

12. Aftermath (Feb to Aug 1998)

Novib,
Amaliastraat 7,
P.O. Box 30919,
2500 GX den Haag,
the Netherlands.

attn: Ms. Wenny Ho,
India Desk

18 February 1998

Project No: IDA-014-95-001

Dear Wenny:

Enclosed please find copies of a Draft Report dated 9 February 1998 on the Financial Stock-taking exercise conducted by Sheshadri and Kandasamy, and our reply dated 17 February 1998 to the points they have raised. Their observations can be summed up as:

- ADATS and the BCS are actually a family affair comprising of Pradeep, Mario and me, and there is no staff or beneficiary participation.
- The BCS will run into Income Tax problems because Sangha Funds are getting accumulated.
- There is an attempt to cheat ADATS of about Rs 2.1 million by placing the title to a property in the name of my brother, Mario Esteves.

Since we have provided rather elaborate replies to all the points raised by them, we will not repeat ourselves here.

We feel that the ADATS Governing Body, all our donor partners, and the Coolie Sangha functionaries should be aware of the serious charges that have been levelled, irrespective of whether they find a place in the Final Report or not.

We would be very grateful for the courtesy of being informed as to whether you will be pursuing these allegations any further.

Thanking you and with every best wishes, I remain,

Yours sincerely,

Ram Esteves

c.c. Berry Roelofs, Icco
Hedwig Schlags, EZE
Anne Bohrer, FMS
M.K. Bhat, DSI

Novib,
Amaliastraat 7,
P.O. Box 30919,
2500 GX den Haag,
the Netherlands.

attn: Ms. Wenny Ho, India Desk

29 March 1998

Project No: IDA-014-95-001

Dear Wenny:

This is just a short note to enquire on 4 points:

1. Have you taken a decision on the Financial Stocktaking (Draft) Report and our Reply?
2. Did you receive the ADATS/Intervention Report on a 3 day LFA workshop we conducted in order to place the planned efforts of the next 3 years (the 2nd Consortium Application) within a Logframe? We had sent your copy to Berry Roelofs by courier post, in order to reach you by Monday, 23 March 1998.
3. Is Novib going ahead with the appointment of a part time person to follow up on the AIJ funding possibilities from the Netherlands government?
4. In the meantime, we are happy to inform you that a major hurdle has been removed in our US efforts with the Government of India giving their green signal to the proposed collaboration with USIJI.
5. Did you receive our letter of 25 March 1998 intimating the balances to Anne Bohrer or EZE/FMS? The latest position is as under:

Total Received:	84,186,781.35
Total Spent:	<u>84,186,170.66</u>
Bank Balance:	610.69

Tomorrow, our Auditor will come to certify that this entire amount has, indeed, been spent within the sanctioned Cost Plan. As you can see, we are in a very critical situation. We would be very grateful to know when the 2nd Consortium Programme will be sanctioned. More specifically:

- Was our exercise to put the application in a Logframe useful?
- Are you taking any adverse note of the Sheshadri & Kandasamy Report?

Eagerly awaiting an early reply, and with every best wishes, I remain,
yours sincerely,

Ram Esteves

Date: Wed, 1 Apr 1998 09:57:05
From: southasi@icco.nl
To: adats@giasbg01.vsnl.net.in
Subject: Feedback on recent information

To ADATS, Attn. Mr. Ram Esteves
E-mail: adats@giasbg01.vsnl.net.in
From Berry Roelofs/ICCO
Subject Feedback on recent information
Reference AZ1/BR/JvD/211
Date 1 April 1998

Dear Ram,

Greetings from the ICCO office. I just heard your message on my voice mail and tried to call you back, but could not get through. This is just a short note to confirm that we have received Intervention's report on the LFA Workshop for ADATS, as well as copies of your e-mail of 25 March to Anne Bohrer of EZE/FMS regarding ADATS' financial situation and your e-mail of 29 March 1998 to Wenny Ho of Novib in which you enquire on 4 points.

Unfortunately, we have not been able to finalise the processing of the 2nd Consortium Programme, as there is a serious difference of opinion among the funding partners about the implications of the financial stocktaking exercise. We will send you further details at the end of this week or the beginning of next week, and we hope that you will provide us with a thorough reply.

We regret the inconvenience, please bear with us. Hoping to have informed you enough for the moment, we remain

with kind regards,

Berry Roelofs
South Asia Desk ICCO

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Berry Roelofs,
India Desk.

7 April 1998
Project No: IN 094052

Dear Berry:

Thanks for your E-mail of 1 April. We eagerly await your more detailed letter for which you have asked for a thorough reply. Even before it arrives, I have started putting together our response. You can understand my anxiety in putting this problem quickly behind us...

The Report

To begin with, the so-called stocktaking was neither a professional nor objective exercise. Mere skills and qualifications are not enough to do a professional job.

1. There is hardly a positive word of appreciation contained in the entire document. The point is not whether we crave for the praise of 2 rank outsiders. What it does reveal is that their so-called stocktaking was a terribly one-sided affair, raises everyone's shackles, and makes it very difficult to pull out the constructive bits and pieces.
2. Sheshadri and Kandasamy came to their conclusions based entirely on a questionnaire that we filled in, accounts statements made available, copies of statements filed with statutory authorities, a list of assets owned along with the title deeds, a perusal of the Minutes Books of the ADATS Governing Body, and 2 brief visits that lasted for 5-6 hours each.
 1. This was grossly insufficient to pass sweeping statements even on technical aspects pertaining to organisational structure and management. They did not impress us as being terribly qualified to comment upon, for instance, organisational culture and various other gender and OD issues that pertain to work and living...
 2. They did not speak to anyone except Pradeep and me. They did not visit the field or even try to get an understanding of the actual work being done by ADATS. This is what, for example, has led them to conclude that the Coolie Sangha does not exist at all, except as an evil mechanisation of 3 brothers to commit some heinous crime.

Though there are several suggestions that merit attention, it will require a very mature mind to ferret these out and accept them as recommendations to ponder upon and act on. The reason for this is because of the offensive style in which the report has been drafted, full of sly innuendo and implied insinuation. We can only think of 1 of 2 reasons why they have gone about in the manner they did:

1. They have either been explicitly instructed by Novib to do a hatchet job on us (which will go against their professional reputation in the long run), or Novib so desperately wanted to be forewarned on potential fiascos, that they went about to create phantoms to satisfy their client's obsession.
2. They have got carried away by their own generalisations on the NGO sector which, as I have personally heard at a gathering in Bangalore, are not at all flattering. In this case, it would be a classic case of providing research material to prove a foregone conclusion.

In this case, we now have an unguided missile which has gone dangerously out of control.

At the same time, we believe that we understand how this whole thing has unfurled:

1. 2 outsiders, who have little understanding of the sector or the broader issues that are involved in the running of an NGO and creation of a people's organisation, came and saw an organisation where 3 brothers have a major role in day to day management.
2. They saw the huge accumulation of Sangha Funds which, incidentally, has crossed Rs 16.76 million as on 31 March 1998, and could hardly believe their eyes. Within their pseudo-professional paradigm, they had to find out where this had been illegally stashed from...
3. They saw that the accounts were perfect. There wasn't even a single questionable transaction or Rupee difference.
Every single statutory and monitoring requirement (facts, figures, financial statements, progress reports, minutes of the meetings, FCRA and IT forms, closure letters from the donors for concluded projects, et al) was available and complied with to utter perfection.
Even they agreed that some IT and FCRA Forms being "wrongly" filled was only a matter of professional interpretation.
4. They concluded that so much effort could be put into maintaining a perfect system only if there were darker deeds to cover up.
5. They "ferreted" out a shady land deal wherein one of the properties was in the name of one of the brothers. (They have taken a much more lenient view of the fact that 2 more properties are in the names of Aswatha Reddy and Shivanna, respectively.)
6. They shouted "Eureka!" and felt that they had unearthed a terrible crime in the making.

Our Integrity

There is little we can say about our integrity, especially after a 20 year relationship with some of you. This is like proving that I did not kill someone who you cannot even prove is dead – a well nigh impossible task.

Berry, if we had nicked the silverware or had any kleptomaniac tendencies, don't you think we would have been caught by now? By the people we work with? Do you think that they would have trusted us with their hard earned savings? Would it have been possible for the Taluk Panchayat to take up a huge crusade against corruption and actually get back millions of Rupees from corrupt officials? Except for the CPI(M), even our political adversaries do not make allegations against our personal honesty, for fear of being laughed at in the bazaar and bus stand.

The fact of the matter is that none of us have a single Fixed Deposit or movable or immovable property in our names, or in the names of our wives, or children, or anyone else.

The sole exception is the house that we live in. We bought the land in 1979 for Rs 14,000 and Fr. Ferrer gave us Rs 65,000 to build the house. He was quite clear that it was for us, and not for ADATS. Yet we leased out the whole thing to ADATS for Rs 200 a year, as our personal contribution to the organisation. In the meantime, this lease deed has been modified to hand over the property to ADATS for perpetuity. Yet, to this very day, we are careful that even the paint on the walls of our house is not paid for by ADATS.

Our children have gone to the same school as Coolie children. Mikhail is not going to do his Engineering (unless he gets a government quota free seat) simply because we cannot afford

his fees. Many of our political friends have offered seats in colleges they control, but I have steadfastly refused, since this could compromise the Coolie Sangha's alliance with them.

It would be very difficult to give a rational explanation for this self-imposed lifestyle and the “living on the razor's edge of insecurity” that we prescribe for ourselves. Yet I will try:

- Perhaps it is a deep guilt complex, a hangover from the hippie era when our characters were moulded...
- Maybe it is a very catholic thing of wanting to be “purer than thou” – a powerful way of shutting the opponent's mouth!
- Or maybe it is a shrewd realisation that without the credibility, trust and affection of the Coolies, along with the stability that only an organisation can provide, we cannot actualise the kind of lifestyle that we crave for.

I personally lean to this last explanation – that a native cunning in us says that it is more important to keep an impeccable integrity and belong to a strong and lasting organisation, than to chase the impossible target of trying to personally accrue all that is needed to live and work.

But whatever be the propelling logic, we have seen that it does lead to material honesty being a natural order of affairs.

The fact of the matter is that there are no skeletons in the cupboard. Have we ever called a non-achievement anything other than a failure? How many of your counterparts would speak about CCF Overdue or Membership cancellation or village dropouts in as frank a manner as us? Have we ever tried to cover up any misdeed like, for example, that theft of Vokkaku Sanchi Duddu by some Field Staff? Have we ever kept back any information on the grounds that you did not finance the activity?

My writings tend to be ponderous because I just cannot present an accomplishment without the countervailing doubts and opposing points of view. You may call this a rhetoric style. But you must remember that I have developed it through sincerely speaking to tens of thousands of Coolie families who eagerly await their every contact with me. Because they know that I will speak the truth as completely as I myself know it. I have been accused of being boring, but never of lacking in integrity.

[The Bangalore Guest House](#)

Sheshadri has, in his final report, once again questioned the Affidavit that Mario has sworn in front of the Civil Judge. For heaven's sake, what do you all want? Do you want to draft an Affidavit yourselves? We are prepared to sign any paper that you draw up!

[Family Management](#)

Did we even once claim that we were not a family affair? Why don't you read your own minutes of the latest Consortium Meeting where you have commented that this is a unique feature of ADATS? It might have started as a dire necessity (my whole family getting involved to do free and slave like labour for the Coolies of Bagepalli), but we have converted this into our strength and are quite proud of it.

But do not for a moment imagine that things are easy for us. For most of the time we are overworked and overwrought. Tempers are frail and fragile egos have to be satisfied. Non material rewards are often more difficult to dole out than monetary compensation. Everyone is liberal in dishing out emotional blackmail. I think I have done a very good job in describing the mood of the moment in the very first Extension Application document that we submitted to Icco in 1987-88. That is why we extracted a copy of that writing on the implementation technology and gave it to Sheshadri and Kandasamy.

Instead of condemning me on this score, you guys should actually give me a commendation! When a leading Indian feminist congratulated me on the organisational culture at ADATS, I commented, “Don't fool yourself, woman! This is like a stifling and oppressive joint family where there is no privacy and the mother-in-law has to constantly be in the know of every single detail!” She had a good laugh, but we recognised that there was a lot needed to be done to balance privacy with mutual support... When another visitor commented on my broad shoulders, I retorted, “Oh no, it is just soggy wet with so many tears...” We still need to do a lot to find room for emotion in our work and living.

On a more serious note, I truly and honestly believe that a feminisation of an organisational culture, which should be the next logical step after making a working environment woman-friendly, cannot be achieved unless we learn the difficult task of merging the formal with the familial.

The only problem with this set of affairs is, of course, continuity. Hardly any successors of ours will invest the time and bother to keep things going in this rather dicey manner. We are aware of this drawback. You have to trust us to work out internal solutions, through processes that will build capacity and self-confidence in the Coolies. Any external prescription, especially by uninvolved and unconcerned persons, will be dangerously counter-productive. This is why we have said, time and time again, that external advice should be in an accompaniment mode and spur us into thinking of problems and finding solutions by ourselves – the concept of a “Third Opinion”.

[Changes in the BCS Trust Deed](#)

We were getting on quite well before the unguided missile arrived. I just cannot think of a structure that is more suited for the Coolie Sangha than the Trust Deed that has been very carefully crafted. All it needed was a change in composition, with Pradeep and me stepping back. I know the Coolies well enough to state that they will never ever agree to an electoral contest for the posts of President and Treasurer. But we could, perhaps, have weaned them into the idea of rotating leadership through a consensus process whereby every single CSU was consulted. Now this process has been set back by several months.

Sheshadri is quite right in pointing out that some of the ominous sounding clauses ought to be modified or removed. Other ingenious safeguards could have been built in, like barring the Treasurer from ever being a cheque signatory for any account and yet having the authority to freeze the operation of a bank account. But all this has to wait now. If only he had been more politic and prudent in giving advice, Sheshadri could have achieved exactly what he set out to do – claim credit for a major contribution to the Coolie Sangha.

[Income Tax problems with accumulating Sangha Funds](#)

All of you have, all along, been aware of the pride with which the Coolies have been saving up for their posterity. For them to build up a decentralised village level corpus fund (all by themselves) is an extremely vital part of building a wherewithal to withstand the future. Whether this is economically sound or if the Rupee value will depreciate is quite besides the point.

Please don't think me rude to put something very bluntly:

- If at the end of the day a part of the Coolies' savings has to be paid as Income Tax to the President of India, I will personally convince the Coolies that this has to be done.
But I can also assure you that it will never ever come to that.
- Our Chartered Accountant is not only very experienced in Income Tax matters, but also unquestionably committed to the cause of the Coolies Sangha.

- The Income Tax laws have not been set up to harass and punish a group of impoverished Coolies from 700 villages who have an average of Rs 23,948 in their village accounts as organisational savings which will yield a paltry sum of Rs 240 per month in FD interest.
- If it does come to that, there will be much more wrong with the country and general state of affairs than the worry of having to pay 30% tax.

Income Tax problems with accumulating CCF Capital

The Income Tax will never consider a volume of moneys set aside for the operation of a revolving fund as “accumulation”. If this were the case, Banks and mainstream financial institutions are in much bigger trouble than us.

Utilisation, as we have always explained, will increase with a maturing of the village CCFs, and the temporary accumulation should be seen as an indicator of responsible usage of funds. Moreover, CCF Bank Balances fluctuate from month to month. The month of March is the season when most loans are returned and await fresh disbursal. All this has been explained to several IT Assistant Commissioners and not one of them has ever raised an objection.

Compliance with FCRA Regulations

We did not have a nominal inspection by someone from the Union Home Ministry. It was the Central Bureau of Investigation who were handed over a case file. They are the premium investigating agency in the country, and are known to do a thorough and unsparing job.

If the CBI did not find anything wrong with the Rupee-to-Rupee tally (in CCF grant transfers from ADATS to the Coolie Sangha) then we honestly fail to understand Kandasami's concerns. Is it “professional disappointment” at his opinion not coming true? Is he upset that the CBI did not arrest us? I am extremely sorry to sound rude, but hasn't he heard about letting sleeping dogs lie?

Having worked as the General Secretary of RDT for 7 years, and then heading ADATS for over 20 years, I know how difficult it is to find spaces within the maze of laws, rules, regulations and their bureaucratic interpretations to run an organisation. I can say with some authority that Sheshadri and Kandasamy either ought to learn some prudence and exercise self-restraint, or declare themselves to be on the other side.

Our Partnership

I know that you will once again accuse me of being didactical. But that does not mean that I am wrong. In spite of the formality that must exist in our relationship, this should not infringe on mutual trust and basic decency. Otherwise we will create a no-win situation. Your giving credence to a Report of this sort does nothing to further the relationship that we have all invested so much of time and money and personal effort in.

Berry, I sincerely beg you to not sit on the fence and let things slither into what the Germans call “Verzweiflt”. This is a disease of the mind where one gets into a state of uncertainty, not knowing what to do, not knowing what the consequences of anything one does will be...

There is absolutely no need for all of us to get into a collective Verzweiflt.

Any artificial interruption of the Consortium effort will lead to sad and unnecessary damage. Not only because of the cash flow problem we will face (you know that we have only Rs 610 with us), but because of the negative message it will send out. Please do not once again accuse me of cleverly touching on the “pressure from the people” argument – the Coolies and I share an incredible tolerance level for pain.

No, I am not pleading for a non-interruption because of the fear of financial problems. My case is for preserving our relationship – we set out to build the Coolie Sangha in North Kolar district, now let us do this without fear or abandon.

With every best wishes, I remain,
yours sincerely,

Ram Esteves

ICCO

Date: 9 April 1998
To: Agricultural Development & Training Society
Attn: Mr. Ram Esteves
Fax: 0091-8150-2176
Sender: Berry Roelofs

Sub: Feedback on financial stock taking exercise

Dear Ram,

Greetings from Germany and the Netherlands. With apologies for the delay, we want to react to the report on the financial stock taking of ADATS by Mr. Sheshadri and Mr. Kandasamy, and ADATS' response to this report. As Novib had commissioned the exercise, they took the lead in inviting EZE and ICCO to discuss the implications of the report. Please find enclosed the minutes of this meeting.

From these minutes you will learn that the 3 consortium partners are concerned about the following issues:

1. the reflection of the powers of the Coolie Sangha in the formal structure and procedures of the BCS as people's organisation (i.e. a real two organisations approach);
2. financial management, including concrete plans for a better utilisation of the CCF and Sangha Fund balances, including developing incentives for internal capital generation/ownership, increasing the credit absorption capacity of the coolie families, more beneficial utilisation of unspent balances, arranging the financial wherewithal at cluster and Taluk level, and keeping-up the real value of the funds;
3. settling legal issues like the possible IT and FCRA problems, Provident Fund and Gratuity, and the ownership and financing of Bangalore guest house, as well as concrete plans as follow-up of the recommendations with regard to the financial administration and management of ADATS.

In view of the seriousness of these issues, Novib does not want to go for a three year second Consortium Programme, but prefers an interim-year in which the a.m. issues are solved. This would also provide time for the long due economic stock taking exercise, both processes resulting in a new three years Consortium Programme from April 1999 onwards. However, EZE and ICCO do prefer a three years programme co-funded by the EU, in which during the first year the a.m. issues are settled and the economic stock taking exercise is done. These processes may lead to a revision of the strategy and budget for the second and third year.

In order to come to a final decision, ADATS is asked to provide us a thorough feedback on the issues raised in the minutes. We understand that not all the issues can be addressed immediately, but we need your feedback on how and when they can be tackled. As we expect that you need to consult the BCS, your auditor, the Board, etc. this exercise will take some time, but we hope you understand the importance of this effort.

Under a separate cover you will receive draft Terms of Reference for the planned Economic Stock Taking Exercise of the Coolie Sangha Building Programme.

Looking forward to receiving your reply, we remain,

With kind regards,

Also on behalf of Hedwig and Wenny,

For ICCO Interchurch Organisation Development Co-operation

Berry Roelofs
Co-ordinator Overseas Relations
South Asia Desk

NOVIB

MINUTES OF THE MEETING ON THE FINANCIAL STOCKTAKING OF ADATS – 24 MARCH 1998

On 24th March 1998, ICCO and EZE were invited by Novib to share the outcomes of the stocktaking mission fielded recently by Novib and ADATS replay to the stocktaking report. A further objective is to harmonise points of view regarding eventual consequences for appraisal and approval of the project proposal submitted by ADATS. The discussion concentrated on those issues raised in the stock taking report which were considered of crucial importance by all three donor agencies.

1/ ADATS Two organisations policy:

Various issues raised by the stock taking mission relate to the two organisations policy (see the final stock taking report for specific references), e.g.:

- close relationship between ADATS and BCS
- trust deed, including trustees, concentration of powers
- management, decision making and scope for bottom up participation

ADATS will be requested to elaborate at the shortest possible an action plan focusing on how formalisation of the Two Organisations Policy will be achieved. It is expected that this action plan refers to formalisation of aspects related to both the structure and to the functioning of a people's organisation, that is for example, decision making, ownership, representativeness. Furthermore, the action plan is to contain clear and concrete progress indicators, and a realistic time frame.

Related issue is the functioning of the NGO part (ADATS), e.g. autonomy of the General and Governing Bodies, second line leadership, decision making procedures. It is hoped that ADATS will continue to pay attention to these aspects and actively pursue an enabling environment.

2/ Financial management, ownership and use of funds:

The issues raised by the stock taking mission relating to the Financial Management, Ownership and Use of Funds (see the final stock taking report for specific references) are for example:

- unused balances; investment policies; depreciation; loan portfolio
- cost effectiveness of development model; under utilisation of funds
- balancing donor funds and (no incentives for) internal capital generation (CSU, BCS, income generating project)
- stakeholding and ownership at the various levels
- increasing financial sustainability through e.g. enhancing absorption capacities

ADATS will be requested to elaborate as soon as possible an operational action plan which explains how and by when the following outputs will be achieved:

1. Revision of the credit systems at the different levels of the target group resulting in a funds utilisation plan which addresses the need for increasing financial sustainability through:
 - internal capital generation
 - efficient use of funds, increasing rotation periods, use of unspent balances
 - increasing absorption capacities of the target group at the different levels. This

- should form the basis for calculating average loan per family
- mobilisation of different funds other than external donor money
- 2. Financial self management of the target group organisation, that is:
 - 2.a. How overhead costs of the TGO will be covered through:
 - contributions of CSU to cost of maintaining higher apex levels
 - income generation project and internal capital generation (at level of BCS, CSU)
 - 2.b. How stakeholding of the target group can be enhanced through establishing operational linkages between the different levels
 - 2.c. Development of financial management systems which enables and contributes to autonomy of people's organisation from village level upto Taluk level.

3/ Legal issues and financial management:

Related issues are among others the following:

- (potential) problems with Income Tax Authorities
- (potential) problems with Home Ministry (FCRA)
- provident fund
- CBI report
- ownership of assets; guest house, farm, land

ADATS will be requested to elaborate as soon as possible a reply to the following:

- how to follow up on the issues related to Income Tax Authorities and Home Ministry
- how issues of ownership of assets will be settled
- how to follow up on recommendations regarding strengthening the financial management (checks and balances, audit, reporting)

Furthermore, it is decided that the economic micro-level study will be fielded as soon as possible.

Icco,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

attn:

Berry Roelofs,
India Desk

13 APRIL 1998

Project No: IN 094052

Dear Berry:

Thank you very much for your Fax of 9 April 1998 and the Minutes dated 24 March 1998. We would like to most sincerely thank Icco and EZE for deciding to go ahead with a 3 year 2nd Consortium Programme co-funded by the EU. We are confident of being able to resolve the 3 issues at the earliest and ensure Novib's continued participation after their interim year support.

1. TWO ORGANISATIONS POLICY

FORMAL STRUCTURE OF THE BCS

Pradeep and I have decided to resign from the Board of Trustees. Through a process of consensus, all the CSUs will together select another Treasurer. Each of the 4 Taluks will elect 2 Trustees (one woman and one man) for a period of 3 years. This will take the strength of the Board of Trustees to 10 persons and they will all be Coolies.

We will modify the Trust Deed to state that none of the powers of the President and Treasurer can be exercised unless with a majority approval of the Board of Trustees.

We have already started discussing these proposals with the Coolies and the process can be completed before June 1998.

There is, however, a problem. Changes in the composition of more than 50% of the Board, and any change in the Trust Deed will lead to automatic cancellation of the BCS' registration under the FCRA, which we took 3 years to obtain. It is possible that re-registration is immediately granted, but it is equally probable that it is refused.

The Coolie Sangha is on the verge of receiving US\$ 1 million under the AIJ. Clearances from the governments of India and USA have been obtained. The BCS has just signed a binding Memorandum of Understanding with COUNTERPART INTERNATIONAL, Washington DC. Is it really necessary to imperil this possibility? Please get back to us at your earliest.

FUNCTIONING OF THE COOLIE SANGHA

As we understand it, no change is needed in the actual functioning of the Coolie Sangha. Weekly meetings at village and Cluster levels, recording of Minutes, Review practices, capacity building, monthly Taluk CS Meetings, Executive Committees implementing Taluk decisions, annual election of functionaries, withdrawal of Staff, decentralisation of budgets, bottom-up planning and monitoring of DLDP and CCFs, a self-finance mechanism that works, all contribute to decision making, ownership and representativeness. These processes are getting further strengthened with the Women's Fund and elected (women) Committee Members gradually becoming on par with (male) Cluster Secretaries.

Your letter speaks of the formal structure and procedures of the BCS. But the Minutes raise this point on actual functioning. Please clarify.

ADATS

We have handed over copies of the entire file to the Members of our Governing Body and briefed them in detail. Since it is inappropriate for me to comment on their autonomy, we have requested them to write to you directly.

2. FINANCIAL MANAGEMENT, OWNERSHIP AND USE OF FUNDS

2.1. IMPROVING THE CCFs

As you know, we have tried to go into the various questions that you have raised and yet not been able to really improve the running of the CCFs to our entire satisfaction. It is extremely vital that we achieve a real and tangible increase in the income of Coolie families. We agree that a lot needs to be done to increase utilisation capacity.

We assure you that we will participate in the Economic Stock Taking Exercise with an open and constructive mind, and genuinely try to benefit. We desperately need the input of mature and competent economists.

Our only request is that you please select persons who have a holistic understanding of micro-economics and realise that the socio-political, cultural and gender milieu are equally vital determinants for economic development. We sincerely hope that the team will attempt to place the CCFs as a vital part of a composite whole, and not just give us the standard panacea of banking principles, linking lending to individual savings, introducing interest rates, et al.

2.2. FINANCIAL SELF MANAGEMENT OF THE BCS

2.2.a. The problem of finding moneys to meet the overhead (Taluk-level) costs of the Coolie Sangha has already hit us at Bagepalli Taluk. Very serious discussions are going on in all the CSUs as to how they will meet their monthly Taluk Coolie Sangha Meeting costs, and pay the salaries of the Taluk Secretary and 2 Field Workers. The central account of the BCS (Bagepalli Taluk) has enough money to keep things going for the next 4 months. It is imperative that we find a lasting solution before August 1998.

We have not thought of any income generation project except, of course, the selling of the Organic Farm and placing the moneys in a Fixed Deposit to meet Taluk-level expenses.

But now with the AIJ projects coming through, we definitely need the farm to continue with the organic and dry land experiments even if it is not “profit making” in the traditional sense of the term (please see our Agriculture Policy & Strategy paper for details). This is exactly what I had meant when I repeatedly spoke about building up a wherewithal for the Coolie Sangha. We want to place on record our sincere gratitude to Novib and EZE for having made it possible to build up the Organic Farm in those days. We will not, of course, use Consortium funds to continue meeting the running costs.

2.2.b. Increasing the stake holding of the Member Coolie families can be achieved only by the manner in which funds are mobilised and spent. Sangha Tax has accomplished this at the village CSU and Cluster levels, and there is a visible sense of ownership and responsibility.

Perhaps only the practice of bottom-to-top contribution (as opposed to an Endowment or income generating venture) can achieve the same sense of ownership and belonging at the Taluk level. Therefore the self-financing mechanism for Taluk-level expenses has to necessarily be through Coolie contributions. We will get back to you with our concrete plans within the next 4 months.

2.2.c. Sangha Funds, leading to Sangha Tax, is the financial management system which enables and contributes to autonomy of people’s organisation from village level upto Taluk level. In the second half of this year, ADATS will design and implement a training schedule to impart basic finance management skills to the new Trustees.

3. Legal Issues

Our Auditors are carefully studying the Sangha Fund accumulation problem. After this end-of-the-year rush is over, they will hold discussions with the Income Tax Authorities to treat the Fixed Deposits as a decentralised village level corpus fund of the CSUs. This is the true and honest interpretation of what has actually happened. However, if the IT does not accept our request, we will have to find other creative solutions within the law. We will get back to you by June 1998.

Future CCF Grants will be given out by ADATS to the BCS and the latter will report these as secondary receipts under the FCRA. Similarly with decentralised Health and Children's Grants. The Bangalore Guest House is a property of ADATS and Mario will legally transfer ownership of the land before the end of this year. There is no question of him receiving any extra compensation now or at a later date.

We will get details on the Provident Fund and put it before our Staff. If they agree, we will introduce the scheme from July 1998.

The Governing Body acts as an effective check and balance on us from above, and the Coolies exercise a tremendous control on ADATS from below. None of you has ever had any problems with our Audit and Finance Reports. All our Progress Reports contribute to process documentation.

4. Supplementary Budget

As you know, we do not have any cash with us. Would it be possible to grant us a supplementary budget of Rs 1,651,200 (calculated at Rs 550,400 per month) for the 3 month period April to June 1998?

Icco could reduce this from your contribution when the 3 year Consortium Budget is approved. We have retained the same Cost Plan numbering in the enclosed budget sheet so that you can see that we are only asking for basic salaries and administration costs. We would be most grateful if you could favourably consider this rather urgent request.

Thanking you and with every best wishes, I remain,
yours sincerely,

Ram Esteves

c.c. Hedwig Schlags, EZE
Wenny Ho, Novib
Anne Bohrer, FMS
M.K. Bhat, DSI

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Berry Roelofs,
India Desk.

27 April 1998

Project No: IN 094052

Dear Berry:

When going through our files, we found an order dated 16/03/1993 from the Assistant Commissioner of Income Tax precisely clarifying the point we have been trying to put across to you - that accumulated capital in the village CCFs accounts is NOT taxable.

The Authorities had demanded a tax of Rs 82,651 on the BCS for the assessment year 1991-92. When our Auditor objected and made it clear that a revolving fund would always have unutilised balances, the Assistant Commissioner accepted his argument and cancelled the earlier assessment. The order further clarifies that a credit operation is indeed an activity that can be carried out by the BCS (from the Income Tax point of view).

Unfortunately a copy of our Auditor's letter dated 30/04/1992 with the exact arguments he used in his objection is not immediately available in our files. We will, in due course, obtain a certified copy of the same from the Authorities.

This is for your information. Please be reassured that there will be NO tax liability on the Bagepalli Coolie Sangha.

As far as we are concerned, the high CCF bank balances poses a far more serious problem - that these moneys are not used by the Coolies to undertake ventures that can increase their family incomes. We sincerely hope that the Economic Stock Taking Exercise will help us resolve this far more critical issue.

With every best wishes, I remain,
yours sincerely,

Ram Esteves

c.c. Wenny Ho, Novib,
Hedwig Schlags, EZE
Anne Bohrer, FMS

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Berry Roelofs,
India Desk.

28 April 1998

Project No: IN 094052

Dear Berry:

We have just read your E-mail asking for additional information on the Governing Body Members and a map of North Kolar district showing the villages. We will immediately send the map by regular post. We are anxiously waiting for you to contact Wenny and finalise the Consortium Application. As you know, we are critically short of funds, and an interruption of Coolie Sangha building efforts will have so many non-monetary effects.

Pradeep has decided to take a one year break from Bagepalli, and has resigned as ADATS Treasurer. After working for 20 years as Accounts Admn Assistant, he wants to try his hand at something different. He has decided to be based in Bangalore and will try to help other organisations with their finance and information systems, as an independent consultant.

4 unscrupulous staff members attempted to take advantage of the situation for their own ends, but were not successful. They called for a revolt during John Bowis' visit in early March. The entire Staff blocked them, saying that it was an unfortunate development in our family affairs which they would not exploit. They had no option but to resign. John Bowis, who was on an official one week SCFNZ visit, was extremely mature, understanding and supportive.

As far as the work is concerned, things are going exceptionally well. I am not saying this in order to give you any false assurance. All the 4 Extensions are working extra hard to improve performance.

- The Coolie Sangha has decided that they will not jeopardise the hard won gains they have obtained with their stunning victory in the recent elections.
- The crop failure of last year has resulted in near famine conditions in 1998. For the first time in a decade, seasonal migration has re-started in Bagepalli Taluk. Yet, there are serious efforts to repay CCF loans and improve performance figures. Repayment Rates are climbing back to 85% and will go higher. The pain and suffering with which this is being done is almost palpable.
- The paying of Sangha Tax has become very difficult in the erstwhile Icco Areas. As you can see in the 6th Progress Report, everyone has honestly declared their family incomes, but there is no hard cash to pay up.
- DLDP works are proceeding very well in spite of the funds problem. Coolies are taking CCF loans to pay their wages.
- In order to not lose the season, hundreds of Coolie families are going ahead with the digging of pits and making preparations to plant mango and tamarind in June/July, even if there is a delay in Anandi and Tony DiNicola finding funds under the AIJ.

Vivy and his team of Desk Workers are handling finances very well. While we cannot claim that office work will not at all suffer with Pradeep's leave of absence, it will at the same time be a gross exaggeration to say that things will come to a standstill. Contrary to what Sheshadri says, Pradeep has done an excellent job in developing a competent second and third line. Moreover, he is and always will be available whenever we get stuck.

Our Governing Body has been particularly supportive and I am very grateful. They recognise that Pradeep needs a break and fully endorse the idea of a one year sabbatical. Personally, it is a difficult time for our family, but we will survive.

I sincerely request you to trust us that we do not have an uncontrollable situation. ADATS and the Coolie Sangha have the maturity and resilience to overcome and grow stronger. Taking a leap of faith and supporting us at this juncture will only ensure the continuance and improvement of our efforts to build the Coolie Sangha. It will also help us to eventually resolve our family crisis.

Thanking you for your understanding, and with every best wishes, I remain,

Yours sincerely,

Ram Esteves

c.c. Hedwig Schlags, EZE
Wenny Ho, Novib
Anne Bohrer, FMS

ADATS GOVERNING BODY MEMBERS AS ON 28 APRIL 1998

Name	Age	Designation	Occupation/ Qualification	Address
Shubha Chacko	32	President	Documentalist MSW	9/1 Jeremaiah Road Frazer Town Bangalore 560 005
Maggie Thomas	31	Secretary	Social Worker MSW	10 Rose Land Bangalore 560 025
Mario Esteves	36	Treasurer	Social Worker B.Com	ADATS Campus Bagepalli 561 207
Rev. N.R. Samuel	65	Member	Pastor	Executive Secretary Telugu Church Council RDT Compound Anantapur 515 001
Y.V. Malla Reddy	44	Member	Social Worker M.A.	Asst. Programme Director Rural Development Trust Anantapur 515 001
Ravikumar, T.P.	37	Member	Software Consultant M.Com.	708, 16 th "A" Main 38 th Cross, IV "T" Block Jayanagar Bangalore 560 041
Fazal Ali Syed	32	Member	Business (Courier) B.Com.	205, 2 nd Floor 5&6 Magrath Road Bangalore 560 025

7 May 1998

Dear Berry, Hedwig and Peter:

I have to write this personal letter to get some hurt off my chest. And also because I am very scared of a situation that may soon slither out of control. We are anxiously waiting for you all to take a final decision. It is really tough to keep things going. Your sanctioning the 2nd Consortium Programme will not just mean a smooth flow of remittances (which, of course, is critical), but also be a statement of support and solidarity during what is turning out to be a truly horrible year.

When going through these terrible times, we realise that our tenet of total and exceptionless transparency is something that many people have taken advantage of in an unscrupulous manner.

Starting with the Sheshadri episode when information was twisted out of shape to create a panic and cast aspersion, forgetting the existence of 20,000 families.

Then the cruel exploitation of Pradeep's hurt feelings to strike at the very heart of the only thing that we held dear and yet managed to give everyone without reserve – the love and affection of our family. Mario and I personally consider this to be the highest price that we have paid in these past 27 years.

Then an unsuccessful attempt by 2 ex-Staff to ask some Coolies from the Mittermari Area to disband their CSUs and not repay their CCF loans.

Yet, in spite of the drought and unbelievable hardships, 60% of the Members have paid their Sangha Tax and CCF Repayment Rates have slowly climbed up to 80.82%. Right now, the Coolies have only one all pervading reason for paying up in spite of impossible conditions:- to show that they are with us, and all that we stand for, in these terrible times.

In a membership driven organisation, this is the only way that poor people can assert their opinions – by contributing and participating in the normal activities. If and when you are denuded with further allegations, will you have the maturity to understand this? Or will you castigate us further?

Many in our Governing Body chided me and said we should have been more prudent and politic in the sharing of everything – finances, addresses, correspondence, problems, differences, etc. But where would that lead us? To the “safe” management of yet another faceless institution? And why should we be opaque when there isn't a single deed that we are ashamed of?

Development can never be reduced to a technicality guided by efficient inputs and corporate principles. Try as they may, nobody can “learn the ropes” in a superficial manner and hope to repeat what we have achieved here. They first have to soak in the spirit and the intention, and then create a milieu which is way beyond a physical or monetary wherewithal.

When I read the minutes of the last Consortium meeting, I really thought that you guys began to understand what we meant by the 2 Organisations Policy – that the NGO was not an apology to create the people's organisation.

Never in my wildest imagination did I believe that there would be even an inadvertent attempt from a funding partner's side to sabotage the trust and proximity that we have built up with the Coolies. I guess that the actual destruction of such sacred and intimate relations is not easy. No one can really succeed in destroying a bond that dozens of development workers have with thousands of Coolies. But to even attempt to demolish it in a wanton and lewd manner is honestly beyond my comprehension.

In a couple of months, we would have resolved all those issues that have been placed as donor conditionalities:

- The CCF Income Tax matter is settled.
- We have confirmed that Provident Fund does not apply.
- ADATS does not any longer have 3 brothers at the helm of affairs.
- The efficiency with which accounts/admn work continues after Pradeep's leaving proves that he has developed a very competent second and third line.
But was it necessary for him to leave just to prove this point?
- There is NO property in the name of any Esteves.
- The BCS already has 2 Coolies as Trustees (L. Nanjundappa has replaced Pradeep as Treasurer) and are electing 8 more. After that, I too will resign.
- All of us eagerly await the Economic Stocktaking in order to learn and improve.

But to what avail, Berry? What exactly has been achieved by the wanton destruction of trust and faith? Did you guys really think that posing simple questions would not have yielded answers? Did you really believe that all this was some sort of a personal empire that we wanted to build for our selfish ends?

It would be a lie to say that I do not have fundamental questions about Novib's intentions. To excuse their behaviour as merely inexperienced or over-enthusiastic or pseudo-professional is, to my mind, inexcusable.

I am not going to pretend that no harm is done. But, as long as our commitment to the Coolie families stays alive, it is never too late. All I request is that you help us to pick up the pieces. There still are some sensible people in this partnership. Please do not let not the Consortium be a ganging up of all that is bad in each one of us. Instead, let it be a balancing of one another's shortcomings. I beg you to force some sense and sanity into Novib.

With every best wishes,

Ram Esteves

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Mr. Berry Roelofs
Co-ordinator, Overseas Relations
South Asia Desk

24 May 1998

Dear Mr. Roelofs:

We are writing this letter on behalf of the ADATS Governing Body. All of us have studied various documents, including the Financial Stocktaking Exercise undertaken by Mr. Sheshadri, ADATS' detailed reply dated 17 February, ICCO's fax dated 9 April, minutes of the meeting held at Novib on 24 March, and ADATS' reply dated 13 April. We have also gone through various other documents and correspondence, including ADATS' letters dated 27 and 28 April. We have extensively met with the Staff and functionaries, and are quite familiar with the problem now being faced. Much of our sentiments and views have already been voiced directly to ADATS.

We cannot help feeling that problems have been exaggerated well out of proportion, and an unnecessary situation has been created by projecting non-issues. Matters like family management, close bonds that the Staff have with the Coolie Sangha, etc. have always been open and well known. They have come up many times in the past, been well clarified, and should, by now, have become bygone issues. We really would like to know why you choose to question these matters again and again, and unnecessarily rake up feelings of insecurity, confusion and mental turmoil.

The ADATS Staff and Core Group have done an excellent job in organising poor families and helping them to take control over their own lives. This appears to have been totally glossed over.

1. What ADATS staff and Coolie Sangha functionaries have achieved in terms of self-financing the independent people's organisation is absolutely unique and marvellous. To prophesise a problem that could possibly arise sometime in the future (as if there has been a deliberate design, through negligence, to mislead the poor Coolies and enrich the Income Tax department) is in poor taste and has questionable motives. If there should be any Income Tax problems in the future, these can surely be solved through an honest interpretation of the facts, and with the help of experts.

In any case, such a possible problem (which has not yet arisen) should have been pointed out in a constructive spirit. As Members of the ADATS Governing Body, this is not a matter that directly concerns us. It is Coolie moneys contributed to the Bagepalli Coolie Sangha, and no ADATS moneys are involved.

Yet our concerns as well-wishers are allayed by the Chartered Accountant (whose experience, commitment and competence is proven over the last 20 years) who will soon be able to get a ruling that accumulated Sangha Funds in FDs are actually a decentralised village level corpus that the Coolie families have themselves built up.

2. The 16/03/93 ruling of the Assistant Commissioner of Income Tax amply justifies ADATS' assertion that Mr. Sheshadri was being unnecessarily alarmist. The CCFs are an activity that can be undertaken by the Bagepalli Coolie Sangha, and accumulated balances at the end of each financial year are acceptable since it is a revolving fund.

We understand that the ADATS legal advisors are ascertaining whether Provident Fund and Gratuity apply, and clarification is being sought on the Reserve Bank matter that has been raised in the Report. As for the CBI inspection, the legal position is that since no charge sheet has been filed in any court of law within 3 months, the matter can be considered closed.

3. All of us in the Governing Body are aware that Ram and Pradeep Esteves wanted to resign from the Board of Trustees of the BCS in March 1995 itself, when ADATS formally withdrew from Bagepalli Taluk. Through a series of accompaniments guided by Dr. N.C.B. Nath, Dr. M.K. Bhat and Mr. Anil Chaudhary, they were persuaded that this would not be in the best long-term interest of the Coolies.

You too were aware of this fact. To now suddenly imply that they are clinging on to power and that an independent Coolie Sangha does not exist at all is unfair and untrue. Mr. Sheshadri did not deem it fit to meet even a single Coolie Sangha Member before making such allegations. Extremely misleading and insensitive comments have been made on paras 5.2.6., 5.3.2.12., 12., etc. of the Financial Stocktaking Report. We believe that it is our duty as Governing Body Members to protect the reputation of honest and hard working development workers against slurs and innuendo.

Once again, Ram and Pradeep have offered to step down and indeed Pradeep Esteves has already resigned. The Coolies are electing 8 more Trustees and Ram Esteves will resign in June 1998. Coolie Sangha functionaries have informed us that they are going to amend the Trust Deed and forfeit their FCRA Registration in order to “not embarrass Ram any further – he has suffered enough pain”. We as outsiders know this is an internal affair of their family and the Bagepalli Coolie Sangha. A diplomatic interpretation of the sad events that have taken place during the past 2 months is that they are following up on Mr. Anil Chaudhary’s recommendation of October 1994 to broaden the Board of Trustees.

Yet we view these developments with the same alarm that Drs. N.C.B. Nath and M.K. Bhat voiced 3½ years back. In our opinion, there is a lot of unfinished business in terms of building genuine capacity in the Coolie Sangha. These are not merely in terms of teaching skills and abilities to the functionaries, but in the more subtle realm of inculcating values and attitudes, and bringing about a lasting cultural change.

As Governing Body members, we are very concerned with this “post-withdrawal” role that the Core Group has to perform. We only hope that Ram Esteves will rise to the occasion and continue to guide the Coolies and their organisation with the same passion and enthusiasm that is characteristic of his involvement. Since it would be very counter-productive to discredit his family by falsely ascribing ulterior motives, we want to place on record our categorical rejection of those parts of the Report. We sincerely urge you to do the same.

4. It does not take away from either our objectivity or our independence to admit that all of us have tremendous respect and admiration for the Core Group that actually manages ADATS. Their contribution to the sector has been deep and profound.

- They have never shied from sharing problems and admitting failure. They have taken great pains to document experiences and make learning available to everyone in the field. ADATS is one of the few places where a policy of total and exceptionless transparency is fully implemented.
- Evolving a strategy to help the poor unite across caste lines and break out from the shackles of feudal horror – the power balance in the villages has been irreversibly altered in favour of the poor – is not easy.
- Framing a theoretical policy of effective minority and implementing it to help the Coolies capture Panchayat Raj Institutions and obtain a felt presence is a big thing.

- Tackling deeply imbedded issues like corruption, taking a firm stand against communalism and divisive politics, making a serious dent in wider socio-politics, etc. are not small achievements.
- The self-finance mechanism that has been built into the Coolie Sangha is, as we have already stated, absolutely unique and marvellous.
- Fads have not dictated policy choices and the availability of resources has never been a reason for them to propose an activity that has not been planned bottom-up from the grassroots – we have vivid memories of the DLDP debate.
- Their Gender Policy document may not amount to much on a library shelf, but it is one of the most striking statements of what has actually been achieved to empower women at a deep and personal level – and now the creation of a Women’s Fund. These experiences are now going to be documented in a serious book on gender.
- And finally, the manner in which they are dealing with the extremely complicated world of the international environmental debate and AIJ politics to profit not just their own work, but an entire belt of NGOs in the region.

These are contributions that should not be belittled or side-tracked.

5. As for personal integrity, we would hardly extend our names and reputations (not to speak of the legal hazards that come with the responsibilities) unless we had total and absolute faith. We are certain that there is not a single instance of a questionable payment.

If we should ever need an independent financial manager reporting directly to us, we will do so in our own interest. Should any legal problems arise from any quarter, we are open to look at them with our own wisdom – i.e. should the trust that we have placed in the present set up, dictated by our present wisdom, fail us.

Every one of us in the Governing Body is fully aware of the fact that the Bangalore land was bought in the name of Mario Esteves. It was really magnanimous of him and Pradeep to immediately offer to take salary advances and buy the land in Mario’s name the moment there were some complications about the form of payment. A fact that is being conveniently overlooked in this sordid interpretation is that a bulk of the salary advance has been repaid and they are out of pocket by about Rs 5 lakhs! However, we know that this is not the first financial contribution that the family has mobilised for the organisation.

We assure you that the further aspersions cast by Mr. Sheshadri in his final Report are totally baseless, and there is no question of Mario Esteves or anyone else secreting away properties in their personal names.

6. In our opinion, the Coolie Sangha has been built up as a strong organisation due to a very good intervention strategy and a lot of timely support from various parties, including donor partners. But these alone do not account for the phenomenal success that ADATS has had at Bagepalli and elsewhere.

Many other factors like a propitious sense of timing, dogged pursuance, team spirit, organisational culture, dedication, personal sacrifice, personality, charisma and matters that we cannot quantify have all together contributed. To manage a diverse collection of abilities, interests and opinions is a skill that is uniquely different at each NGO. It is honed to the specifics of the people who have come together.

We in the Governing Body have a deep appreciation and respect for the manner in which the Core Group has used every single person to their maximum potential. ADATS Staff have stretched themselves to get the job done, often in the face of stiff opposition and personal risk. We have seen no nepotism or favouritism whatsoever, and recent events have proved this.

In 1985 the Governing Body decided that we would not interfere in day to day management. Though we have ultimate “ownership” rights over the Society, we will not exercise it to the exclusion of the claim of those who are living and working in the field. But this does not mean that we are not fully conversant with everything that is happening at ADATS, including the subtle nuances and undercurrents that go to make up a normal organisational throb. We have sufficient standing, maturity and self-confidence to give moral support, and guide the organisation through difficult times.

7. Many of us, based on our personal experiences, believe that empowerment and real development are matters that span over several generations. It would be unwise to pre-judge the outcome of any sincere effort before a span of at least 35 years – either as overwhelmingly positive or as failure.

In our own different ways, as Governing Body members or as part of the general intelligentsia or as funding partners, all of us have supported ADATS for the past 20 years. We cannot break faith and question the very basics of the organisation and its intentions at this point of time. Now when ADATS is attempting to “plug in” the independent Coolie Sangha to the outside world, we see our role and responsibilities (as outside actors) steadily increasing. But your funding roles are conversely on the decrease. It would indeed be very short sighted to pull out at this stage, when the path of change that has been set in is becoming irrevocable.

Please consider this letter as our genuine contribution to try and solve the impasse that has been unnecessarily created, by trying to bring back the trust and a spirit of solidarity. Though such a guarantee is not at all needed, we the Governing Body assure you that the Core Group will comply, in letter and spirit, with everything that they have committed to in ADATS’ letter of 13 April 1998.

With best wishes, we remain, yours sincerely,

Shubha Chacko,
President

Malla Reddy,
Member

Fazal Ali Syed
Member

Maggie Thomas,
Secretary

Rev. N.R. Samuel
Member

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Berry Roelofs,
India Desk.

28 MAY 1998

Project No: IN 094052

Dear Berry:

Thank you very much for your Fax dated 20 May 1998.

1.a. Changes in the Bagepalli Coolie Sangha

- Pradeep Esteves resigned as Treasurer and Trustee of the BCS on 1 May 1998.
- L. Nanjundappa has been inducted as Trustee and took over as Treasurer on the same date. The Banks have been notified and signatories for various accounts have already been changed.
- CSU level consultations to elect 8 new Trustees, 2 from each Taluk, have been completed. The new Trustees will be inducted in the first week of June 1998.
- I will resign as Trustee on Monday, 8 June 1998.
- Our legal advisors have completed making amendments to the Trust Deed. The Chartered Accountant will file the Final Draft with the Income Tax Department for their approval, as per law.
- The FCRA office of the Union Home Ministry, New Delhi, will be notified of changes in the Trust Deed and composition of Trustees by 30 June 1998 when the registration will automatically be lost.
- The BCS will re-apply for FCRA registration in the first week of July 1998.

1.b. ADATS Governing Body

We have sent you a Fax copy of the ADATS Governing Body's letter dated 20 May 1998. We tried to e-mail it to you, Hedwig and Wenny, but were always getting an error message. We would be grateful if you could please forward the letter to them.

2.a. Improving the CCFs

- All the CSUs have been informed that there will be an evaluation of their CCFs through an Economic Stock Taking Exercise. They are genuinely open to constructive criticism and suggestions to improve.
- Coolies have identified their dilemma as follows: Chasing high Repayment Rates results in high (unutilised) Bank Balances. They now have a 3 pronged effort to ensure high Repayment Rates and low Bank Balances:
 - Major efforts are being made to reduce Overdue and inculcate fiscal discipline in the borrowers. Repayment Rate at Chintamani Taluk, for example, has risen to 88.22%.
 - Good village level discussions have taken place to identify exactly what CCF loans and non-monetary support is needed by each individual Member Coolie. This is an off-shoot of the Women's Fund approach whereby everyone together makes a "Case History" and take community responsibility to follow up each plan for 2-3 years.

- CCFs will be used to finance long-term development efforts like, for example, the dry land horticulture project which will need Rs 5,000 per acre for direct investments and another Rs 5,000 per participating family for common watering arrangements.
- ADATS Staff are being trained to understand the micro-economics of poor peasant families, and the logic of credit programmes (as stated in the Special Progress Report, the 2 do not necessarily follow the same compulsions).
Moreover, all the Field Workers (be they in charge of CCFs, DLDP, Coolie Sangha building or Mahila Meetings) are taking a special interest in improving the village CCFs.

2.b. Financial self-management of the Coolie Sangha

- As already mentioned in our letter of 13 April 1998, serious discussions are on in all the independent village CSUs of Bagepalli Taluk to assess the Cluster and Taluk level expenses that they must bear from August 1998.
- The September 1998 Progress Report will indicate the volume of Coolie moneys collected and spent. This can be verified by the audited accounts of the BCS.

3.a. Legal Issues

- On 27 April 1998, we wrote to you with a copy of the Income Tax order dated 16/03/93 clarifying that the CCFs are an activity that can be undertaken by the BCS, and that we do not have to pay tax on accumulated CCF balances at the end of each financial year since it is a revolving fund. This issue is therefore settled.
- Our Chartered Accountant has spoken to the concerned Income Tax Officers and they are willing to examine the accounts and give a ruling on accumulated Sangha Funds in Fixed Deposits – whether they can be accepted as decentralised village level corpus funds being built by the Coolies through their organisational savings. We cannot, however, push the matter with the Income Tax department and commit them to a definite date by which to decide.

In case our interpretation is not accepted, each CSUs will have to work out a plan to spend all their accumulated savings which are presently in several Fixed Deposits in the name of individual village CSUs. Spending all the moneys on the common watering arrangements for the dry land horticulture project is one of the ideas that has come up. Should this happen, it will be a major blow for their plans to financing the future. You will recollect that the Coolies withdrew their application for an Endowment Fund with the confidence that they will be able to able to build one up all by themselves. Moreover, their overall wherewithal (fiscal, physical, moral standing, bargaining power, et al) will get ruined. We are sure that matters will not come to that, but all of us are literally praying with fingers crossed!

- There is some confusion as to whether Provident Fund applies to NGDOs. There is a ruling of the AP High Court that those involved in non-formal education and employing staff on a project-to-project basis do not come under the Act. It is rumoured that PRIA, New Delhi, has obtained a similar an all-India ruling from the Supreme Court. Our legal advisors will give a clear answer before 30 June 1998.
- Gratuity does not apply to NGDOs.
- As for the CBI inspection, the legal position is that since no FIR or charge sheet has been filed in any Court of Law within 3 months, the matter can be considered closed. We will get a written clarification on this matter from a Senior Advocate who deals with CBI cases and will forward it to you by 15 June 1998.

3.b. Financial Management

- As informed in our letter of 28 April 1998, Vivy and his team of Desk Workers are handling finances very well. Pradeep has done an excellent job in developing a competent second and third line. Moreover, he is and always will be available whenever we get stuck.
- We have extensively interviewed and selected 4 qualified Desk Workers to work full time with the Coolie Sangha accounts, one for each Taluk,. The present uncertainty has to get over before we can design and impart finance management skills to the newly elected Trustees, Cluster Secretaries and other Coolie Sangha functionaries.
- We categorically refuse to accept that there has ever been any problem with regard to statutory compliance, be it Income Tax, FCRA, Registrar of Societies, Labour Laws or other. This will become abundantly clear by June end, when we provide documentary proof like the IT order dated 16/03/93.
Moreover, the Governing Body has agreed to themselves monitor these matters since they are the ones who will be held personally liable and prosecuted in the event of any botch up.
- None of you has ever had any problems with our Financial Reports and we have closing letters for all the projects except the current on-going one. We assure you that the same quality will continue.
- All the properties are now in the name of ADATS or the Coolie Sangha either in title or through a sworn affidavit. We assure you that we will not, in any event, buy lands in the names of individuals.
- We will look into the question of investment planning very carefully since it is Coolie moneys (Sangha Funds) in 700 village accounts that we are speaking of. A mere perusal of the totalled figures in the Balance Sheet can never give a proper picture of the scattered reality.

We sincerely hope that you will finally be able to take a decision to sanction the 3 year programme. Our financial position is very bad and we just cannot continue beyond June 1998.

With every best wishes, I remain,
yours sincerely,

Ram Esteves

c.c. Hedwig Schlag, EZE
Wenny Ho, Novib

Mr. Berry Roelofs,
ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

2 June 1998

Dear Mr. Roelofs,

I am in receipt of copies of ADATS' recent letters to you dated 13 April and 28 May 1998 and am fully conversant with the recent controversy. I have also received a copy of the joint letter sent by the ADATS Governing Body on 24 May 1998.

I have been handed over the Draft Amendment that they propose to make to the BCS Trust Deed. While most of the proposed amendments are valid responses to the changed situation over the past decade, I have serious reservations over the move to drop all the ADATS members from effective positions in the BCS. I am forced to voice these concerns as extremely dangerous and unhealthy.

We cannot afford to ignore the fact that the BCS has become an asset rich organisation with over Rs 5 crores as CCF capital and more than Rs 1.5 crores in the Sangha Funds, and as such is prone to misuse and abuse when sudden changes are introduced from outside, without regard to internal dynamics and sentiments. Moreover, thousands of very poor families have begun to look upon the institution as a lifeline for their very survival in the villages.

The BCS has been the brain child of ADATS and as such, till it becomes a fully matured and grown up institution, it requires a constant monitoring and guidance by the parent body. It is with this sole intention of nurturing the growing institution that I personally feel that Ram should continue to be one of the Trustees. Since the Board of Trustees is being broad based with the induction of more Trustees from among the Coolie Sangha Members, the functioning will be on more democratic lines. Ram has been successfully interacting with all the donor agencies, statutory bodies and other institutions and his competence in the field doesn't need any more emphasis. In the circumstances, I feel that the continuance of Ram Esteves as one of the Trustees, albeit with a widened Board, should enable the organisation to function progressively and smoothly.

As for getting FCRA re-registration, I will personally go to Delhi and follow up the matter. The matter of accumulated Sangha Funds has been taken up with the Income Tax department to complete the assessment at the earliest. I am confident that they will accept our returns of income in toto. With regard to investments, since the per CSU investable fund is just about Rs 25,000 it is not financially feasible to invest in any long term project. Investments in other institutions can definitely be considered once the investable potential funds reach at least Rs 1 lakh, so that the benefits therefrom would be commensurate to the cost of investing.

Since these moves are being contemplated solely to satisfy donor conditionalities and due to no other objective compulsions, I earnestly request you to re-consider, placate injured sentiments, and urgently intervene to convince Ram to please continue as BCS Trustee for some more years since this will be in the best interest of the of the institution.

With best wishes, I remain,
Yours sincerely,

G.S. Ravikumar
Chartered Accountant

Icco,
 P.O. Box 151,
 3700 AD Zeist,
the Netherlands.
 attn: Berry Roelofs,
 India Desk

2 June 1998

Project No: IN 094052

Dear Berry:

Enclosed please find the Final Draft of amendments made to the BCS Trust Deed. This Final Draft has been submitted to our Chartered Accountant who will get it cleared by the Income Tax Authorities before it can be registered.

Since it is a fairly long document, please permit us to highlight the 7 most important changes that have been made, with references to the paragraph numbers in parenthesis:

- There will be a total of 12 Trustees (4 Permanent and 8 Elected), with the Elected Trustees from 4 Taluks changing every 3 years on a rotation basis. (*Paras 4 and 14*)
- The powers of the President and Treasurer will henceforth be tempered by the broad based Board of Trustees. They will be elected for 3 year terms and will no longer enjoy sweeping powers. (*Paras 18.a. and 18.b.*)
- The supremacy of the beneficiary Member Coolie has been established through 3 amendments:
 - Admission, suspension and cancellation of beneficiary Member Coolies will be decided solely at the village CSU level. They will no longer be decided by the Executive Committees. (*Paras 16 and 21*)
 - There will be 4 Executive Committees, comprising of elected Cluster Secretaries and Taluk Secretaries, to manage the day to day affairs of the Coolie Sangha. They will no longer exist at the pleasure of the Board of Trustees, but will instead be formed through well defined bottom-up electoral processes. (*Paras 17.e. and 18.c.*)
 - The positive recommendation of the Taluk Coolie Sangha Meetings is mandatory on both, the Executive Committees as well as the Board of Trustees (*Paras 17.e.*)
- Mahila Meetings and Taluk Women's Committees have been officially incorporated into the Trust Deed, as for giving well defined and exclusive financial powers to Coolie women. (*Paras 17.b. and d.*)
- ADATS will have an official role in the running of the village CCFs through the nomination of a cheque signatory. (*Para 23.e.*)
- Grants given by ADATS to the village CCFs will be reported as secondary receipts under the FCRA, provided the BCS continues to enjoy registration under the FCRA. (*Para 24.c.*)
- The concept of self-financing through Sangha Funds, and the building up of a village level decentralised corpus fund by the Coolies themselves has been incorporated in the Trust Deed. (*Para 24.f.*)

The new Board of Trustees is comprised of the following:

No.	Name	Position	Taluk
1.	Venkatashivappa	President	
2.	L. Nanjundappa	Treasurer	

3.	Venkatanarasappa	Permanent Trustee	
4.	P.S. Rasheed	Permanent Trustee	
5.	015 033 Rangappa	Elected Trustee	Bagepalli
6.	134 013 Laxminarasamma	Elected Trustee	Bagepalli
7.	461 001 Rajamma	Elected Trustee	Chickballapur
8.	359 001 Narayanaswamy	Elected Trustee	Chickballapur
9.	767 002 P.M. Ramalingappa	Elected Trustee	Siddalaghatta
10.	542 015 Rathnamma	Elected Trustee	Siddalaghatta
11.	501 017 K.L. Venkatarayappa	Elected Trustee	Chintamani
12.	605 022 Susheelamma	Elected Trustee	Chintamani

As you can see, all the positive recommendations found in the Financial Stock Taking Exercise of Mr. Sheshadri have been incorporated. We have therefore complied with a very important part of what we have undertaken in our letters dated 13 April and 28 May 1998.

With every best wishes, I remain,
yours sincerely,

Ram Esteves

c.c. Hedwig Schlags, EZE
Wenny Ho, Novib

ICCO,
P.O. Box 151,
3700 AD Zeist,
the Netherlands.

Attn: Berry Roelofs,
India Desk.

25 June 1998

Project No: IN 094052

Dear Berry, Hedwig and Wenny:

Enclosed please find 2 legal opinions we have received from Shri. K.V. Shankarappa, a senior advocate from Kolar on the CBI and Reserve Bank matters. After having studied our files and consulting the State Prosecutor (who is the CBI counsel), he is of the opinion that the FCRA matter with the Central Bureau of Investigation is closed.

1.a. Changes in the Bagepalli Coolie Sangha

Pradeep and I have both resigned from the Board of Trustees, and 12 Coolies have formally taken over the Bagepalli Coolie Sangha. We have sent you the Final Draft amendments to the Trust Deed on 2 June 1998. Every single positive recommendation found in the Financial Stock Taking Exercise of Mr. Sheshadri has been incorporated.

We expect the Income Tax approval for changing the Trust Deed within a week. The Union Home Ministry will be notified by the end of this month, and the BCS will re-apply for FCRA registration in the first week of July 1998. Our Chartered Accountant has promised to personally follow up the matter in New Delhi.

1.b. ADATS Governing Body

The Governing Body have clearly demonstrated their independence *vide* their letter to you dated 20 May 1998.

2.a. Improving the CCFs

We are all receptive to the Economic Stocktaking Exercise.

Coolie families have put in a Herculean effort (in the middle of near-famine conditions) to themselves improve CCF performance during the last 3 months. As on today, Repayment Rates are as under:

Chickballapur Taluk	81.26 %
Chintamani Taluk	87.14 %
Siddalaghatta Taluk	82.07 %
Julapalya & Mittemari	66.74 %
Bagepalli Taluk (not Consortium)	84.68 %

The self-denial and sacrifice with which these figures have been achieved is evident even to a casual observer. CCF utilisation has also improved and bank balances are expected to drop below 25% of the CCF capital by the end of July 1998, when crop loans are given out.

2.b. Financial self-management of the Coolie Sangha

Good discussions are taking place in the independent CSUs of Bagepalli Taluk and they are making concrete plans to meet the central costs of the BCS from August 1998 onward.

Once again, this is taking place in the background of near-famine conditions:

- Average annual incomes in Bagepalli Taluk have dropped from Rs 4,768 in 1996 to Rs 3,101 in 1997.
- Average Sangha Tax collection has dropped from Rs 317 in 1997 to Rs 192 in 1998.
- This means that Bagepalli Taluk has a Sangha Fund revenue of Rs 381,968 for 1998-99, as against Rs 721,070 during the last financial year.

This means that other activities like referral health and scholarship for 1,796 school going children have to be put on hold. Yet not a single CSU has spoken about relegating on our commitment.

3.a. Legal Issues

The Income Tax matter with regard to accumulated CCF balances has been settled. Now with Shri. Shankarappa's clarification, the FCRA (CBI) and Reserve Bank matters are also settled.

The only legal issues still pending are with regard to the applicability of Provident Fund, and the Income Tax interpretation of accumulated Sangha Funds.

3.b. Financial Management

Now that the BCS has been formally separated from ADATS, it is up to the Coolies themselves to decide on investment of Sangha Funds. We are committed to helping them to explore all possibilities and take wise decisions in this regard.

Since we have fulfilled EVERY SINGLE donor condition laid down in your Faxes of 9 April and 20 May 1998, as per the time frame detailed in our letters dated 13 April and 28 May 1998, we honestly do not see any reason for delaying the sanction of the 3 year programme.

If any of you have any other extraneous reasons that we are not aware of, we would be grateful if you could inform us. If anyone's feelings have been hurt in the course of the many letters that have been exchanged, I would like to personally apologise.

We have taken a big beating these past 3 months, on every single front. It is honestly an astonishment that the Coolies still have any faith in our abilities. We have not been able to fulfil assurances we gave them in the light of a proven 9 year intervention strategy and our partnership, supported by a 10 year MoU.

All of us know for a fact that many bridges have been burnt and socio-political survival strategies abandoned. Hopes have been kindled and powerful aspirations unleashed. A genuinely democratic and feminist culture has begun to take roots. The balance between the individual and the community is being forged through painful trial and error. Alternate socio-cultural institutions are being fabricated. Perhaps for the very first time, identity is being created. Negative mainstreamisation is being rejected. A vast number of very poor families sincerely believe that they can take their lives into their own hands and achieve a lasting change. Please don't force us to abandon them. Please help us to make it up to them by continuing our interrupted efforts. Looking forward to hearing from each of you, and with every best wishes, I remain,

yours sincerely,

Ram Esteves

c.c. Hedwig Schlags, EZE
Wenny Ho, Novib

Novib,
Mauritskade 9,
P.O. Box 30919,
2500 GX den Haag,
the Netherlands.

attn: Geoffrey Salkeld,
Head, Regional Bureau for South & Central Asia

9 August 1998

Dear Geoffrey:

We write this letter to thank Novib for the support that you have given us over the past 17 years. You have been one of our oldest partners, and it simply would not have been possible to build the Coolie Sangha without your money, ideas, conceptual contribution, moral support and encouragement.

You must be aware of the serious unpleasantness that has crept into our relationship over the past 6 months. Perhaps it is a communication problem, or maybe there are reasons that we are totally unaware of.

We do feel that, for reasons we do not understand, a hatchet job was done on us. Phantom projections were made of problems that do not exist. Non-issues were projected in such a blasé manner that even denial led us deeper into a quagmire of self justification that we felt immediately ashamed of. The entire exercise was a one-sided affair without acknowledging the elaborate explanations that were given. Even from an accountant's point of view it was a half-baked exercise that provided scope for them to indulge in wild speculation, and vent petty personal biases and cliché stereotyping.

Most of what Sheshadri asked for was mean, trivial and inconsequential. To prove this point, we were forced to comply. For whatever it was worth, we implemented everything that we committed ourselves to in our letters of 13 April and 28 May 1998. Though this may sound a little corny, our sense of pride forced us to pore through the Sheshadri Report in detail and taken note of every single recommendation, in spite of our rejecting the tone and tenor of the Report *per se*.

Because you ignored a relationship that had been painstakingly developed over 17 long years, you were unable to see our ready acquiescence as a way of saying that these were unimportant issues. Instead you got carried away by this once-off event. Maybe you got confused by our total compliance, which you interpreted as guilt ridden capitulation. Perhaps you were afraid that we had some dirty tricks up our sleeve, and began to bicker about verification. Or maybe you did correctly interpret our reaction as a contemptuous dismissal of all that Sheshadri had to say...

Not for a moment do we suggest that partnership considerations should erode into accountability. When questioning achievements and unsparing self-criticism are an integral part of one's personal psyche and organisational culture, we welcome constructive criticism. We respect your right to discharge your responsibilities in a thorough and unsparing manner. But this should have been done in a civil manner, bearing in mind the negative consequences that fall out from an insensitive and pre-judged approach.

If you had wanted to merely stop funding us, this could have been done in a simple and straightforward manner, listing your compulsions to do so. ADATS has always been totally open and transparent in our intent and believed that this was a shared value.

These past 6 months, we have hovered dangerously close to making irreparable damage to achievements made by the Coolies. Our damage control exercises have been effective at the Coolie Sangha level, but we don't have the energy to stretch them endlessly. Lack of money

was definitely a problem. This was compounded by the uncertainty over whether a mutual trust and shared concern genuinely exists between us, the principle actors.

To our mind, interrupting an intervention strategy mid-way, after having made a mature and formal commitment to it, was very irresponsible. The Coolies have much more at stake than adherence to changing management requirements which are, in the last analysis, only measures meant to strengthen and sustain their efforts. When we give a 9 year commitment to accompany the Coolies to independent CSUs, mid-course veering should only be to improve the Model and better the effort. Inordinate delays and whimsical interruptions betray a very immature and brazen attitude.

We have problems with an immature application of fads without thinking them through. Institutionalisation of NGOs has often been at the expense of institutionalising the People's Organisations. And we cannot agree to a type of institutionalisation of the Coolie Sangha that were to erode into village level decentralisation, genuine autonomy, and the refreshing pluralism that makes it all work. Viewing the entire Sangha Funds as one single corpus, basing an entire investment plan on expert advice, and centralised decision making on the application of funds collected by the Coolies themselves would have been the surest way to destroy every shred of the respect we have for the Coolies.

In order to salvage as much as possible of the important achievements that we have together made through our partnership, we feel that we have no other option but to do the most dignified thing under the circumstances – walk away.

ADATS and the Coolie Sangha have to grapple with complex socio-cultural issues regarding the re-alignment of the power balance in village society. We couldn't have conceptualised the problem and actualised effective strategies unless our OD skills and managerial acumen were fairly advanced and up-to-date. We do not see our task as the setting up of text-book perfect institutional arrangements, but rather as the developing of appropriate ones that empower the Coolies and create permanent spaces for them.

The time has come to accept that in our relationship with the Coolies will always be the familiar alongside the formal. And in our relationship with our northern partners the familiar will always co-exist with the formal. Only extremely narrow, dated and non-productive managerial responses reject the familiar and familiar. These are not anathema to what formal structures and discipline have to offer. Appropriate OD for NGOs has to undertake the resolution of painful and embarrassing issues like the balancing of the personal with the political, finding room for emotions, and moving towards a feminist organisational culture.

The Model still has a lot of purchase in it. ADATS and the Coolies have set for ourselves a fairly lofty agenda that encompasses the socio-political, cultural, as well as the economic in one holistic entirety. We are bound to traverse a perilous path that is in store for all innovative ventures that go against the grain of mainstream society and aim to achieve a solid and sustainable alternative. We need to operate within a paradigm of faith and trust with our partners, without any party feeling that these virtues will erode into the responsible conduct of their formal roles. We do not trust you, in your present frame of mind, to accompany us.

It is for these reasons that we have requested Icco and EZE to support a scaled down 2nd Consortium Programme, without involving Novib. We honestly believe that this is the only way out to preserve everything that has been painstakingly built up over the past 20 years.

Once again I want to thank you most sincerely for all our days of solidarity and partnership. With every best wishes, I remain,

yours sincerely,

Ram Esteves