

**JOB OPPORTUNITIES AND BUSINESS SUPPORT PROGRAM
JOBS**

Cooperative Agreement Number 388-A-00-97-00013-00

Implementing Agency: United States Agency for International
Development/Bangladesh

Coordinating GOB Agency: Ministry of Industries

Cooperating GOB Entities: Ministry of Planning
Bureau of NGO Affairs
Palli Karma-Sahayak Foundation
Economic Relation Division, Ministry of Finance

Implementing Contractor: IRIS Center of University Research Cooperation
International
University of Maryland at College Park, MD,
USA

**Implementing Partners
Of Contractor:** Proshika Manabik Unnayan Kendra
Development Alternatives, Inc.

**QUARTERLY REPORT NO. 4
JULY-SEPTEMBER 1998**

OCTOBER, 1998

**IRIS Center
University Research Corporation International (URCI)
Bangladesh JOBS Program
House 101, Road 13A, Block C
Banani, Dhaka-1213**

INTRODUCTION

This is the fourth quarterly report on the activities of the JOBS program covering the period July-September, 1998. During this quarter, implementation of program activities continued in all three components. As per the suggestions at the last quarterly review meeting held on August 16, 1998, this quarterly report has been simplified to focus on the essential activities undertaken during the quarter in review. The activities during this quarter in review have been adversely affected by the devastating flood in Bangladesh. Several of our planned activities were postponed till after the flood.

The **Baseline survey** of Micro enterprise under the **ME** component has been completed. A **one-day workshop** was held August 29, 1998 to disseminate the findings of the Baseline survey. The Final Survey Report has been submitted by Proshika and is under review by IRIS. A number of tasks related to survey findings have started in this quarter.

The **Sub-sector Study** which was initiated in the 3rd quarter under the **SME** component, has been completed. The study covered eight sub-sectors – bakery, electrical goods, footwear, light engineering workshops, plastic products, specialized handloom, steel furniture, and textile dyeing and printing – and produced ten reports (eight sub-sector reports and two over all reports). A validation workshop was held on August 2, 1998 to review the eight sub-sector studies. **Intervention Plans for six of the above sub-sectors** were also prepared and their salient features were presented in a debriefing session on September 30, 1998.

During this quarter **Policy Component** was involved in planning, designing and preparation for a one-day seminar on the Constraints to SME Development in Bangladesh organized jointly with Federation of Bangladesh Chamber of Commerce and Industries (FBCCI). The workshop was delayed due to flood and was held on Oct 8, 1998. Three papers were prepared for the seminar. 1. Pragmatic Solutions to Post-Flood SME Rehabilitation in Bangladesh. 2. Constraints to Access to Credit by SMEs (summary of Secured Finance for SMEs in Bangladesh) and 3. Overall Policy Constraints on SME.

**ACTIVITIES UNDERTAKEN IN THE ME COMPONENT
July-September 1998**

Sl.No.	Particulars	Status
1.	Baseline survey (by Proshika)	Survey completed and final report submitted [Annex C]
2.	Validation Workshop on Baseline Survey findings - organized by Proshika	Completed on August 29, 1998. 94 persons were participated.
3.	TOT (Training of Trainers) for participating NGO staff (by Yogsutra) on livestock - 25 Field Advisors for training of micro entrepreneurs at field level	One batch training was completed on 18 September. Eighty eight persons participated. Other two were postponed due to flood and rescheduled for 13 th October
4.	Training on Savings and Micro Credit Management for MF-NGOs (by TARD). Training on Savings and Micro Credit Management for MF-NGOs (by CDS).	One batch training was completed on 27 September. Staff from Twenty NGOs participated. Planned training postponed due to flood and rescheduled from Oct 1, 1998 Staff from Twenty NGOs participated.
5.	Orientation Workshop for 25 areas field supervisors (organized by Proshika)	Completed on September 1, 1998.
6.	Preparation of Memorandum of Understanding with PKSF for collaboration on NGO -strengthening	MOU signed on October 4, 1998
7.	Two NGOs have received loan from PKSF after receiving training from JOBS. These are Padakhep Manabik Unnayan Kendra and Bandhu Kallayan Sangstha	Tk. 100,000 have been disbursed to Padakhep Unnayan Kendra, average loan size is Tk. 4000/- and number of entrepreneurs are 25. Tk. 400,000/- have been disbursed to Bandhu Kallayan Sangstha, average loan size was Tk.3125/- and number of entrepreneurs are 128.
8.	ME Activities performed by Proshika during this quarter : details in Proshika Quarterly Report July-Sept., 1998 [Annex B]	
9.	Designing Management Information System (MIS) for impact analysis	On-going

Baseline survey:

The Micro-enterprise Development component has conducted a baseline survey to identify target customers and access their business needs. Broad objective of the study was to explore the objective condition for micro enterprise development of the study areas - market potentials and hindrances, and prepare a set of recommendation to facilitate rapid enterprise development with a view to create employment opportunities. The survey identified the eight most potentially profitable areas of enterprises such as small trade, shop-keeping, mini-micro industry, occupational group, fisheries, crop cultivation, livestock and poultry. The survey results also identified the areas requiring skills and advisory assistance in order to increase the scale of operation of business. So, on the basis of the survey findings, JOBS is in process of designing and implementing advisory and operational services and training packages that are appropriate for the expansion of these labor-absorbing micro-enterprises.

Validation Workshop: A workshop was held on August 29, 1998 at the IDB seminar room to disseminate and validate the findings of the recently concluded base line survey of micro enterprise activities.

TOT (Training of Trainers) for participating NGO staff : The objective of this assignment is to conduct training courses on Training of Trainers for Field Advisors and an orientation for Field Supervisors of Proshika and participating NGO staff in the JOBS target areas. The courses are on skills development on livestock, poultry and fisheries. After this training , Field Advisors will provide training to the Micro-entrepreneurs at the field level.

Training on Savings and Micro Credit Management for MF-NGOs : The objective of this assignment was to strengthen the MF-NGOs savings and credit management capacity.

Memorandum of Understanding with Palli Karma-Sahayak Foundation (PKSF): PKSF is involved in providing technical assistance (TA) to it's partner organizations (POs) along with financing them their micro credit programs. One of the key elements of TA provided by PKSF is training on various areas related to institutional development of Pos. The objective is enhancing Pos institutional capacity so that they can facilitate creation of self-employment opportunities for targeted rural households through more well managed micro credit programs.

Job Opportunities and Business Support (JOBS) is a USAID funded program with the objective of creating private sector employment for poor women and men in Bangladesh. Along with other activities, the Micro Enterprise component of JOBS program is involved in strengthening NGO management capacity of NGOs to access financial resources from formal financial institutions such as PKSF.

Different studies show that there are regions not covered by organizations offering micro credit services to targeted poor households. Experience shows that in many cases local NGOs of these regions need to strengthen their institutional capacity to meet the stringent eligibility criteria for becoming PO of PKSF. As PKSF does not have resources to provide training to these potential NGOs, both PKSF and JOBS can collaborate in meeting the

training needs of these organizations. Moreover JOBS can collaborate with PKSF in implementing expanded training programs for its existing Pos.

ACTIVITIES UNDERTAKEN IN THE SME COMPONENT July-September 1998

Sl.No.	Particulars	Status
1.	Sub-sector Study	Completed
2.	Validation Workshop	Held on August 2, 1998. Seventy persons participated.
3.	Intervention planning	Completed
4.	Intervention plan debriefing	Completed
5.	Designing MIS format for impact analysis	On-going

The **sub-sector study**, which was begun in April, 1998, was completed in the quarter under review. The study covered eight sub-sectors – bakery, electrical goods, footwear, light engineering workshops, plastic products, specialized handloom, steel furniture, and textile dyeing and printing – and produced ten reports.

A **validation workshop** was held on August 2, 1998, after the draft reports were submitted, to share the findings of the sub-sector study with a selected group of participants, including trade association members, researchers, development experts, NGO workers, GOB officials, and professionals, etc. The keynote paper, entitled "Study of Eight SME Sub-sectors: Presentation of Key Findings," was presented by Prof. Momtaz U. Ahmed, Study Team Leader. Later the participants broke out into eight groups, one for each of the studied sub-sectors. The respective Researchers presented their findings in the groups and discussed them with members of the respective sub-sector associations and others. The workshop generated useful information and validated the main findings of the research. The feedback from the workshop was incorporated in the Final Reports.

From end of July through September, 1998, **Intervention Plans** for six sub-sectors were prepared. The above eight sub-sectors were ranked based on some objective criteria and those that showed greater potential were selected. Steel Furniture and Light Engineering were put on the back burner as they ranked lower than the other six sub-sectors. A team of seven researchers (five consultants and two JOBS personnel), led by Mr. Tim Canedo of Action for Enterprise (AFE), an American firm, was entrusted with this activity. The purpose of this exercise was to design specific interventions that JOBS will undertake to develop SMEs in the selected sub-sectors.

Towards the end of August, 1998, the Intervention Team member^s presented their draft plans to the JOBS Program. Tim Canedo provided an overall view of the proposed interventions and described the methodology that was used for drawing up the plans. Other members of the team explained sub-sector specific interventions designed to develop SMEs and create jobs. The feedback from the debriefing session was incorporated in finalizing the draft plans, which were also substantially reviewed by AFE. The Intervention Team completed its work and presented its final reports on September 30, 1998.

Sub-sector study reports are available at the JOBS Office and copies can be obtained on request. A list of the reports, together with the names of their authors, is given below:

SUB-SECTOR	TITLE OF REPORT	AUTHOR
Bakery	Sub-sector Study Report on Bakery	Alim Haider
Electrical goods	Study on the Electrical Small Goods Sub-sector in Bangladesh	Muzammel Huque
Footwear	Sub-sector Study and Baseline Survey on Footwear	Azim Syed
Light engineering workshop	Sub-sector Study Report: Small Metal Works and Light Engineering Industries: Final Report	Lutfar Rahman Khan
Plastic products	Plastic Products Sub-sector: Final Report	Momtaz Uddin Ahmed (Team Leader)
Specialized handloom	Sub-sector Study of SMEs: Final Report on Specialized Handloom	Mollah Shaidul Haque and Shahin Akter
Steel furniture	Sub-sector Studies: Report on Steel Furniture Manufacturing Sub-sector	Zahurul Alam
Textile dyeing and printing	Textile Dyeing and Printing: Final Report	Shamsul Alam Mia
All eight sub-sectors	Growth Potentials of Small and Medium Enterprises: A Review of Eight Sub-sectors in Bangladesh	Zaid Bakht
All eight sub-sectors	Policy Induced Constraints to SME Development in Bangladesh	Zaid Bakht

A list of the **Intervention Plans** along with the names of their authors is given below.

SUB-SECTOR	TITLE OF REPORT	AUTHOR
Overall	JOB'S Sub-sector Intervention Development: Final Report	Tim Canedo (Team Leader)
Bakery	Intervention Plans on Bakery Sub-sector	Alim Haider
Electrical goods	Strategy for Intervention into the Electrical Small Goods Sub-sector in Bangladesh	Muzammel Huque
Footwear	Leather Footwear Sub-sector: Intervention Plans	Azim Syed
Plastic products	Intervention Plan of the Plastic Sub-sector	Torabel Alam
Specialized handloom	Report on Intervention Plan: Specialized Handloom Products	Mollah Shaidul Haque
Textile dyeing and printing	Intervention Plans for Textile Dyeing and Printing Sub-sector	Shahin Akter

ACTIVITIES UNDERTAKEN IN THE POLICY COMPONENT
July-September 1998

Sl.No.	Particulars	Status
1	Planning, Designing and preparation for the Seminar on the Constraints to SME Development in Bangladesh.	Done
2	Paper on "Pragmatic Solutions to Post-Flood SME Rehabilitation in Bangladesh" to present in the Seminar.	Done
3.	Finalize Report on "Secured Finance for SMEs in Bangladesh" by Patrick Meagher	Done
4.	Paper on Constraints to Access to Credit by SMEs to present in the Seminar.	Done
5.	Paper on Overall Policy constraints on SME operations to present in the seminar	Done
6.	Translate Patrick Meagher's op-ed into Bangla to circulate in the Seminar	Done
7.	Preparation of Appropriate operating rules for MFIs and identify options for supervision and protection of depositors' interest – like Deposit Guarantee Scheme etc.	Postponed
8.	Seminar on the Constraints to SME Development in Bangladesh.	Planned for end September but was shifted to October 8, 1998 due to Flood

Papers presented at the JOBS FBCCI Seminar on SME Policy Issues.

Pragmatic Solutions to Post-Flood SME Rehabilitation in Bangladesh : This paper was prepared by Mr. Forrest Cookson, JOBS Consultant on the basis of a survey which was recently carried out for JOBS, covering 208 enterprises of less than 50 employees. Total loss from the flood is estimated at Tk.440,000 per establishment. In the areas covered we estimate that there were 6,000 establishments so that the total losses come to Tk.2.64 billion. The conclusion of the survey is that in the areas studied the flood adversely effected all firms. The loss of fixed assets was not very great and represents no serious problem for most firms. The estimate of the size of the losses provides an estimate of the level of losses that the rehabilitation program should seek to compensate. Proposed short-term actions include a disaster insurance premium add-on to the interest rate charged by banks on SME loans, a temporary matching fund to banks for these loans, and the temporary funding of SME labor bills by the Government. More longer-term solutions include the establishment of a Natural Disaster Fund, and the ability of banks to charge market-based interest rates.
[Annex D]

Constraints to Access to Credit by SMEs : The main paper named "Secured Finance for SMEs in Bangladesh" was prepared by Mr. Patrick Meagher. A summary of this paper was prepared by Nasim Ahmed focusing the main issues that SMEs are facing severe financial constraint. They have a very limited access to the formal financial sector, which is however the largest potential source of working capital for them. This situation is due to a number of

factors, including interest rates that are kept too low to justify a major interest by banks in SME lending, cumbersome loan application process and , most importantly, the limited number of assets that are accepted by banks as collateral. SMEs usually have little access to real estate assets, which are the general form of acceptable collateral. Reforms are urgently needed to allow the use as collateral of other types of assets, such as salami, accounts receivables, inventories, etc... In parallel, better systems for collateral registration and credit information are needed to allow the large expansion of credit, on a profitable basis, that SMEs are repeatedly asking for. [Annex E]

Constraints to SME Development in Bangladesh : This paper is prepared by Dr. Najmul Hossain, USAID focusing that SMEs in Bangladesh are facing a large number of constraints, the most important of which have , over the last ten years, consistently been identified as unreliable power supply and access to credit. Problems with contract enforcement, business registration, and other legal issues contribute to an even less favorable policy environment. Tax issues, such as the implementation of VAT and tax holidays are also identified by entrepreneurs as hampering their operations and their ability to generate additional employment. [Annex F]

Resolutions/ recommendations from the seminar are as follows :

1. Promote a Natural Disaster Fund for the Business Sector: The seminar participants agreed that since Bangladesh is a disaster prone country, and the SMEs are most badly affected sector, there should be a natural disaster fund for the SMEs. Participants also agreed that the flood and other natural disaster causes grave loss to these SMEs. This could be done by the banks adding an insurance premium to the interest charges.
2. Arrange temporary funding of SME's labor bill jointly by GOB and the entrepreneur. The labor bill could be provided from the public fund for a short specified period of time. This will be an incentive and working capital help for the employers in resuming production and withstanding the sudden loss caused by the flood. The bill should given directly to the workers and against some objective criteria.
3. Take lessons from the positive experience of ACF funding arrangement of USAID's ATDP Project and replicate for the SMEs using market based interest rates.
4. Look into legal factors that preclude banks from allowing non-real estate asset (for example, *Salami(property right)*, machinery & equipment, inventory) as collateral. The acceptance of these non-real estate assets as collateral will expand the financial transaction manifold which is considered to be critical for the growth of the SME sector.
5. Simplify the loan sanctioning and asset registration procedures by allowing chambers and associations to certify entrepreneurs' eligibility and to provide credit information on their members.
6. Replicate the non-collateral lending practices of MIDAS and Proshika for small loans: Banks should try to advance loans to small and medium size enterprises following the models adopted by MIDAS and Proshika.

Administration : The following activities were accomplished during this quarter :

1. During this quarter we have hired four personnel : ME Coordinator, Deputy Policy Coordinator, Deputy MIS Coordinator and Administrative Assistant.
2. Quarterly newsletter has been published [**attached in Annex G**].

ACTIVITIES PLANNED FOR NEXT QUARTER (OCTOBER – DECEMBER, 1998)

ME ACTIVITIES PLANNED FOR THE NEXT QUARTER

The following activities have been planned for the next quarter:

1. Capacity Enhancement Training for MF NGOs
 - TOT on Fisheries Management (by Proshika) old 25 areas
 - TOT on Poultry Management (by Proshika) old 25 areas
 - Savings and Financial Management (by TARD)
 - Accounting and Financial Management (by TARD)
 - Savings and Financial Management (by CDS)
 - Institutional Strengthening training for potential NGOs who have applied to PKSF
2. Entrepreneurs Skill Development Training (management and specific need based technical training):
 - Formal training for borrowers on Livestock, Fisheries and Poultry (by Proshika) old 25 areas
 - Non-formal training on Livestock, Fisheries and Poultry, old 25 areas
3. Entrepreneurs and Enterprise Development Program :
 - Identification of umbrella organizations (Step Towards Development, Plan International, Shakti Foundation etc.)
 - Identification of successful credit clients for micro enterprises (Step Towards Development)
 - Management and specific skill development for entrepreneurs development
4. Field supervision and advisory services – old 25 areas.

SME ACTIVITIES PLANNED FOR THE NEXT QUARTER

The following activities have been planned for the next quarter:

1. Preparation of a detailed work plan for 1998-99
2. Interventions in the Bakery sub-sector:
 - Providing access of bakeries to long and short-term finance
 - Developing the Bakery Association's secretariat
3. Interventions in the Leather Footwear sub-sector:
 - Formation of clusters in Mirpur and Siddique Bazar (Dhaka)

- Collective initiative of procurement of raw material and marketing of their products and skill development
 - **Negotiation with Financial Institutions**
 - Training services for producers and managers
 - Development in designing and marketing intermediary
4. Interventions in the Electrical Goods sub-sector
- Provision of advisory services to producers
 - Provision of training to entrepreneurs and production workers
 - Informing prospective clients about available services
 - Advocacy for rationalization of tariff
5. Provision of training to Plastic Products manufacturers

POLICY ACTIVITIES PLANNED FOR THE NEXT QUARTER

The following activities have been planned for the next quarter:

1. Secured Finance Advocacy
 - Seminar on Specific recommendations for reforms in secured finance system for SMEs
 - Select Champions Identify potential advocates from business, trade association, GOB, academia, NGOs, press and invite them to participate in council
 - Meeting with the champions
 - Meeting with interested Donors
 - Meeting with Bangladesh Bank, Ministry of Finance, Law and Industry
2. Regular Activities
 - Support to "Enterprise Loan" Local Consultative Group

**JOBS PROJECT
IRIS/BANGLADESH**
Quarterly Expenditure Information as of 30th September 1998

Particulars	Expenditures July 1, 98- September 30, 98	Cumulative Expenditures October 1, 97 -September 30, 98
Personnel	\$96,507.23	\$293,143.85
Travel	\$14,661.70	\$62,496.98
Communications	\$2,990.04	\$17,593.34
Equipment and Supplies	\$5,039.98	\$49,449.94
Consultants/Sub- contractors	\$104,161.34	\$214,637.78
Rent & Insurance	\$1,832.75	\$34,153.83
Indirect Costs	\$45,403.46	\$141,780.41
Total	\$270,596.50	\$813,256.13