme

Active in: Liberia, Tanzania and Uganda

Sir Fazle Hasan Abed, KCMG, Founder of BRAC, received the prestigious Yidan Prize for Education Development, the largest international prize in the field of education, for his ground breaking work on education. With the Yidan Prize fund, plans are underway to scale up ECD intervention in Tanzania and Uganda in 2020. Recently, a social enterprise model for ECD was developed with joint funding from the Vitol Foundation and Erol Foundation, which will be piloted in 2020. ECD programme reached 16,623 people in 2019. The target was to reach 17,479 people.

Youth Empowerment Programme

Active in: Liberia, Sierra Leone, Tanzania, Uganda, Nepal

The Youth Empowerment programme works towards empowering adolescent girls and young women, enabling them to fight existing social and economic oppressions by showing them the pathways to deal with those obstacles. In September 2019, BRAC Nepal became a part of DFID's global Disability Inclusive Development (DID) consortium, with partners Humanity and Inclusion (HI), Light for the World and Sense International, to strengthen reproductive health and livelihoods of youth, including those with disabilities, through safe spaces (ELA clubs). Youth Empowerment programme reached 59,359 people in 2019. The target was to reach 65,661 people.

Health Programme

Active in: Liberia, Sierra Leone, Uganda, Afghanistan

Through a seed fund from Grand Challenges Canada, BRAC Uganda's Health programme is piloting a peer-based family planning project shaped by a social entrepreneurship model. With funds from Global Fund, through Catholic Relief Services (CRS), Sierra Leone implemented the Global Fund Malaria New Funding Model II project in both rural, and urban districts. Due to this project, there are Community Health Clubs with 9,500 members, and School Health Clubs with 3,600 members in seven districts to empower communities in order to create a Malaria-free Sierra Leone. BRAC Health Programme reached 3,307,849 people in 2019. The target was to reach 3,668,667 people

Agriculture, Food Security and Livelihood (AFSL) Programme

Active in: Liberia, Sierra Leone, South Sudan, Tanzania, Uganda, Myanmar and Nepal

The AFSL programme's focus is to increase agricultural productivity and profitability while improving livelihoods through extending sustainable technologies and strengthening market linkages. The programme is jointly working with BI Microfinance to develop an agricultural loan product for West Africa. A new project in Uganda has been successfully completed, with the support of FAO, to assist host communities and newly arrived refugees. For the first time in this sector, a project on Coffee Value Chain has begun in Tanzania in partnership with Vi-Agroforestry. In Myanmar, BRAC has successfully secured a fund from World Fish and started a new project on Cassava Value Chain in Sierra Leone. BRAC AFSL programme reached 100,719 farmers in 2019. The target was to reach 100,313 farmers.

Emergency Preparedness and Response Programme (EPRP)

Active in: **Sierra Leone, Uganda and Myanmar**

With funding from the Bill and Melinda Gates Foundation, the EPRP completed its second phase of the International Emergency Preparedness Programme in 2019 to build the response capacities of community leaders, volunteers, teachers and school students in Uganda, Sierra Leone and Myanmar. The initiative received additional supplementary funds from the Gates Foundation to engage in mitigation work in Myanmar and Sierra Leone and to provide training on psychosocial care and hygiene practices for community volunteers and school disaster committees in Uganda. The EPRP Standard Operating Procedure for Sierra Leone has been completed, while individual SOPs for both Uganda and Myanmar are expected to be completed by the end of the second quarter, 2020. EPRP reached 7,725 people in 2019. The target was to reach 2,640 people.

Ultra-Poor Graduation (UPG) Programme

Active in: **Liberia, Tanzania and Uganda**

BRAC is uniquely positioned to lead the global uptake of the Graduation approach and BRAC International contributes to that agenda by implementing Graduation as a core part of programming. Recently, BI secured funding for a design phase in Tanzania. A research partnership with the London School of Hygiene and Tropical Medicine (LSHTM) is underway to conduct an impact and process evaluation study on the newly launched disability inclusive graduation project in Uganda jointly with the Independent Evaluation and Research Cell (IERC), BRAC University. As of 24 Feb 2020, the project has selected 1,153 ultra-poor households. In Liberia, the UPG pilot has enrolled 751 female-headed households in 2019 and has completed the asset transfer phase.

Microfinance

Active in: **Myanmar, Tanzania, Uganda, Liberia, Sierra Leone and Rwanda**

In line with the guidance of the BRAC Global Strategy, management of the BRAC International microfinance programme concluded its Growth for Impact plan for the period 2020-2024, an ambitious agenda for the next 5 years, to reach out to an additional 1,000,000 clients in existing countries and 3 to 5 new countries. The plan will practically focus on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience and harness women's entrepreneurial spirit by empowering them economically.

Management has chosen to strengthen and supporting the maturing of the country organisations to enable a balanced approach to reach this mission. Initiatives are taken - next to our signatory products - to offer new loan products, to improve the work of our credit officers by partly digitalise the processes, to report on social impact performance indicators and create support to get an adequate funding of the operations by country. In order to achieve our mission, management has made progress to determine an adequate finance, legal and tax structure to facilitate the funding of the ambitious goals.

The key highlight of the year was launch of the BRAC Uganda Bank Ltd in April 2019 to provide banking facility to rural and urban poor population. In this year the bank invested significantly on human resources and core banking systems to comply with the regulatory requirements of the Central Bank of Uganda. It now serves 199,000 borrowers in 163 branches and able to provide full banking service including deposit mobilization for clients. The number of saving accounts is gradually increasing, meeting the request of our borrowers need.

Our Microfinance programme in East Africa, which are established in Tanzania and Rwanda, showed a modest improvement in 2019.

Tanzania increased its outreach by 3%. During the year, BRAC Tanzania Finance has been legally transformed into an entity owned by shares. 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International. Since the organisation already had control, this has no impact on the consolidated financial statements, but only on the stand-alone financial statements, where the investment in BRAC Tanzania Finance Ltd is now presented in the financial fixed assets (note 28).

Our deposit taking licensed operation in Rwanda had some delay in obtaining approval process to start our disbursement but we could open 7 new branch offices out of the planned 10 offices in 2019.

In West Africa our organisations in Sierra Leone and Liberia continued their strong impact. The 63 branches disbursed USD 33 million to almost 100.000 clients.

In Asia we had to take the decision to hand over our activities in Pakistan to an administrator to wind down our operations in the country. In April 2019 the authorities revoked our license to be active in supporting the Pakistani population with the BRAC Education - and Microfinance programmes. We expect not to receive any liquidation results from this operation. This has resulted in an overall impact of USD 7 million for BRAC International as a whole (USD 5.5 million in equity and USD 1.5 million in receivables) for the year due to deconsolidation of results from the financial statements. In Myanmar, our entity was granted by the authorities with a deposit taking license, 25 new branches were opened, our impact increased to 125.000 clients with a disbursement of USD 51 million. In coming years, we expect our operation in Myanmar to have significant growth building on the strong foundation of 2019 results.

Social enterprise

Active in: Uganda

BRAC Uganda Social Business Enterprise Ltd had a challenging year in 2019 due to the drought situation. Overall there was USD 321,995 loss reported in 2019 mainly due to an increase in production cost. The entity hired new management team members to improve efficiency and profitability. We foresee performance improvement in 2020 benefiting from the renewed management focus.

Financial Information

Highlights

- Grants income (NGO activities) decreased by USD 8.4 million to USD 37.2 million (2018: USD 45.6 million) due to completion of GECT project in Afghanistan, DFAT project in Philippine and the previous Living Goods project in Uganda.
- Service charge on loans increased by USD 2.6 million (5%) to USD 59.1 million in 2019 due to increase in portfolio.
- Operating expenses decreased by 1% to USD 79.6 million in 2019 due to continued focus on cost efficiency.
- The net result for the year 2019 amounts to USD 14.2 million, USD 4.5 million lower than 2018 reported results due to the increase in borrowing costs, exhaust in tax losses carried forward in microfinance programmes and deconsolidation of Pakistan results.
- The group reserves amount to USD 112.1 million (2018: USD 106.2 million). The group reserves/total assets ratio was 49.2% (2018: 51.1%). The deconsolidation of Pakistan operation has USD 5.5 million impact in microfinance and USD 0.6 million in social development activities.
- Total assets increased by USD 20.1 million to USD 228 million in 2019 driven by the portfolio growth in microfinance entities.
- Loans to customers increased by 9% to USD 137.8 million in 2019.
- Cash and cash equivalents increased by 10% to USD 65.7 million in 2019. Cash movement of the Foundation has been disclosed in the cash flow statement. The major driver of changes in cash flow is the higher realization of loans from customers in microfinance operations.

The net result for the period and the state of the entity's affairs are shown in the attached financial statements. These will be available for the goals of the Foundation and of its underlying entities.

The reserves are split into General reserves and Legal reserves. The distribution of Legal reserves is restricted for particular countries. This is further highlighted in the notes of the financial statement. The general reserves are sufficient to achieve the goals of the Foundation and ensure the going concern of the entity.

Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2019 is 14% (2018: 19%). This shows that the Foundation is financially strong to manage its objectives throughout the years.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the Foundation is 3.00 (2018: 2.76). It shows that the Foundation has sufficient strength to manage its liabilities.

Outlook for 2020

Planned spending 2020

The sectorial planned spending for 2020 is as follows:

Particulars	Actual 2019	Budget 2020	Increase / decrease
	USD mln	USD mln	%
Microfinance	61,975	115,861	87
Social enterprise	1,023	1,389	36
Education	15,712	21,382	36
Health	5,910	9,335	58
Youth programme	1,943	2,125	9
Agriculture and Livelihood programme	1,856	2,566	38
Ultra poor graduation	1,248	2,140	71
Social Protection (CCAP)	2,094	1,237	(41)
Others	4,392	4,448	1
Secretariat costs	5,466	7,848	44
Research	2,092	1,021	(51)
	<hr/> 103,711	<hr/> 169,352	63

Social Development Programmes

Despite the strong efforts to improve our internal practices and strengthen our overall capacity, a new challenge has emerged that is changing the way we work. The global Coronavirus pandemic has begun to affect BI's work in all our countries at various levels. To respond to the outbreak, BI developed a four-pronged strategic framework as an overall guide for its country office teams to respond to this pandemic. The initial focus of BI has been in promoting staff safety and security, however, we have also started preparing for programmes needed at the community level. A strategic framework has been developed to guide each country's response to the outbreak, as well as provide materials for fundraising opportunities and outreach. The strategic framework is complimented by SOP's providing specific guidance for country office teams. All our staff are working tirelessly to respond to the outbreak and we are dedicated to standing by the people for whom we exist during this challenging time.

We continue to engage with donors to help communities in this crisis and so far received encouraging response on new projects. As of May 2020, we received USD 7.8 million additional commitment but in process of signing from donors for our specific COVID 19 related programmes.

The Foundation will continue its operation on the core programmes such as Education, Health, Agriculture and food security with special focus on Early childhood development, Maternal health. It will also try to expand its graduation programme (Ultra-poor graduation) to more countries where BRAC International is active.

There will be specific focus on strengthening monitoring and learning in Liberia by engaging a specialised team from Innovation for Poverty Action (IPA). Additionally, the

Early Childhood Development and Adolescent and Youth Empowerment programmes embarked on the development of long-term programme strategies. The Management Board has also begun a separate exercise of improving programme quality standards to enhance the quality of our field level programme implementation.

In Stichting BRAC International, there is a separate department for research and development. This department is based in Kampala, Uganda and carries out R&D activities for all the legal entities in all countries. Budget for research is allocated within the programmes and the activities are managed centrally from Kampala.

Microfinance

The impact of the pandemic on our clients and the local economies at large cannot be assessed in full depth at this stage as we are in the middle of this extra ordinary situation. We faced similar challenging environment in West Africa operation in 2014 due to Ebola crisis but at the end came out stronger due to continued support to our staff and borrowers. The Ebola crisis experience has helped us in formulating our action plans in this COVID-19 situation.

Measures to mitigate the operational risks are in place as we have implemented business continuity programs, which include conservative stress testing of our cash flow projections and negotiations with our lenders about deferral of the planned repayments of the principals. We expect the impact to have a downward effect on the 2020 results as we decided to continue to pay the salaries of our staff during the lock down periods. We have amended our business plan for 2020 taking into consideration the impact of the pandemic and remain focused in achieving the revised business plan.

We make reference to paragraph 'subsequent events' in this management board report for further information regarding the measures taken and impact of COVID-19 on the results of the organisation.

Social impact performance

We continue to strengthen and support our microfinance companies in strategic priorities areas to provide responsible, client centric, inclusive financial solutions. Our financial services to women living in poverty in rural and hard to reach areas will be delivered in a transparent, fair and safe way. The Client Protection Principles (CPP) and Universal Standards for Social Performance Management (USSPM) will be implemented to systemize measurement of our social mission as we work toward the measurement of client outcomes. Furthermore, we are supporting the maturing of our MF companies through digitization, for example, the development of digital field application to increase operational efficiency and data collection, and to leverage digital delivery channels to reach more clients.

Business operations

Buoyant from the success in Uganda, the company is planning to start a similar transformation process in Tanzania. The first step of the process will be to transform the existing guarantee company into a shareholding entity.

The Myanmar Company received a deposit taking license in 2019, after being profitable for last three consecutive years. With new funding generated from savings, it is expected the entity will continue to grow significantly in 2020.

The Rwanda entity started as a deposit taking institution and will aim to scale up its operation over the next few years. The West African entities will continue to be profitable and expected to have a double digit growth.

Social enterprise

The company hired a dedicated manager for its seed business and training centres in Uganda. It is in process of developing its next three year business plan focusing on growth, innovation by analysing the market conditions.

Financing of programmes

The financing of the programmes under Stichting BRAC International in all of the countries is managed by two basic sources: i) microfinance programmes and ii) donor grants.

For microfinance programmes, service charges income is the biggest source followed by external borrowings.

Donor grants are mainly used to implement development programmes in thematic areas. Apart from the Foundation itself, the affiliates, BRAC USA and BRAC UK, are also helping us secure donor funding.

In addition, the Foundation is partnering with reputable local and international organisations as part of the local requirements and thus attracting additional capital.

HR

The Foundation is investing on the recruitment and retention of quality staff. Training programmes were conducted throughout the year for capacity building in the organisation. The number of employees increased from 7,708 (Female 67%) in 2018 to 8,037 (Female 71%) in 2019. For 2020, management expects growth in the human resource capability.

Subsequent events

The recent outbreak of COVID-19 (Coronavirus) continues to impact the global economy and markets. On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic due to its rapid spread across the globe. Governments in many countries are taking stringent measures to help contain the virus, including requirement of self-isolation/ quarantine by those potentially affected, implementing social distancing measures and controlling or closing borders. This has led to a relatively weaker economic outlook and uncertainties across the globe. Microfinance activities became limited in communities for our borrowers due to the lockdown of operations. Our operations were largely suspended in April and May with very limited disbursements and cash collections. During the COVID-19 lockdown period we waived interest income on outstanding loans and we experienced a decrease in loan disbursements which will affect the interest income. During June our micro finance branch operations in various countries are slowly resuming their activities.

We envisaged that the organization will experience a short term decrease in profitability in micro finance operation in 2020 due to the lower interest income as a result of the decrease in loan disbursements. We expect the profitability of micro finance entities to return to the normal level in 2021. Our regular Social development programmes were also impacted due to the lockdown. Programs were temporarily suspended in April and May but expected to resume from June onwards. So far we did not have a single instance of donor withdrawing committed grant funding of our program. Our social development teams were mostly engaged in COVID 19 related community awareness activities in April and May. We started COVID 19 related new donor funded Education, Health and other community programmes in response to this crisis.

Since viruses have no boundaries, there will be considerable uncertainties in the next few months. In this respect, the organisation has set up COVID19 taskforce and management teams to develop and implement contingency plans, and closely and continuously evaluating the developments. We will take all necessary actions to keep our operations running and, most importantly, protect our employees and beneficiaries and all other stakeholders. Since we have encountered similar health crisis previously during the 2014 Ebola outbreak in West Africa, we are positive on the results of the implemented measures in the current COVID 19 crisis. For example we kept all staff on the payroll during the lockdown which will enable us to have constant communication with the borrowers and programme beneficiaries to provide them with guidance needed and to commence a smooth resumption when lockdown is lifted.

Based on our understanding, scenario analysis and actions, we have prepared our cash-flow analysis, based upon this, management believes the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2019 based on the current information and does not amount to a material uncertainty over the company's ability to continue as a going concern. At the time of signing the financial statements, management is not aware of any other events after the year end not otherwise dealt with in these financial statements.

The Management Board's responsibility statement

The Foundation's Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2019, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

The Management Board's responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Management Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Foundation has open and constructive communication methods to inform all stakeholders on a regular and proactive basis.

Signing-off by board

The Management Board prepared the financial statements and recommends that the Supervisory Board approves the 2019 financial statements.

The Hague, 25 June 2020

On behalf of the Management Board

Signed

Dr Muhammad Musa

Signed

Ms Ruth Okowa

Signed

Mr M Anowar Hossain

Signed

Mr Syed Abdul Muntakim

Signed

Ms. Sharmin Sultan

(Signed)

Consolidated balance sheet as at 31 December 2019

(before appropriation of result)

		2019		2018
		USD	USD	USD
Fixed assets				
Intangible fixed assets	2	1,695,531		1,736,226
Tangible fixed assets	3	7,224,919		6,452,410
Financial fixed assets	4	4,053,742		4,850,331
			12,974,192	13,038,967
Current assets				
Inventories	5	321,507		446,501
Loans to customers	6	137,811,720		126,687,116
Trade and other receivables	7	11,100,055		8,175,187
Cash and cash equivalents	8	65,709,206		59,484,003
			214,942,488	194,792,807
Total assets			227,916,680	207,831,774
Group reserves				
Reserves	9	112,070,277		106,216,080
Minority interests	9	9,503,743		—
			121,574,020	106,216,080
Non-current liabilities	10		34,794,151	31,202,428
Current liabilities	11		71,548,509	70,413,266
Total liabilities and reserves			227,916,680	207,831,774

The notes on pages 32 to 84 are an integral part of these consolidated financial statements.

Consolidated statement of income and expenses for the year ended 31 December 2019

		2019		2018	
		USD	USD	USD	USD
Income					
Grant income	13	37,139,686		45,564,129	
Service charge income	14	59,111,653		56,472,036	
Other operating income	15	9,483,097		5,973,562	
Total operating income			105,734,436		108,009,727
Cost of outsourced work and other external costs					
	16	(33,812,653)		(39,903,793)	
Wages and salaries					
	17	(34,168,351)		(31,685,771)	
Social security and pension charges					
	18	(1,370,950)		(1,932,110)	
Amortisation and depreciation on intangible and tangible fixed assets					
	2,3	(1,738,767)		(1,028,013)	
Impairment losses on loans to customers					
	6	(1,444,275)		(2,972,155)	
Impairment loss provision on term deposits					
		–		(466,123)	
Other operating expenses					
	19	(7,091,764)		(2,721,323)	
Total operating expenses			(79,626,760)		(80,709,288)
Operating result			26,107,676		27,300,439
Interest income and similar income					
	20	1,452,839		1,741,645	
Interest expenses and similar charges					
	21	(6,601,283)		(6,077,727)	
			(5,148,444)		(4,336,082)
Result from ordinary activities before tax			20,959,232		22,964,357
Corporate income tax					
	22	(6,755,854)		(4,220,440)	
Result after tax			14,203,378		18,743,917
Minority interests					
			(1,065,418)		–
Net result			13,137,960		18,743,917

The notes on pages 32 to 84 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2019

	2019		2018
	USD	USD	USD
Consolidated net result after tax attributable to the Foundation		13,137,960	18,743,917
Translation differences on foreign participating interests	(1,174,989)		(1,815,989)
Donated equity	—		2,461,215
Total of items recognised directly in reserves of the Foundation as part of the group reserves		(1,174,989)	645,226
Total result of the legal entity		11,962,971	19,389,143

The notes on pages 32 to 84 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

	General reserve	Legal reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2018	36,917,313	56,056,613	(6,146,989)	86,826,937
Unappropriated result for the year	11,383,536	7,360,381	–	18,743,917
Transferred to general reserve (ref. – note 1)	28,819,351	(28,819,351)	–	–
Donated equity	–	2,461,215	–	2,461,215
Foreign currency translation differences	–	469,405	(2,285,394)	(1,815,989)
As at 31 December 2018	77,120,200	37,528,263	(8,432,383)	106,216,080
As at 1 January 2019	77,120,200	37,528,263	(8,432,383)	106,216,080
Unappropriated result for the year	8,872,283	4,265,677	–	13,137,960
Transferred to general reserve (ref. – note 1)	31,457,706	(31,457,706)	–	–
Changes in consolidation scope	–	(6,108,774)	–	(6,108,774)
Donated equity	–	–	–	–
Foreign currency translation differences	–	2,745,721	(3,920,710)	(1,174,989)
As at 31 December 2019	117,450,189	6,973,181	(12,353,093)	112,070,277

The notes on pages 32 to 84 are an integral part of these consolidated financial statements.

Legal reserve is restricted for the specific country operation and cannot be used for any other use. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan and Zanzibar operations are under this category. From September 2019, BRAC Tanzania Finance Ltd was incorporated by shares therefore no longer included under legal reserves.

Changes in consolidation scope includes the amount of USD 6.1 million consolidation loss in BRAC Pakistan.

Consolidated cash flow statement for the year ended 31 December 2019

		2019		2018	
		USD	USD	USD	USD
Cash flow from operating activities					
Net result			13,137,960		18,743,917
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	2,3	1,738,767		1,028,013	
— Impairment/write-off in loans	6	1,444,275		2,972,155	
— Impairment provision on term deposit		—		466,123	
— Incremental stake in Sierra Leone and Liberia		—		—	
— Interest income and expenses		5,148,444		4,336,082	
— Tax on result from ordinary activities	22	6,755,854		4,220,440	
— Change in minority interest	9	1,065,418		—	
— Other movements in loans		(3,671,250)		(2,446,244)	
— Change in consolidation scope		—		—	
— Changes in working capital:					
✓ Change in inventories		122,717		70,438	
✓ Change in trade and other receivables		(4,295,025)		(1,866,319)	
✓ Change in other liabilities		5,603,563		(256,536)	
			13,912,763		8,524,152
Cash flow from business operations			27,050,723		27,268,069
Interest paid		(6,565,793)		(5,571,605)	
Income tax paid		(3,229,324)		(4,085,227)	
			(9,795,117)		(9,656,832)
Cash flow from operating activities (carried forward)			17,255,606		17,611,237

Stichting BRAC International

		2019		2018
		USD	USD	USD
Brought forward			17,255,606	17,611,237
Investments in:				
— Tangible fixed assets	3	(2,558,917)		(3,667,591)
— Intangible fixed assets	2	(259,778)		(109,883)
— Investments in capital work in progress to tangible and intangible fixed assets		—		(2,166,257)
Investments in capital work in progress to tangible and intangible fixed assets	3	—		1,030,400
Disposals of (in)tangible fixed assets		26,096		—
Sale of shares Uganda 51%		11,636,265		—
· Change in consolidation Scope		(5,515,438)		—
Loans to customers distributed	6	(298,683,466)		(275,500,041)
Loans to customers repayment	6	274,331,147		260,337,182
Cash flow from investing activities			(21,024,091)	(20,076,190)
Increase in borrowings	10	16,339,130		32,738,690
Repayment of borrowings	10	(6,842,397)		(22,658,337)
Changes in donor grant	11	—		(2,139,289)
Donated equity		—		2,461,215
Cash flow from financing activities			9,496,733	10,402,279
Net cash flow			5,728,248	7,937,326
Exchange rate and translation differences on cash and cash equivalents			496,955	(7,589,212)
Changes in cash and cash equivalents			6,225,203	348,114

Stichting BRAC International

	2019 USD	2018 USD
Cash and cash equivalents as at the beginning of the financial year	59,484,003	59,135,889
Changes in cash and cash equivalents	6,225,203	348,114
Cash and cash equivalents as at the end of the financial year	65,709,206	59,484,003

The notes on pages 32 to 84 are an integral part of these consolidated financial statements.

Notes to the 2019 consolidated financial statements

The reporting entity

Stichting BRAC International ('the Foundation') has its legal address in The Hague and its office address at Spaarneplein 2, 2515 VK, The Hague is a Foundation under Dutch law.

Stichting BRAC International's vision is in line with the vision of BRAC Bangladesh, that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity.

In order to achieve this vision, the Foundation, through its subsidiaries (both for profit and not for profit) uses a comprehensive approach to poverty reduction which strategically links programmes in Economic Development (Microfinance and Social Enterprise), to create and protect the livelihoods of poor people.

The Foundation's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles which distinguish the Foundation and its subsidiaries from other micro-finance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

Financial reporting period

The financial statements are for the year from 1 January 2019 to 31 December 2019. The comparatives consist of the year 2018, which ended as at 31 December 2018.

Basis of preparation

The consolidated financial statements of the Foundation are part of the statutory financial statements of the Foundation and have been prepared in accordance with the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

Going concern

These financial statements of the Foundation have been prepared on the basis of the going concern assumption.

Accounting policies for the measurement of assets and liabilities and the determination of the result

General

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Company. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed.

Income is recognised in the statement of income and expenses when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Foundation has provided the services to the customer based upon the finance agreements.

Functional and presentation currency

The financial statements are presented in United States dollars (USD), which is the Foundation's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with the Netherlands Civil Code requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

The following accounting policies are in the opinion of management the most critical in preparing this financial statements and require judgments, estimates and assumptions:

— The valuation of the loans to customers.

Consolidation principles

Consolidation scope

The consolidated financial statements include the financial information of the stand-alone Foundation, its group companies and other companies over which the Foundation can exercise control. Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Foundation has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Foundation with more or less influence.

Group companies exclusively held with the view to resale are exempted from consolidation if the intention to resale was already present at the acquisition date, resale within one year is probable and at the acquisition date (or shortly thereafter) the other indicators for this purpose are being met. These interests are presented as securities, under current assets (exclusively held for sale).

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the result of the group.

In the consolidated financial statements, intragroup shareholdings, debts, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions

with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Foundation has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby the minority interest is presented stand-alone within equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder. The minority interest in the result is deducted from group result on a stand-alone line item in the consolidated statement of income and expenses.

Group companies exclusively held with the view to resale are exempted from consolidation if the intention to resale was already present at the acquisition date, resale within one year is probable and the other indicators for this purpose are being met. These interests are presented as current assets, under securities (exclusively held for sale).

The Foundation's operations are of two types, Microfinance and Donor Funded Development programmes.

Group structure of Stichting BRAC International

The following NGO branches and entities have been consolidated under Stichting BRAC International:

Name	Legal address	2019 share of interest %	2018 share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	100	100
BRAC Liberia	Monrovia, Liberia	Branch	Branch
BRAC Sierra Leone	Freetown, Sierra Leone	Branch	Branch
BRAC Philippine	Cotabato City, Philippines	Branch	Branch
BRAC Nepal	Kathmandu, Nepal	Branch	Branch
BRAC Kenya	Nairobi, Kenya	Branch	Branch
BRAC Uganda*	Kampala, Uganda	—	—
BRAC Afghanistan*	Kabul, Afghanistan	—	—
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	—	—
BRAC South Sudan*	Juba, South Sudan	—	—
BRAC Pakistan*	Islamabad, Pakistan	—	—
BRAC*	Mbweni, Zanzibar	—	—

* The entities with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors.

The goals of the consolidated group companies are aligned with the goals of the Foundation as set out in the Management Board report. Within these consolidated group companies, at least one of the executives of the Foundation is involved as member of the Board of Directors of the local entity.

Stichting BRAC International is represented in several countries as a Branch. On basis of the local registered offices, Stichting BRAC International manages its donor funded activities (NGO).

Consolidated entities of BRAC International Holdings BV

Stichting BRAC International holds 100% shares of BRAC International Holdings B.V. which consolidates all the Microfinance operations under its wing. BRAC International Holdings B.V. has consolidated interests in the companies below:

Name	Legal address	2019 share of interest %	2018 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	–
BRAC Uganda Bank Ltd	Kampala, Uganda	49	100
BRAC Pakistan	Islamabad, Pakistan	–	–
BRAC	Mbweni, Zanzibar	–	–

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of the Company as set out in the Management Board report. Within these consolidated group companies, at least one of the executives of the BRAC International Holdings B.V. is involved as member of the Board of Directors of the local entity.

On September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. Subsequently, 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International. This transaction was regarded as a common control transaction. The net book value of the assets transferred was USD 31.5 million and treated as a share premium contribution.

In April 2019, the Company offloaded 51% of its shareholding in BRAC Uganda Bank to ASN MICROKREDIETPTOOL (17%), DEG (DEUTSCHE INVESTITIONS - UND ENTWICKLUNGSGESELLSCHAFT MBH) (17%) and SHORECAP III, LP (17%). However, BRAC Uganda Bank Ltd remained to be consolidated fully, despite having 49% shareholding, as the company continued to have full control on the entity. Full control has been considered due to, but not limited to, the inability of the other shareholders to make critical business resolutions. For the most critical business resolutions a majority of at least 60% is required. This cannot be achieved without the involvement of BRAC International Holdings B.V. Furthermore, the company has the ability to appoint a majority of the directors.

In Pakistan, we had to take the decision to hand over our activities in Pakistan to an administrator to wind down our operations in the country. However, we lost control over the subsidiary as per 2 January 2019. In January 2019 group management received notice from Security Exchange Commission of Pakistan that the organization is considered performing anti-state activities. Due to the allegations of the Pakistan government we had no ability to perform operational activities in Pakistan. Staff were harassed, offices were closed and all assets were taken into custody of the government. Therefore we start deconsolidation as per 1 January 2019. In April 2019 the authorities revoked our license to be active in supporting the Pakistani population with the BRAC Education - and Microfinance programmes. We expect not to receive any liquidation results from this operation. This has resulted in an overall negative impact of USD 7.5 million for BRAC International as a whole (USD 6.1 million reduction in equity and USD 1.4 million write off in receivables) for the year due to deconsolidation of results from the financial statements.

Business combinations under common control

A business combination under common control is a business combination of an entity that is under common control from the shareholders. Such business combinations are also referred to as common control transactions.

Business combinations under common control are accounted for using the 'carry over accounting' method. In this respect, the assets and liabilities of the combining entities, as well as their income and expenses, for the period in which the combination has occurred are included in the financial statements of the acquiring entity as if they have been combined from the beginning of the financial year. The carrying amounts of the assets and liabilities are combined, no revaluation to fair value takes place. Any differences between the accounting policies of the combined entities are unified through a change in accounting policies.

In the situation that the date of merger is not the date of the start of the reporting period, the results of the acquired entity are recognised in the profit and loss account of the acquiring entity.

Any difference between the nominal amount of the share capital issued as a result of the combination (plus any additional consideration in the form of cash or other assets) and the carrying amount of the assets and liabilities underlying the share capital acquired, is recognised in share premium.

Principles for the translation of foreign currency

Transactions in foreign currencies

At initial recognition, transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the statement of income and expenses in the period in which the exchange

difference arise, except for exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into the functional currency at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into the functional currency at the exchange rate at the time when the actual current value was determined. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

Foreign operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into the functional currency at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into the functional currency at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into the functional currency at the exchange rate at the balance sheet date.

A group company that has received a loan from the parent recognises any translation differences in the statement of income and expenses, even if the loan is regarded by the parent as part of a net investment in a foreign operation.

When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the statement of income and expenses.

Hedging of the net investment in foreign operations

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised as an expense in profit and loss.

Financial instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: loans and receivables (both purchased and issued), equity instruments and other financial liabilities.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the statement of income and expenses at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account.

Investments in unlisted equity instruments

Investments in unlisted shares are measured after their initial recognition at the lower of cost or market value. Purchases and sales of financial assets that belong to the category investments in unlisted equity instruments are accounted for at the transaction date. Dividends are recorded in the statement of income and expenses at the time when they are declared.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the statement of income and expenses.

Redemption payments regarding Non-current liabilities that are due next year, are presented under current liabilities.

Derivatives

The Foundation does not make use of derivatives.

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Foundation has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

Intangible fixed assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are stated at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

At the end of each reporting year, the recoverable amount of intangible assets that 'are not yet put into use/are amortised over a useful life of more than twenty years' is assessed for impairment, even if there is no indication of impairment. The accounting principles for the recognition of an impairment are included under the section Impairments of fixed assets.

Software licenses

Software licenses are stated at cost less accumulated amortisation and impairment losses.

The capitalised amount is amortised on a straight-line basis during the ten-year term of the contract.

Prepayments on intangible fixed assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised.

Tangible fixed assets

Recognition and measurement

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Land and buildings, plant and equipment, other fixed operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Donor grants for specific assets are deferred and released to the statement of income and expenses in accordance with the depreciation period of the related assets.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognised net with other income in profit or loss.

Depreciation

Depreciation is recognised in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, and intangible assets on a straight-line basis. Land is not depreciated.

The estimated depreciation rates for the current and comparative periods are as follows:

- Buildings: 2-5%.
- Equipment: 15-33%.
- Motor vehicles: 20%.
- Other: 10-12.5%.

Tangible fixed assets, for which the Foundation and its group companies possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the statement of income and expenses during the term of the finance lease contract.

Assets that are taken out of service are stated at the lower of book value or net realisable value.

Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the Foundations accounting policies. If the Foundation transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Foundation and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Foundation fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Foundation on behalf of the participating interest.

This provision is primarily charged to the non-current receivables on the respective participating interest that can be regarded as part of the net investment, and for the remainder it is presented under provisions.

Other financial fixed assets

Receivables from non-consolidated participating interests are initially measured at fair value plus directly attributable transaction costs. Subsequently, these receivables are measured at amortised cost using the effective interest method, less impairment losses.

The further accounting policies for other financial fixed assets are included under the heading financial instruments.

Dividends are accounted for in the period in which they are declared. Dividends from participating interests that are carried at cost, are recognised as income from participating interests (under financial income) in the period in which the dividends become payable.

Impairment of fixed assets

Intangible, tangible and financial fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the expenses for acquisition or manufacture, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the amount the inventories will generate at the most, less costs still to make.

Raw materials and consumables are carried at the lower of cost price and fair value in accordance with the first-in, first-out (FIFO) principle and market value.

The measurement of inventories includes possible impairments that arise on the balance sheet date.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Foundation does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the Foundation by providing finance directly to borrowers is categorised as loans to group members and is carried at amortised cost, which is defined as fair value of the cash consideration given to originate those loans as is determinable by reference to market prices at origination date and subsequently measured at the original effective interest rate at reporting date. All loans and advances are recognised when cash is advanced to borrowers.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Impairment of financial assets

At each statement of financial position date, the Foundation and its subsidiaries assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Foundation on terms that the Foundation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Foundation, or economic conditions that correlate with defaults in the Foundation.

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio.

The Foundation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

The Foundation estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason, industry practice is used to estimate the specific provision for loans and advances. The company followed the guidance of IFRS 9, which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.
2. In addition to the specific loan provisions, a general provision of 1-2% on current loans has been provided which was derived based on the Foundation's historic loss ratio. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest bearing loans (NIBL)' and are referred to the Board for write-off.

Apart from that, any loans can be written off subject to the approval of the Board where the Board thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequently recoveries are credited as income in the statement of comprehensive income.

3. When a loan is deemed uncollectible, it is written off against the related provision for impairment. Subsequent recoveries are credited to other income in the statement of comprehensive income.

Impairment of financial fixed assets

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables

Trade and other receivables comprise prepayments, deposits and other recoverable which arise during the normal course of business; they are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. A provision for impairment of trade receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the balance sheet date and include cash in hand, deposits held at call with banks, net of bank overdraft facilities subject to sweeping arrangements.

Investments with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Company within 12 months are presented under financial fixed assets.

Reserves

Within the reserve a distinction has been made in general reserve, legal reserve and foreign currency translation reserve. The purpose of the general reserve is to create a sufficient buffer that can be used to complete pending programmes and with due observance of existing legal and moral obligations.

Due to the fact that Stichting BRAC International is not entitled to distribute any of the company's reserves of Tanzania, Uganda, Pakistan, Zanzibar, Afghanistan and South Sudan entities its share in the reserves from the above countries is recorded in a legal reserve.

The translation reserve arises from the assets and liabilities that are part of the net investment in a foreign operation that are translated into USD at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into USD at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

Legal reserves

Legal reserves consist of a legal reserve for subsidiaries with no share of interest but subsidiaries locally established as companies limited by guarantee and having no share capital.

The legal reserve is equal to total equity of the subsidiaries.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve.

Minority interests

Minority interests are measured at net fair value of the acquirer's share in identifiable assets, liabilities and contingent liabilities according to the Foundation's valuation principles.

Provisions

A provision is recognised if the following applies:

- the Foundation has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Provisions are stated at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Other current liabilities

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received. After their initial recognition the other liabilities are measured at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

Revenue recognition

Revenue is recognised on an accrual basis.

Donor grants and grant income

All donor grants received are initially recognised as grant received in advance at fair value and recorded as liabilities.

Donor grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as grant income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Stichting BRAC International normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit. Stichting BRAC International does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses.

Service charge on loans and advances

Interest income on loans and advances (service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognised on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as 'non-performing' loans.

Service charge previously accrued but not received on loans subsequently classified as non-performing and written-off. Service charge is included in other income thereafter only when its receipt becomes probable, generally when it is realised.

Membership fees and other charges

Membership fees of customers and other charges are recognised on an accrual basis when the service has been provided.

Other income

Other income comprises income from sale of seeds, interest from short term deposits, gains less losses related to trading assets and liabilities, and includes gains from disposal of assets and all realised and unrealised foreign exchange differences.

Costs of outsourced work and other external costs

This includes costs incurred in order to generate operating income, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

Employee benefits

Employee benefits are charged to the statement of income and expenses in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Foundation.

For benefits with accumulating rights, bonuses, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The Foundation also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined Foundation policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the statement of income and expenses.

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Foundation, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has four Dutch employees, this paragraph has been included to explain the accounting treatment only).

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Dutch pension plans

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the Foundation has the power to withdraw this surplus, if it is likely that the surplus will flow to the Foundation and if the receivable can be reliably determined.

Interest receivable and similar income and interest payable and similar charges

Interest income is recognised in the statement of income and expenses on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Premium, discount and redemption premiums are recognised as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognised in the statement of income and expenses. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the statement of income and expenses and the redemption premiums already recognised in the statement of income and expenses, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the statement of income and expenses are recognised as a reduction of the debt(s) to which they relate.

Additional costs associated with the use of more than customary supplier credit are recognised as interest expense.

Interest expenses and similar charges are recognised in the period to which they belong. The interest is calculated on the basis of the interest payable on borrowings specifically for the microfinance operation and charged on an accrual basis.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the statement of income and expenses except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Foundation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Foundation expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the result of these participating interests. Results on transactions, concerning a the transfer of assets and liabilities between the group and a non-consolidated participating interest and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale, respectively.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

Leasing

The Foundation may enter into financial and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases.

All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

Financial leases

If the Foundation acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Foundation will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period as such that its results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

Operating leases

If the Foundation acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the statement of income and expenses on a straight-line basis over the lease term.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value.

Cash flows in foreign currency are translated into US dollars using the weighted average exchange rates at the dates of the transactions. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

Related party transactions

Transactions with related parties are disclosed if they have not been entered into at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise directors, subsidiaries of BRAC International, BRAC Bangladesh (including related BRAC entities) and key management personnel of the Foundation and companies with common ownership and/or directors.

Contingent liabilities

The Foundation recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Foundation, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

1 Common-control transaction

On September 2019, following a group restructuring, the legal entity form of BRAC Tanzania Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares. During the year, BRAC Tanzania Finance has been legally transformed into an entity owned by shares. 50% of the shares were issued to BRAC International Holdings B.V. in September 2019. In December 2019, the remaining shares were transferred by the old shareholders to BRAC International Holdings B.V. via Stichting BRAC International as a share premium contribution. This transaction was regarded as a common control transaction.

The net book value of the assets transferred was USD 31.5 million and treated as share premium. Since the company already had control, this has no impact on the consolidated financial statements, but only on the stand-alone financial statements, where the investment in BRAC Tanzania Finance Ltd is now presented in the financial fixed assets (note 28).

2 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2019:			
— Purchase price	665,121	1,495,681	2,160,802
— Accumulated amortisation and impairment	(424,576)	—	(424,576)
— Carrying amount	240,545	1,495,681	1,736,226
Changes in carrying amount:			
— Investments	259,778	—	259,778
— Capitalization of Capital Work In Progress	1,495,681	(1,495,681)	—
— Amortisation	(231,993)	—	(231,993)
— Exchange rate differences purchase price	(35,425)	—	(35,425)
— Exchange rate differences accumulated depreciation	24,249	—	24,249
— Discontinued consolidations purchase price	(180,130)	—	(180,130)
— Discontinued consolidations acc. Depreciation	122,826	—	122,826
— Change in carrying amount	1,454,986	(1,495,681)	(40,695)
Balance as at 31 December 2019:			
— Purchase price	2,205,025	—	2,205,025
— Accumulated amortisation and impairment	(509,494)	—	(509,494)
— Carrying amount	1,695,531	—	1,695,531

The intangible fixed assets consist of expenditure on software license and improvements.

Capital work in progress relates to the investment made in software for the core banking system in Uganda. After completion of the project the amount was transferred to the respective intangible fixed assets in 2019.

3 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Capital work in progress USD	Total USD
Balance as at 1 January 2019:						
— Purchase price	594,760	3,458,525	1,910,500	3,760,030	670,576	10,394,391
— Accumulated depreciation and impairment	(89,695)	(1,392,825)	(1,415,059)	(1,044,402)	—	(3,941,981)
— Carrying amount	505,065	2,065,700	495,441	2,715,628	670,576	6,452,410
Changes in carrying amount:						
— Investments	43,199	2,219,165	306,251	660,878	—	3,229,493
— Disposals	—	(43,154)	(291,572)	(26,096)	(670,576)	(1,031,398)
— Depreciation	(25,516)	(812,690)	(202,097)	(466,347)	—	(1,506,650)
— Reversal of depreciation on disposal	—	38,599	290,446	18,658	—	347,703
— Capitalization of WIP	—	—	—	—	—	—
— Changes in consolidation scope purchase price	—	(257,164)	(327,129)	(159,408)	—	(743,701)
— Changes in consolidation scope accu. depreciation	—	160,698	270,486	64,162	—	495,346
— Exchange rate differences purchase price	(24,133)	(51,052)	(38,921)	36,040	—	(78,066)
— Exchange rate differences accumulated depreciation	5,898	(45,825)	101,028	(1,319)	—	59,782
— Change in carrying amount	(552)	1,208,578	108,492	126,568	(670,576)	772,509
Balance as at 31 December 2019:						
— Purchase price	613,826	5,326,320	1,559,129	4,271,444	—	11,770,719
— Accumulated depreciation and impairment	(109,313)	(2,052,043)	(955,196)	(1,429,248)	—	(4,545,800)
— Carrying amount	504,513	3,274,277	603,933	2,842,196	—	7,224,919

The investments made in 2019 mainly relate to BRAC Uganda Finance Ltd.

Capital work in progress relates to the investment made in hardware for the core banking system and some branch refurbishments in Uganda. After completion of the project the amount has been transferred to the respective tangible fixed assets.

4 Financial fixed assets

	2019 USD	2018 USD
Investment in SFRE Fund	3,392,071	3,142,761
Deferred tax assets	646,678	1,692,614
Finance lease on leasehold land	14,993	14,956
	4,053,742	4,850,331

Investment in SFRE Fund

The investment in SFRE Fund has been made to 56,151 'A' shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 60.41. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future. Consequently, the difference have been impaired.

SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. The total commitment of USD 4 million has been invested till 31 December 2019 (NAV USD 3,392,071). An impairment of USD 607,929 has been provisioned up to 2019.

Deferred tax assets

The deferred tax assets arise due to all temporary differences between the accounting base and fiscal base in assets and liabilities using the principal tax rate of the subsidiaries. The company has unrealized past losses in Liberia, Sierra Leone and temporary tax assets in Tanzania due to higher provision of impairment losses. The management estimate to recover the past losses within next three years. The increase in tax assets is also due to the fact that Sierra Leone now recognizes the Deferred Tax Assets as the Company is profitable.

Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2019, the remaining lease period is 88 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all future minimum lease payments were paid at once at the beginning of the lease. For such a lease, it is a requirement for the lessee to settle all the obligations upfront for the lease agreement to be effective.

5 Inventories

	2019	2018
	USD	USD
Inventories	321,507	446,501

No provision for obsolete inventories is deemed necessary (2018: USD 0).

6 Loans to customers

Principal loans outstanding

	2019	2018
	USD	USD
Microfinance loans	101,480,853	102,415,947
Small enterprises programme (SEP)	29,911,196	22,966,516
Empowering and Livelihood for Adolescent Loans (ELA)	2,357,701	2,892,197
Agriculture	3,675,683	1,593,262
Other loans	3,333,468	1,095,625
	140,758,901	130,963,547

Microfinance loans to group members are traditional small ticket loans and is approximately for a 20 and 40 weeks period and for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks. These loans bear interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values. All loans are unsecured.

Loans to customers

	2019 USD	2018 USD
Opening balance as at 1 January	130,963,547	115,800,688
Changes in Consolidation Scope	(14,556,965)	–
Disbursements during the year	298,683,466	275,500,041
Repayment during the year	(274,331,147)	(260,337,182)
Gross advance to customers	140,758,901	130,963,547
Interest receivable as at 31 December	2,947,448	2,663,868
Less write-offs during the year	(2,233,344)	(1,871,432)
Loan loss reserve	(3,661,285)	(5,068,867)
Closing balance as at 31 December	137,811,720	126,687,116

The movement of the loan loss reserve is below:

	2019 USD	2018 USD
Opening balance as at 1 January	5,068,867	4,498,643
Charged for the year	1,444,275	2,972,155
Change in consolidation scope	(493,395)	–
Write-off	(2,233,344)	(1,871,432)
FX adjustment	(125,118)	(530,499)
Closing balance as at 31 December	3,661,285	5,068,867

The company followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the company to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

7 Trade and other receivables

	2019 USD	2018 USD
Grants receivable	4,869,093	4,881,402
Advances and prepayments to third parties	1,706,187	1,423,274
Advances to staff	105,070	39,137
Other assets	4,419,705	1,831,374
	11,100,055	8,175,187

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects in Afghanistan (i.e. MRRD - Citizen Charter project, etc.), Uganda (i.e. Living Goods – Health Project, MasterCard – Scholarship project, etc.) and Myanmar (i.e. The Leprosy Mission Myanmar (TLMM), etc.

Advances to third parties and prepayments are mainly rent paid in advances to the landlords for offices and guest house.

Other assets include deposits to Azania Bank in Tanzania, National Bank of Rwanda, receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits.

8 Cash and cash equivalents

	2019 USD	2018 USD
Cash at bank	48,677,720	39,300,654
Short-term deposits	15,944,092	19,922,328
Cash in hand	1,087,394	261,021
	65,709,206	59,484,003

All cash and cash equivalent balances are available on demand except for the balance with Azania Bank in Tanzania of USD 2,997,819. BRAC Tanzania Finance Ltd. originally invested USD 3,458,988 in M Bank. The repayment schedule has been revised and the balance will be paid in instalments ending by the year 2021 by Azania Bank who has taken over the Assets and Liabilities of M Bank. The receivable amount in 2021 has been shown under other assets.

9 Group reserves

	2019 USD	2018 USD
Reserves	112,070,277	106,216,080
Minority interest	9,503,743	–
	121,574,020	106,216,080

Refer to note 31 for the movement schedule.

Reserves

	2019 USD	2018 USD
General reserve	117,450,189	77,120,200
Legal reserve	6,973,181	37,528,263
Foreign currency translation reserve	(12,353,093)	(8,432,383)
	112,070,277	106,216,080

The legal reserve is the total equity for certain group entities where it is not possible to pay out dividend. These entities with no share of interest are locally established as companies limited by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan and Zanzibar operations are under this category.

The movement in reserves can be specified as follows:

	2019 USD	2018 USD
As at 1 January	106,216,080	86,826,937
Informal capital contribution Sierra Leone and Liberia	–	–
Donated equity	–	2,461,215
Surplus for the year	13,137,960	18,743,917
Changes in consolidation scope	(6,108,774)	–
Transferred to general reserve	–	–
Foreign currency translation differences	(1,174,989)	(1,815,989)
As at 31 December	112,070,277	106,216,080

Minority interests

	2019 USD	2018 USD
Minority interests:		
— BRAC Uganda Bank Ltd.	9,503,743	—

This minority interest covers the third-party interests, representing the share of third parties in the shareholders' equity of the group companies BRAC Uganda Bank Ltd.

10 Non-current liabilities

	2019 USD	2018 USD
Borrowings	47,614,679	47,907,962
Less: Current portion of borrowings	(12,820,528)	(16,705,534)
Long-term borrowings	34,794,151	31,202,428

The non-current liabilities per 31 December 2019 can be further disclosed as follows:

	2019 USD	Repayment obligation 2020 USD	Remaining duration >1 year USD	Remaining duration >5 year USD
BRAC Bangladesh	98,077	98,077	—	—
responsAbility Investments AG	830,449	332,180	498,269	—
Bank of Africa	3,927,258	1,169,296	2,757,962	—
Habib Bank Limited	—	—	—	—
Pakistan Microfinance Investment Co. (PMIC)	—	—	—	—
Stromme Microfinance (E.A.) Ltd.	1,085,250	890,233	195,017	—
Oiko Credit	2,425,206	1,212,603	1,212,603	—
Netherlands Development Finance Co. (FMO)	10,277,266	2,756,666	7,520,600	—
Triodos Investment Management	7,777,992	1,506,859	6,271,133	—
Global Partners	5,980,886	1,178,417	4,802,469	—
OPIC	5,000,000	—	5,000,000	—
aBi Trust and Finance	3,492,296	436,537	3,055,759	—
Grameen Credit Agricole Foundation	270,307	270,307	—	—
Carried forward	41,164,987	9,851,175	31,313,812	—

Stichting BRAC International

	2019	Repayment obligation 2020	Remaining duration >1 year	Remaining duration >5 year
	USD	USD	USD	USD
Brought forward	41,164,987	9,851,175	31,313,812	–
May Bank Ltd.	–	–	–	–
Yoma Bank	4,595,215	2,297,608	2,297,607	–
KIVA	808,427	671,746	136,681	–
Others	1,046,050	–	1,046,050	–
	47,614,679	12,820,529	34,794,150	–

The movement of the borrowing during the year is given below:

	2019 USD	2018 USD
Opening balance as at 1 January	47,907,962	40,566,904
Received during the year	16,339,130	32,738,690
Repayment during the year	(6,842,397)	(22,658,337)
Opening loan balance (new in consolidation)	(9,756,237)	–
Interest accrued	(80,292)	278,944
Adjustment	–	(1,403,000)
Foreign currency loss/(gain)	46,513	(1,615,239)
Closing balance as at 31 December	47,614,679	47,907,962

The fluctuation in foreign exchange rates in Tanzania and Uganda has been more stable in 2019 than last year.

The lender-wise breakdown is below:

		2019 USD	2018 USD
BRAC Bangladesh	1	98,077	97,928
responsAbility Investments AG	2	830,449	197,145
Bank of Africa	3	3,927,258	–
Habib Bank Limited	4	–	1,960,407
Pakistan Microfinance Investment Co. (PMIC)	5	–	7,011,362
Stromme Microfinance (E.A.) Ltd.	6	1,085,250	2,096,978
Oiko Credit	7	2,425,206	3,599,824
Netherlands Development Finance Co. (FMO)	8	10,277,266	10,295,148
Triodos Investment Management	8	7,777,992	7,726,501
Global Partners	8	5,980,886	5,443,156
OPIC	9	5,000,000	–
Carried forward		37,402,384	38,428,449

		2019 USD	2018 USD
Brought forward		37,402,384	38,428,449
aBi Trust and Finance	10	3,492,296	1,213,380
Grameen Credit Agricole Foundation	11	270,307	778,667
May Bank Ltd.	12	–	385,593
Yoma Bank	13	4,595,215	4,555,025
Others	14	1,854,477	2,546,848
		47,614,679	47,907,962

1. In March 2015, BRAC Tanzania Finance Ltd. obtained a facility of USD 3 million from BRAC Bangladesh for support of microfinance and were resolved to be booked as an interest free loan payable to BRAC Bangladesh. This loan is not secured. The loan is payable on demand. However, since the intention to support on a long-term and the loan is interest free, management concluded the nature is long-term and therefore this is presented under non-current liabilities.

2. In July 2015, a loan agreement was signed with ResponsAbility Investments AG worth USD 4,500,000 to the equivalent of USHS 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. The outstanding balance of USD 277,778 was due in September 2019 which was fully paid on 3rd September 2019. The loan was not secured.

In July 2019, term loan facility worth USD 2 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Tanzania. The loan is repayable in six equal instalments and attracts interest at 7.1%.

3. In March 2019, BRAC Uganda Bank Limited obtained a loan from Bank of Africa amounting to USHS 15,000,000,000 equivalent to USD 4,092,535. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 14%. The loan is tagged to T-bill of 182 day and the outstanding balance is USHS 11.9 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In February 2019, BRAC Tanzania Finance Limited secured overdraft facility of TZS 2,000 million and trade line TZS 1,500 million, making a total facility being TZS 3,500 million. The facility is subject to annual renewal on merit basis. The interest rate is 17% per annum.

4. BRAC Pakistan has a running finance facility with PKR 200 million with Habib Bank which is secured against a local term deposit of USD 1 million and a cash collateral of PKR 100 million. The facility attracts an interest at KIBOR +0.75%. The outstanding loan has been deconsolidated as the Pakistan entity was put under administration.

5. BRAC Pakistan extended a term finance facility of PKR 1 billion (USD 7 million) from Pakistan Microfinance Investment Company (PMIC) in 2018. The loan is secured against assignment of rights over a portfolio of the Company's advances up to PKR 1,250 million and a demand promissory note. The loan will be paid in four equal instalment starting from 30th June 2018 and the current portion of the loan is USD 3,396,124 and attracts interest at 6month KIBOR+3.25% p.a. The outstanding loan has been deconsolidated as the Pakistan entity was put under administration.
6. In August 2016, a loan agreement was signed between BRAC Uganda Bank Limited and Stromme Microfinance Limited amounting to USHS 5.5 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 18% pa with one year's grace period for principal. The amount was disbursed on 15 November 2016. Principle and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. The outstanding balance is USHS 1.9 billion maturing in 2021.

BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2018 for the period of 48 months. The loan amounted to equivalent USD of 1.5 million as term loan. The loan is quoted at the rate of 18% fixed with no expected increase until maturity.
7. In October 2016, BRAC Uganda Bank obtained a loan from Oikocredit, the loan agreement was for a total principal loan amount of USHS 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of USHS 5 billion each. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on BRAC Uganda Finance's loan portfolio. The interest rate was revised to 14% from 16.1% because this facility is tagged to 182Tb+2% which reduced in the year 2018 this rate has not been revised to date.
8. In July 2017, BRAC Uganda and Tanzania Microfinance companies obtained a club finance facility of USD 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 15% to 17% and to be disbursed in 4 tranches. The principal repayments will commence from 2020. The loan is not secured.

BRAC Myanmar also secured a loan USD 2.5 million from FMO repayable in 4 equal instalments. It attracts an interest of 6.99% on USD term. The loan is unsecured.
9. In July 2017, a loan agreement was signed between BRAC Uganda Microfinance and aBi Finance limited amounting to USHS 6 billion (USD 1.69 million). The principle is repayable within 4 years and attracts an interest rate of minimum 14% p.a. with six months grace period for principal.
10. In April 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 2 billion (USD 1.50 million) from Grameen Credit Agricole Foundation. The loan is repayable in five equal instalments and attracts an interest of 13% p.a. The loan will be repaid in 2020.
11. In November 2017, BRAC Myanmar Microfinance obtained a loan facility of Kyat 1.30 billion (USD 1 million) from May Bank Ltd. The loan is repayable in 24 monthly instalment and attracts interest of 12.5% p.a. The loan was repaid in 2019.

12. In September 2018, BRAC Myanmar Microfinance obtained a loan facility of Kyat 6.80 billion (USD 4.5 million) from Yoma Bank Ltd. The loan is repayable in 4 semi-annual instalment and attracts interest of 13% p.a. The loan is secured against a back to back facility over USD 2.5 million loan from FMO. The loan is further secured against a corporate guarantee from BRAC International Holdings B.V.
13. In February 2019, BRAC Myanmar Microfinance obtained a loan facility of USD 5 million from OPIC. The loan is repayable in 4 semi-annual instalment and attracts interest of 5% p.a. The loan is secured against a corporate guarantee from BRAC International Holdings B.V.
14. Other includes a loan from Kiva Micro funds, an USA 501 non-profit organisation that allows to lend money via the Internet for low-income entrepreneurs, a loan from Whole Planet Foundation (WPF) in BRAC Tanzania Finance Limited and also includes a loan from Central Bank of Liberia and United Bank of Africa in Liberia.

Certain borrowings have covenant requirements, as per year end, the covenants have been complied with.

11 Current liabilities

	2019 USD	2018 USD
Donor funds	12,792,557	18,581,351
Current portion of the borrowings (note 10)	12,820,528	16,705,534
Other current liabilities	45,935,424	35,126,381
	71,548,509	70,413,266

Donor funds

	2019 USD	2018 USD
Donor funds received in advance	10,974,725	16,305,407
Donor funds invested in microfinance loans	713,507	1,006,155
Donor funds utilised in fixed assets	1,104,325	1,269,789
	12,792,557	18,581,351

All amounts included are due within one year.

Donor funds received in advance

	2019	2018
	USD	USD
Opening balance	16,305,407	17,472,135
Received during the year	31,469,001	37,072,756
Transfer to donor funds in fixed assets	(315,843)	(312,363)
Foundation's contribution	–	–
Transfer to donor funds - loan to group members	–	(618,330)
Released to statement of income and expenses	(31,457,492)	(39,298,069)
Released to others	(4,432,024)	(929,362)
Receivable from donor	(414,166)	4,767,962
Other receivables	(31,294)	(23,903)
Changes in Consolidation Scope	(59,185)	–
Translation difference	(89,679)	(1,825,419)
Closing balance	10,974,725	16,305,407

Donor funds invested in microfinance loans

	2019	2018
	USD	USD
Opening balance as at 1 January	1,006,155	1,734,186
Transferred from donor funds received in advance	–	618,330
Translation difference	(292,648)	(1,346,361)
Closing balance as at 31 December	713,507	1,006,155

Donor funds utilised in fixed assets

	2019	2018
	USD	USD
Opening balance	1,269,789	1,514,319
Transfer from grant received in advance	334,691	351,556
Released to statement of income and expenses	(324,159)	(289,802)
Transferred to capital fund	–	(237)
Assets handed over to others	(116,949)	1,000
Changes in Consolidation Scope	(32,110)	–
Translation difference	(26,937)	(307,047)
Closing balance	1,104,325	1,269,789

Other current liabilities

	2019 USD	2018 USD
Loan Security Fund – short-term	21,293,380	18,996,519
Deposits from customers	7,700,758	1,350,157
Payable to BRAC Bangladesh	3,966,191	4,394,795
Payable to biTs (BRAC IT Services Ltd)	685,509	749,706
Accrued expenses	5,627,663	4,673,570
Tax payable	3,250,046	1,258,108
Other liabilities	3,411,877	3,703,526
	45,935,424	35,126,381

The Loan Security Fund acts as collateral for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk. The loans have durations of 20-40 weeks and 6-12 months, depending on the loan types.

Payable to BRAC Bangladesh is in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its subsidiaries. The amount is payable on demand.

Other liability includes gratuity provision in the subsidiaries. In addition, various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities. All the other liabilities are payable within one year.

12 Financial instruments

General

During the normal course of business, the Foundation uses various financial instruments that expose the Foundation to market, interest, cash-flow, liquidity and/or credit risks. These relate to financial instruments that are included in the balance sheet. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

The Foundation does not trade in these financial derivatives and follows procedures and a code of conduct to limit the size of the credit risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the Foundation, the resulting losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or fair risks.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

The Foundation financial risk management policy seeks to identify, appraise and monitor the risks facing the Foundation whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. The Foundation does not, however, engage in speculative transactions or take speculative positions, and where affected by adverse movements, the Foundation has sought the assistance of donors.

Credit risk

Credit risk arises principally from the loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk that the Foundation incurs consisting of Loans to customers, Receivable from NGOs, Prepayments and others, Cash at bank and Short-term deposits. The credit risk is spread over a large number of counterparties (banks, customers and other third parties).

The Foundation exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Exposure to credit risk is monitored on an ongoing basis by the commercial ventures respective management teams. For risk management reporting purposes, the Foundation considers and consolidates all elements of credit risk exposure.

The Foundation does not have any significant exposure to any individual customer or counterparty.

The provision of unsecured loans to group members is the main aspect of the Foundation's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

COVID 19 has impact on the credit risks of repayment from customers. However, we have experience with such a crisis from EBOLA in West Africa. We noticed that borrowers are willing to repay and continue their business. We implemented Business Continuity Plan to manage our risks related to COVID 19.

Management of credit risk

The Foundation recognises that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify prioritise and manage the risks involved in all activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

Policy objectives

- Protect the Foundation and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Foundation will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout the Foundation.
- Meet legal or statutory requirements.
- Assist in safeguarding the Foundation's assets: people, finance, property and reputation.

The Executive Director will be responsible on behalf of Foundation for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The risk management department will be responsible for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment. Risk management function will ensure Risk Management Services are in conformity with global standards.

Currency risk

The Group is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currency is the US dollar (USD), the presentation currency is USD. The currency in which transactions primarily are denominated is USD. No hedges are in place. The management regularly reviews the currency trends to manage currency risks.

Interest rate risk and cash flow risk

The Foundation's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members. The Foundation does not engage in speculative transactions or take speculative positions on its interest rates.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, which are both exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Overall responsibility for the management of the market risk rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institutions facilities.

The Foundation manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Foundation maintains sufficient levels of cash or fixed deposits to meet its working capital requirements.

13 Grant income

The breakdown of grant income by country is as follows:

	2019	2018
	USD	USD
Uganda	14,316,391	15,240,544
Afghanistan	12,046,806	13,644,156
The Netherlands	2,714,684	6,409,939
Pakistan	–	3,681,140
Liberia	2,389,194	2,360,003
Tanzania	3,348,076	1,657,300
Philippine	712,998	1,065,098
Sierra Leone	674,000	1,015,000
Myanmar	481,889	209,244
Nepal	78,796	164,371
Rwanda	15,969	–
South Sudan	360,883	117,334
	37,139,686	45,564,129

14 Service charge income

The breakdown of service charge income by country is as follows:

	2019 USD	2018 USD
Uganda	23,970,620	21,902,428
Tanzania	21,437,116	19,441,538
Pakistan	–	5,553,226
Sierra Leone	4,342,000	3,308,000
Myanmar	5,397,953	3,136,820
Liberia	2,980,317	2,298,567
Rwanda	34,081	–
Zanzibar	949,566	831,457
	59,111,653	56,472,036

Service charge income denotes the interest income earned on loans and advances disbursed to the borrowers and exist solely of income from Microfinance activities.

15 Other operating income

	2019 USD	2018 USD
Overhead income	1,241,607	–
Fees and commission income	3,101,646	2,797,186
BRAC contribution income	605,294	–
Foreign exchange gains	–	876,653
Training income	89,321	515,838
Other income	4,445,229	1,783,885
	9,483,097	5,973,562

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to clients and sale of passbook.

Other income includes USD 3.4 million gain on sale of 51% shares in BRAC Uganda Bank Ltd.

16 Cost of outsourced work and other external costs

	2019 USD	2018 USD
Programme supplies	11,273,474	13,684,098
Maintenance and general expenses	7,228,349	8,671,018
Travel and transportation	7,040,612	7,388,793
Training and development	1,663,521	4,407,214
Rent and utilities	3,325,876	3,746,071
Printing and office stationeries	1,241,039	909,079
Audit fees	513,093	461,052
Professional and legal fees	1,526,689	636,468
	33,812,653	39,903,793

17 Wages and salaries

	2019 USD	2018 USD
Salaries and benefits	34,168,351	31,685,771

During the 2019 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 8,037 people (2018: 7,708). All staffs are employed outside the Netherlands, except 5 (2018: 2).

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and group companies amounted to USD 357,286 (2018: USD 58,175) for current and former managing directors.

18 Social security and pension charges

	2019 USD	2018 USD
Social security charges	1,370,950	1,932,110

Social security benefits include payments made by the Foundation and its subsidiaries in various social welfare funds / pension scheme as per the country statute.

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2019 is USD 20,908 (2018: USD 6,148).

19 Other operating expenses

	2019 USD	2018 USD
Other operating expenses	7,091,764	2,721,323

Other expenses include professional consultancy fees, self-insurance provision, software maintenance, group member's death benefits, etc.

20 Interest income and similar income

	2019 USD	2018 USD
Bank Interest	1,483,278	1,741,645
Exchange differences	(30,439)	—
	1,452,839	1,741,645

21 Interest expenses and similar charges

	2019 USD	2018 USD
External borrowings	6,601,283	6,077,727

22 Corporate income tax

The effective tax burden deviates from the nominal (25%) tax burden. This deviation is due to the results in the different tax jurisdictions.

The major components of the tax charge are as follows:

	2019 USD	2018 USD
Current tax	5,709,918	4,465,094
Movement in temporary differences	1,045,936	(244,654)
Tax on result from ordinary activities	6,755,854	4,220,440

The applicable weighted average tax rate is 32.2% (2018: 18.4%), whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The applied tax rate is 25-30%.

The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2019 USD	%	2018 USD	%
Result before taxation	20,959,232		22,964,357	
Tax using the domestic tax rate	5,239,808	25.0	5,741,089	25.0
Application of different tax rate	1,516,046		(1,520,649)	
Income tax according to consolidated statement of income and expenses	6,755,854	32.2	4,220,440	18.4

Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate in 2018 is due to the fact that the company had some unrealized tax credit on past losses in West African countries especially in Sierra Leone, Liberia and Pakistan.

23 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Foundation and a natural person or entity that is affiliated with the Foundation. This includes, among other relations, the relationship between the Foundation and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged. All the transaction were made on terms equivalent to those that prevail in arm's length transactions. Therefore, there have been no transactions with related parties that were not on a commercial basis.

The following balances with related parties existed at the year end:

	2019 USD	2018 USD
Term deposit to BRAC Bank	8,408,596	8,408,596
Receivable from BRAC USA	1,250,000	–
Payable to BRAC, Bangladesh	3,966,191	4,394,795
Payable to BRAC IT Services Ltd (biTs)	685,509	749,706
Payable to BRAC Lanka Guarantee Ltd	254,106	253,735

The following related party transactions occurred during the year:

	2019 USD	2018 USD
Interest payment on BRAC Bangladesh loans	–	2,034
Expenses charged by BRAC Bangladesh	2,300,949	1,988,200
In kind contribution by BRAC Bangladesh	2,000,000	2,854,099
BRAC International Contribution to the countries	605,294	–
Recharged secretariat expenses to related parties	1,548,501	2,053,434
Software maintenance by BRAC IT Services Ltd (biTs)	600,765	600,765
Grants received through BRAC USA	3,098,916	1,904,180
Grants received through BRAC UK	782,138	274,865
Remuneration to the Management Board	357,286	58,175

24 Off-balance sheet assets and liabilities

BRAC International Holdings B.V. has committed USD 1 million each for BRAC Liberia Microfinance Ltd and BRAC Microfinance (SL) Ltd to support the portfolio growth. As of 31 December 2019, USD 500,000 is outstanding for BRAC Liberia Microfinance Ltd.

BRAC International Holdings BV committed USD 5 million to start up and grow the newly established microfinance company in Rwanda. The investment will be made in multiple tranches in next three years. As of December 2019, USD 1,575,916 has been transferred for equity and running cost.

The company has committed to invest USD 1.75 million in BRAC Myanmar Microfinance Company Ltd to finance its growth opportunities.

BRAC International Holdings BV provided corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 4.5 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for Yoma Bank USD 4.5 million.

25 Subsequent events

The recent outbreak of COVID-19 (Coronavirus) continues to impact the global economy and markets. On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic due to its rapid spread across the globe. Governments in many countries are taking stringent measures to help contain the virus, including requirement of self-isolation/ quarantine by those potentially affected, implementing social distancing measures and controlling or closing borders. This has led to a relatively weaker economic outlook and uncertainties across the globe. Microfinance activities became limited in communities for our borrowers due to the lockdown of operations. Our operations were largely suspended in April and May with very limited disbursements and cash collections. During the COVID-19 lockdown period we waived interest income on outstanding loans and we experienced a decrease in loan disbursements which will affect the interest income. During June our micro finance branch operations in various countries are slowly resuming their activities.

We envisaged that the organization will experience a short term decrease in profitability in micro finance operation in 2020 due to the lower interest income as a result of the decrease in loan disbursements. We expect the profitability of micro finance entities to

return to the normal level in 2021. Our regular Social development programmes were also impacted due to the lockdown. Programs were temporarily suspended in April and May but expected to resume from June onwards. So far we did not have a single instance of donor withdrawing committed grant funding of our program. Our social development teams were mostly engaged in COVID-19 related community awareness activities in April and May. We started COVID-19 related new donor funded Education, Health and other community programmes in response to this crisis.

Since viruses have no boundaries, there will be considerable uncertainties in the next few months. In this respect, the organisation has set up COVID-19 taskforce and management teams to develop and implement contingency plans, and closely and continuously evaluating the developments. We will take all necessary actions to keep our operations running and, most importantly, protect our employees and beneficiaries and all other stakeholders. Since we have encountered similar health crisis previously during the 2014 Ebola outbreak in West Africa, we are positive on the results of the implemented measures in the current COVID-19 crisis. For example we kept all staff on the payroll during the lockdown which will enable us to have constant communication with the borrowers and programme beneficiaries to provide them with guidance needed and to commence a smooth resumption when lockdown is lifted.

Based on our understanding, scenario analysis and actions, we have prepared our cash-flow analysis, based upon this, management believes the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2019 based on the current information and does not amount to a material uncertainty over the organisation's ability to continue as a going concern. At the time of signing the financial statements, management is not aware of any other events after the year end not otherwise dealt with in these financial statements.

No other significant subsequent events occurred after balance sheet date.

26 Segmental information

Operational segments

These segments offer different products and services and managed separately as they require different strategies in terms of operation and marketing.

The group has three strategic operational segments: Social Development, Microfinance and Social Business Enterprise.

Social Development Programme (Non-MF) includes all development interventions in Agriculture and Livelihood development, Education, Health, youth and skill development programmes, etc.

Microfinance programme (MF) has been designed to serve large numbers of poor people with reliable access to cost-effective financial services. It is providing capital support to borrowers for creating livelihoods. Loan to group members are traditional microfinance loans and is approximately for a 20 and 40 weeks period. SEP loans are normally for a 6-12 months period. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks and for SEP (Small enterprises programme) loans approximately 12 months. These loans bear interest percentages from 25% to 52% per annum. It is

estimated that the fair values of the loans are approximately the same as the carrying values. All loans are unsecured.

Social Business Enterprise (SBE) involves the production and processing of seeds (maize, vegetables and rice).

The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below.

Segmental balance sheet as at 31 December 2019

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Fixed assets						
Intangible fixed assets	–	1,695,531	–	–	–	1,695,531
Tangible fixed assets	1,211,222	5,644,066	369,631	–	–	7,224,919
Financial fixed assets	28,492	618,186	14,993	160,862,581	(157,470,510)	4,053,742
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,239,714	7,957,783	384,624	160,862,581	(157,470,510)	12,974,192
Current assets						
Inventories	163,376	118,927	39,204	–	–	321,507
Loans to customers	–	137,811,720	–	–	–	137,811,720
Trade and other receivables	5,418,919	4,456,378	160,899	14,537,755	(13,473,896)	11,100,055
Cash and cash equivalents	16,622,637	20,324,261	25,488	28,736,820	–	65,709,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	22,204,932	162,711,286	225,591	43,274,575	(13,473,896)	214,942,488
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	23,444,646	170,669,069	610,215	204,137,156	(170,944,406)	227,916,680
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Stichting BRAC International

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Group reserves						
Reserves	4,875,603	65,577,523	55,731	199,033,551	(157,472,131)	112,070,277
Minority interests	–	9,503,743	–	–	–	9,503,743
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,875,603	75,081,266	55,731	199,033,551	(157,472,131)	121,574,020
Non-current liabilities	–	34,794,151	–	–	–	34,794,151
Current liabilities	18,569,043	60,793,652	554,484	5,103,605	(13,472,275)	71,548,509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	23,444,646	170,669,069	610,215	204,137,156	(170,944,406)	227,916,680
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Segmental statement of income and expenses for the year ended 2019

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Grant income	32,115,969	2,309,033	–	2,714,684	–	37,139,686
Service charge income	–	59,111,653	–	–	–	59,111,653
Other operating income	2,012,734	4,197,005	440,456	5,129,290	(2,296,388)	9,483,097
Total operating income	34,128,703	65,617,691	440,456	7,843,974	(2,296,388)	105,734,436
Cost of outsourced work and other external costs	(19,652,171)	(12,484,874)	(136,806)	(3,831,307)	2,292,505	(33,812,653)
Wages and salaries	(12,043,960)	(21,624,059)	(113,781)	(386,551)	–	(34,168,351)
Social security and pension charges	(424,375)	(928,077)	(18,498)	–	–	(1,370,950)
Amortisation and depreciation on intangible and tangible fixed assets	(310,752)	(1,380,559)	(47,456)	–	–	(1,738,767)
Impairment losses on loans to customers	–	(1,428,621)	(15,654)	1,621	(1,621)	(1,444,275)
Impairment loss provision on term deposit	–	–	–	–	–	–
Other operating expenses	(2,196,249)	(3,274,289)	(373,027)	(1,248,199)	–	(7,091,764)
Total operating expenses	(34,627,507)	(41,120,479)	(705,222)	(5,464,436)	2,290,884	(79,626,760)
Operating result (carried forward)	(498,804)	24,497,212	(264,766)	2,379,538	(5,504)	26,107,676

Stichting BRAC International

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Brought forward	(498,804)	24,497,212	(264,766)	2,379,538	(5,504)	26,107,676
Interest income and similar income	(38,540)	1,208,475	2,356	280,548	–	1,452,839
Interest expenses and similar charges	–	(6,860,450)	5,974	249,310	3,883	(6,601,283)
	(38,540)	(5,651,975)	8,330	529,858	3,883	(5,148,444)
Result from ordinary activities before tax	(537,344)	18,845,237	(256,436)	2,909,396	(1,621)	20,959,232
Tax on result from ordinary activities	(5,219)	(6,496,227)	7,748	(262,156)	–	(6,755,854)
Result after tax	(542,563)	12,349,010	(248,688)	2,647,240	(1,621)	14,203,378
Minority interests	–	(1,065,418)	–	–	–	(1,065,418)
Net result	(542,563)	11,283,592	(248,688)	2,647,240	(1,621)	13,137,960

Geographic information

The group business operation is mainly based in Asia, Africa and the Netherlands. Business Managers for each operation are separate. The group's management reviews internal report of these geographical segments on a monthly basis. Assets, liability and equity position bases on geography for along with their profitability is set out below:

Geographical balance sheet as at 31 December 2019

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1,635,712	59,819	–	–	1,695,531
Tangible fixed assets	6,770,153	454,766	–	–	7,224,919
Financial fixed assets	661,671	–	160,862,581	(157,470,510)	4,053,742
	<u>9,067,536</u>	<u>514,585</u>	<u>160,862,581</u>	<u>(157,470,510)</u>	<u>12,974,192</u>
Current assets					
Inventories	321,507	–	–	–	321,507
Loans to customers	110,758,191	27,053,529	–	–	137,811,720
Trade and other receivables	6,082,582	3,953,614	14,537,755	(13,473,896)	11,100,055
Cash and cash equivalents	28,033,780	8,938,606	28,736,820	–	65,709,206
	<u>145,196,060</u>	<u>39,945,749</u>	<u>43,274,575</u>	<u>(13,473,896)</u>	<u>214,942,488</u>
	<u>154,263,596</u>	<u>40,460,334</u>	<u>204,137,156</u>	<u>(170,944,406)</u>	<u>227,916,680</u>
Group reserves					
Reserves	56,366,357	14,142,500	199,033,551	(157,472,131)	112,070,277
Minority interests	9,503,743	–	–	–	9,503,743
	<u>65,870,100</u>	<u>14,142,500</u>	<u>199,033,551</u>	<u>(157,472,131)</u>	<u>121,574,020</u>
Non-current liabilities	22,050,240	12,743,911	–	–	34,794,151
Current liabilities	66,343,256	13,573,923	5,103,605	(13,472,275)	71,548,509
	<u>154,263,596</u>	<u>40,460,334</u>	<u>204,137,156</u>	<u>(170,944,406)</u>	<u>227,916,680</u>

Geographical statement of income and expenses for the year ended 2019

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	21,104,513	13,320,489	2,714,684	–	37,139,686
Service charge income	53,713,700	5,397,953	–	–	59,111,653
Other operating income	5,446,280	1,203,915	5,129,290	(2,296,388)	9,483,097
Total operating income	80,264,493	19,922,357	7,843,974	(2,296,388)	105,734,436
Cost of outsourced work and other external costs	(25,157,231)	(7,116,620)	(3,831,307)	2,292,505	(33,812,653)
Wages and salaries	(23,961,756)	(9,820,044)	(386,551)	–	(34,168,351)
Social security and pension charges	(1,308,533)	(62,417)	–	–	(1,370,950)
Amortisation and depreciation on intangible and tangible fixed assets	(1,588,720)	(150,047)	–	–	(1,738,767)
Impairment losses on loans to customers	(1,171,234)	(273,041)	1,621	(1,621)	(1,444,275)
Impairment loss provision on term deposit	–	–	–	–	–
Other operating expenses	(5,236,882)	(606,683)	(1,248,199)	–	(7,091,764)
Total operating expenses	(58,424,356)	(18,028,852)	(5,464,436)	2,290,884	(79,626,760)
Operating result (carried forward)	21,840,137	1,893,505	2,379,538	(5,504)	26,107,676

Stichting BRAC International

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	21,840,137	1,893,505	2,379,538	(5,504)	26,107,676
Interest income and similar income	1,185,122	(12,831)	280,548	–	1,452,839
Interest expenses and similar charges	(5,432,900)	(1,421,576)	249,310	3,883	(6,601,283)
	<u>(4,247,778)</u>	<u>(1,434,407)</u>	<u>529,858</u>	<u>3,883</u>	<u>(5,148,444)</u>
Result from ordinary activities before tax	17,592,359	459,098	2,909,396	(1,621)	20,959,232
Tax on result from ordinary activities	(6,261,993)	(231,705)	(262,156)	–	(6,755,854)
Result after tax	11,330,366	227,393	2,647,240	(1,621)	14,203,378
Minority interests	(1,065,418)	–	–	–	(1,065,418)
Net result	<u>10,264,948</u>	<u>227,393</u>	<u>2,647,240</u>	<u>(1,621)</u>	<u>13,137,960</u>

Stand-alone balance sheet as at 31 December 2019

(before appropriation of result)

		2019		2018	
		USD	USD	USD	USD
Fixed assets					
Tangible fixed assets	27	326,949		324,104	
Financial fixed assets	28	92,826,599		57,172,160	
			93,153,548		57,496,264
Current assets					
Trade and other receivables	29	4,712,276		3,211,079	
Cash and cash equivalents	30	13,235,276		14,119,691	
			17,947,552		17,330,770
			111,101,100		74,827,034
Group reserves	31				
Reserves			105,098,717		68,387,413
Current liabilities	32		6,002,383		6,439,621
			111,101,100		74,827,034

The notes on pages 87 to 96 are an integral part of these separate financial statements.

Stand-alone statement of income and expenses for the year ended 31 December 2019

		2019		2018
		USD	USD	USD
Income				
Grant income	34	6,824,486		11,171,296
Other operating income	35	1,420,114		879,539
Total operating income			8,244,600	12,050,835
Cost of outsourced work and other external costs	36	(4,764,148)		(4,787,019)
Wages and salaries	37	(1,651,183)		(1,535,965)
Social security and pension charges	37	(75,208)		(48,761)
Amortisation and depreciation on tangible fixed assets		(70,047)		(94,528)
Impairment losses on receivable		1,621		147,866
Other operating expenses	38	(568,978)		(860,886)
Total operating expenses			(7,127,943)	(7,179,293)
Operating result			1,116,657	4,871,542
Interest income and similar income			51,087	158,185
Result from ordinary activities			1,167,744	5,029,727
Share in result of participating interests	39		7,706,160	6,425,392
Net result			8,873,904	11,455,119

The notes on pages 87 to 96 are an integral part of these separate financial statements.

Notes to the 2019 stand-alone financial statements

General

The stand-alone financial statements have been prepared in accordance with the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

In so far as no further explanation is provided of items in the stand-alone balance sheet and the stand-alone statement of income and expenses, please refer to the notes to the consolidated balance sheet and statement of income and expenses.

Reporting period

The financial statements have been prepared for a reporting period of one year, from 1 January 2019 to 31 December 2019.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and the statement of income and expenses, with the exception of the following:

Financial instruments

In the stand-alone financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

Participating interests in group companies are accounted for in the stand-alone financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share in result of participating interests

This item concerns the Foundation's share in the profit or loss of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the Foundation and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

27 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2019:					
— Purchase price	186,134	232,581	395,599	102,086	916,400
— Accumulated depreciation and impairment	(38,943)	(158,327)	(337,769)	(57,257)	(592,296)
— Carrying amount	147,191	74,254	57,830	44,829	324,104
Changes in carrying amount:					
— Investments	14,361	63,473	44,182	1,494	123,510
— Disposals	—	(25,551)	(161,394)	(7,710)	(194,655)
— Depreciation	(6,520)	(36,484)	(20,055)	(6,988)	(70,047)
— Adjustment on depreciation for disposal	—	28,409	161,394	3,962	193,765
— Exchange rate differences purchase price	(29,158)	(11,107)	(20,880)	(35,274)	(96,419)
— Exchange rate differences accumulated depreciation	6,093	2,165	12,380	26,053	46,691
— Balance	(15,224)	20,905	15,627	(18,463)	2,845
Balance as at 31 December 2019:					
— Purchase price	171,337	259,396	257,507	60,596	748,836
— Accumulated depreciation and impairment	(39,370)	(164,237)	(184,050)	(34,230)	(421,887)
— Carrying amount	131,967	95,159	73,457	26,366	326,949

28 Financial fixed assets

	2019 USD	2018 USD
Shareholding in BRAC International Holdings B.V.	92,826,599	57,172,160

The movement of financial fixed assets is as follows:

	2019 USD	2018 USD
Balance as at 1 January	57,172,160	22,352,550
Share premium contribution	–	1,212,789
Informal capital contribution	31,457,705	28,819,351
Donated equity	–	–
Share in result of subsidiary	7,706,160	6,425,392
Foreign currency translation difference	(3,509,426)	(1,637,922)
Balance as at 31 December	92,826,599	57,172,160

Stichting BRAC International has a 100% share in the capital of BRAC International Holdings B.V., the Netherlands.

BRAC International Holdings B.V. has interest in the companies as follows:

Name	Legal address	2019 share of interest %	2018 share of interest %
BRAC Microfinance Sierra Leone Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	–
BRAC Uganda Bank Ltd	Kampala, Uganda	49	100
BRAC Pakistan	Islamabad, Pakistan	–	–
BRAC	Mbweni, Zanzibar	–	–

The foreign currency translation difference denotes the reduction in the company share due to exchange difference with subsidiaries' functional currency against USD.

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of BRAC International Holdings B.V. Within these consolidated group companies, at least one of the executives of the Company is involved as member of the Board of Directors.

29 Trade and other receivables

	2019 USD	2018 USD
Grant receivables	1,327,592	520,245
Advances to third parties	380,868	163,943
Receivables related parties	2,928,985	2,430,996
Other assets	74,831	95,895
	4,712,276	3,211,079

The receivables from related parties include USD 1,657,427 (2018: USD 1,570,795) provided to BRAC International Holdings B.V. Other balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

30 Cash and cash equivalents

	2019 USD	2018 USD
Cash at bank	8,178,960	9,073,829
Short-term deposits	5,000,000	5,000,000
Cash in hand	56,316	45,862
	13,235,276	14,119,691

31 Reserve

	2019 USD	2018 USD
Balance as at 1 January	68,387,413	29,609,174
Changes:		
— Unappropriated result for the year	8,873,904	11,455,119
— Direct changes in equity of subsidiaries	27,837,400	27,323,120
	105,098,717	68,387,413
Balance as at 31 December		

Reconciliation of reserves and net result per the consolidated financial statements with reserves and net result per the stand-alone financial statements

	2019 USD	2018 USD
Reserves according to the consolidated balance sheet	112,070,277	106,216,080
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
✓ BRAC Uganda	6,207,289	5,802,346
✓ BRAC Afghanistan	591,784	814,907
✓ BRAC Maendeleo Tanzania	(36,005)	(32,808)
✓ BRAC South Sudan	(779,230)	(662,173)
✓ BRAC (Zanzibar)	989,343	672,206
✓ BRAC Pakistan	—	6,108,774
✓ BRAC Uganda Microfinance Company	—	—
✓ BRAC Tanzania Finance	—	24,825,011
	-6,973,181	-37,528,263
— Reversal of impairment	(1,621)	300,404
Reserves according to the stand-alone balance sheet	105,098,717	68,387,413
Net result according to the consolidated statement of income and expenses	13,137,960	18,743,917
Less:		
— Surplus of affiliated Foundations, without participating interest:		
✓ BRAC Uganda	322,517	341,841
✓ BRAC Afghanistan	(359,738)	(335,731)
✓ BRAC Maendeleo Tanzania	(3,161)	(838)
✓ BRAC South Sudan	(317,451)	11,195
✓ BRAC (Zanzibar)	315,443	226,597
✓ BRAC Pakistan	—	2,878,236
✓ BRAC Uganda Microfinance Company	—	—
✓ BRAC Tanzania Finance	4,308,067	4,239,081
	4,265,677	7,360,381
— Reversal of impairment	(1,621)	(71,583)
Net result according to the stand-alone statement of income and expenses	8,873,904	11,455,119

32 Current liabilities

	2019 USD	2018 USD
Donor funds	3,321,904	4,424,011
Other current liabilities	2,680,479	2,015,610
	6,002,383	6,439,621

Donor funds

	2019 USD	2018 USD
Donor funds received in advance	3,065,415	4,184,416
Donor funds utilised in fixed assets	256,489	239,595
	3,321,904	4,424,011

Donor funds received in advance

	2019 USD	2018 USD
Opening balance	4,184,416	3,498,832
Received during the year	3,889,107	6,262,188
Transfer to donor funds in fixed assets	(74,753)	(64,273)
Released to statement of income and expenses	(4,635,035)	(5,111,067)
Released to others	(466,498)	(63,000)
Receivable from donor	313,709	318,042
Other receivables	(36,282)	—
Translation difference	(109,249)	(656,306)
Closing balance	3,065,415	4,184,416

Donor funds utilised in fixed assets

	2019 USD	2018 USD
Opening balance	239,595	230,638
Transfer from grant received in advance	73,863	64,273
Released to statement of income and expenses	(23,801)	(18,379)
Transferred to capital fund	–	–
Translation difference	(33,168)	(36,937)
	<hr/>	<hr/>
Closing balance	256,489	239,595
	<hr/>	<hr/>

Other current liabilities

	2019 USD	2018 USD
Related-party payables	1,730,013	1,271,165
Accrued expenses	628,521	435,709
Tax payable	37,715	18,571
Other liabilities	284,230	290,165
	<hr/>	<hr/>
	2,680,479	2,015,610
	<hr/>	<hr/>

Related party payables are mainly in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand. All other current liabilities are payable within one year.

33 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

34 Grant income

	2019 USD	2018 USD
Grant income from donors	6,824,486	11,171,296
	<hr/>	<hr/>

In 2019, grant income includes USD 2 million (2018: USD 2.85 million) in kind support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2019.

35 Other operating income

	2019 USD	2018 USD
Overhead income	1,105,000	540,352
Foreign exchange gains/(loss)	–	60,722
Other income	315,114	278,465
	1,420,114	879,539

Stichting BRAC International provides various support such as Management, Accounting, Legal, Procurement, Recruitment, Training, IT support, Branding, etc., to its branches and subsidiaries and charges overhead against such support, which is recorded as overhead income.

36 Cost of outsourced work and other external costs

	2019 USD	2018 USD
Programme supplies	2,010,743	2,050,893
Maintenance and general expenses	1,005,956	1,190,251
Travel and transportation	615,573	529,860
Staff training and development	382,822	669,257
Rent and utilities	186,757	179,667
Printing and office stationeries	34,966	43,321
Audit fees	114,790	123,770
Professional and legal fees	412,541	–
	4,764,148	4,787,019

37 Wages and salaries

	2019 USD	2018 USD
Staff costs	1,651,183	1,535,965
Social security and pension charges	75,208	48,761

During the 2019 financial year, the average number of staff employed in the Foundation and its branches, converted into full-time equivalents, amounted to 240 people (2018: 152). All the staff except 5 (2018:2) work outside the Netherlands.

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2019 is USD 20,908 (2018: USD 6,148).

38 Other operating expenses

	2019 USD	2018 USD
Other operating expenses	568,978	860,886

Other operating expenses include various programme expenses, security charges and supplies to the programmes.

39 Share in result of participating interests

	2019 USD	2018 USD
BRAC International Holdings B.V.	7,706,160	6,425,392

40 Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the Foundation, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code.

	KPMG Accountants N.V. USD 1,000	Other KPMG network USD 1,000	Total KPMG USD 1,000
2019			
Audit of the financial statements	145	181	326
Other audit engagements	–	–	–
Tax-related advisory services	–	164	164
Other non-audit services	–	25	25
	145	370	515
2018			
Audit of the financial statements	187	197	384
Other audit engagements	–	–	–
Tax-related advisory services	–	136	136
Other non-audit services	–	87	87
	187	420	607

41 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation amounted to USD 357,286 (2018: USD 58,175) for current and former managing directors.

The Management Board prepared the financial statements on 25 June 2020 and recommends that the General Meeting adopts the financial statements as presented in this 2019 report:

The Hague, 25 June 2020

Management Board Stichting BRAC International

Dr Muhammad Musa

Ms Ruth Okowa

Mr M Anowar Hossain

Mr Syed Abdul Muntakim

Ms. Sharmin Sultan

Supervisory Board Stichting BRAC International

Signed

Ms Marilou van Golstein Brouwers

Signed

Ms Shabana Azmi

Signed

Ms Sylvia Borren

Signed

Ms Victoria Sekitoleko

Signed

Ms Parveen Mahmud

Signed

Mr Gregory Chen

Signed

Dr Debapriya Bhattacharya

(Signed)

Signed

Other information

Provisions in the Deed of Incorporation governing the appropriation of result

Based upon the Foundation's Deed of Incorporation and Dutch law, the result is at the disposal of the General Meeting of Affiliates, which can allocate said result either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Branch offices

The Foundation has branch offices in Sierra Leone, Liberia, Philippines and Nepal.

Independent auditor's report

The independent auditor's report is set out in the pages hereafter.

Editor

Musharrat Bidita

Graphic Design

Sinthia Ahmed

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BRAC Afghanistan
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BRAC Tanzania
BRAC Uganda

STICHTING BRAC INTERNATIONAL

Bezuidenhoutseweg 2
2594 AV The Hague
The Netherlands
T: +31 (0)6 50 255 110
W: www.bracinternational.nl