

JOBS NEWSLETTER

JOBS' Policy of On-Going Training Reaps Benefits for Micro Enterprises

by *A.H.M. Zaman Khan*

The success of The JOBS Project's unique, integrated approach to Micro Enterprise development has made all players in the Bangladesh development field sit up and take notice, and promises to change the development assistance culture of the country from the bottom up.

During its four year tenure here, JOBS has cultivated a partnership with 21 non-governmental organizations (NGOs) and micro financing institutes (MFIs) that stresses shared objectives, shared activity costs, and shared management.

More importantly, however, it is nudging these partners away from the traditional Micro Enterprise (ME) development approach, which consists of simply providing funds for Income Generating Activities, toward an approach that stresses the importance of follow-up counseling, on-going support services, and need-based training to sustain successful MEs.

The results have been such that all partners have adopted the JOBS model as their own, to the benefit of the over 18,000 MEs they serve. As the model becomes fully integrated into the institutional culture of the 21 JOBS partner NGOs and MFIs, the attention it is receiving from

other donor organizations will likely result in its even wider adoption.

The traditional credit disbursement model serves some initial needs, but soon faces limitations. The difficulty comes when things go "too far." While MEs prosper as a result of financial assistance, they soon become static or begin to falter when their very growth presents difficulties they lack the expertise to deal with. It is at this point that JOBS' approach begins to make the difference.

JOBS' assistance model equips MEs with skills for sustained development.

JOBS' on-going support in the areas of marketing and business and financial management not only enables MEs to solve immediate problems. More importantly, it equips them with the skills they need to solve future problems and to make their enterprises sustainable in the long run, skills in professional business practices, alternative capital resource management, profit maximization, product quality control and improvement, market development, and human resource development.

A case in point is the Betdoba Business Association in Kalihati,

Betdoba, where Hindu villagers have been making baskets for more than 18 years. For most of those years, they were sending their products to Dhaka through middlemen. Now, the JOBS-supported training on general business management and accounting processes they have received allows them to link directly to city markets. The training has also taught them the importance of maintaining product quality control, of diversifying their product (which they have done by adding a line of baskets incorporating a ceramic bowl), and of insuring a rapid inventory turn over.

At present, the villagers are still sending an unfinished product; the baskets are completed in Dhaka with the addition of a brass finish to the rim. They are soon to receive training allowing them to craft the brass rim themselves and thus command the higher price of the finished product.

The importance of ME contribution to a nation's economic development is widely recognized. JOBS' unique development model is equipping Bangladeshi MEs with the knowledge and skills they need to make that contribution a significant, on-going, and sustainable reality.

Got Milk?

Lots More Soon, Promises JOBS' Partnership with Milk Co-op

JOBS new partnership with Milk Vita, the largest milk producing and marketing cooperative in Bangladesh, promises to bring benefits not only to rural farmers but to city dwellers as well.

The economy of Bangladesh is still largely based on agriculture. The majority of its population lives in rural areas, and 90% of these rural residents are farmers. Most of them have at least a few cows. Many of these cows are still used as draft animals, but milk production also plays a significant role in the economy, with 45% of the animals kept for dairy purposes.

At present, milk production in Bangladesh falls some .15 million metric tons short of the country's needs. To meet this shortfall, the government currently imports milk powder, an unnecessary expense considering the fact that Bangladesh has enormous potential for surplus milk production if its farmers are provided with some basic knowledge of cow rearing, herd management, and milk preservation and marketing.

This is precisely what JOBS and Milk Vita intend to do with the Dairy Cow Rearing and Management

training programs they have planned.

In addition to saving the country a significant amount of foreign currency now spent to import milk powder, the training should result in a 20% increase in milk production and a 30% increase in the price farmers receive for that milk. Under the agreement signed with Milk Vita, small farmers will realize other benefits as well. The objectives of the training program are:

- To improve knowledge and skill of the efficient management of milking cows;
- To enhance the productivity of local breeds;
- To ensure a better price and guaranteed markets through cooperatives and associations;
- To provide a regular supply of safe, nutritious, hygienic milk and milk products to urban dwellers at a fair price.

This training will be provided to 120 members of milk cooperatives and associations in four batches. In addition to undertaking all logistics involved in the conduct of the training and providing the principal trainer and course designer, Milk Vita has agreed

to insure a guaranteed market to graduates of the training. This guarantee includes:

- Membership in Milk Vita's cooperative marketing network;
- Free Medicare for members' herds;
- Free vaccinations against common diseases;
- Free artificial insemination services to upgrade local breeds;
- Fodder extension consultations to increase milk yields;
- Arrangement of soft term rentals of government grazing land;
- Distribution of balanced, concentrated cattle feed on a no profit/no loss basis;
- Arrangement of loans at a nominal interest rate (3 to 4%) from the central coop;
- Incentive bonuses and compensatory prices.

JOBS will assist in the selection of training participants, provide for the cost of food, training materials, and honoraria for the course facilitators and designer, and monitor and evaluate the training.

JOBS/HKI Jointly Promote Commercial Potential of Village Nurseries

JOBS has recently initiated a new partnership with Helen Keller International, Bangladesh (HKI) and its partner NGOs to develop the entrepreneurial skills of village nursery holders and household gardeners. This intervention is a direct result of JOBS' desire to seek synergy between donors working in Bangladesh.

In July, JOBS visited Kaliakoir and Savar Upazila, where HKI partner NGO Palli Mangal Kormooshucchi (PMK) works, to tour nurseries and household gardens. The villagers have been selling their produce but were found to lack the skills that could make their businesses more profitable and help them reach their full potential.

In November, JOBS will conduct a 12-day training session on Enterprise Development and Business

Management for 20 to 25 members of the HKI staff; these HKI trainers will then pass on their newly acquired expertise to their NGO partners in subsequent training sessions, to be monitored by JOBS. JOBS will also provide feedback as necessary to make the training sessions as effective as possible. The NGOs will then train village nursery holders to successfully run their establishments as commercial enterprises.

The training is designed to expand the capabilities to HKI's NGO Gardening and Nutrition Education Surveillance Project (NGNESP). Started in 1992 with the aim of increasing the production and consumption of vegetables and fruits by poor householders, the project has been adopted by 35 HKI affiliated NGOs in 90 sub-districts and provides support to 196,900 households.

Village nurseries function as community service centers where farmers can obtain agricultural inputs and technical assistance. However, they can also be low-investment commercial enterprises with the potential for becoming commercially viable by selling seeds, seedlings, and saplings to homestead gardeners. A majority of village nurseries are presently run as small enterprises and 80% of them have made a profit, but the potential for growth is considerable.

The employment generating potential of the nurseries and gardens is also considerable, particularly for women. Many women already sell their produce, using the income to buy other foods and enjoying the sense of empowerment their wage earning engenders.

The Role of Consultants in SME Development: A Dilemma for Developing Countries

by *Asif U. Ahmed*

Countries at every stage of development recognize the importance of Small and Medium Enterprises (SMEs) to their economies and the need to support their growth. One important but sometimes problematic source of that support is private consultants.

The pool of independent, local private consultants is small in most developing countries, and often unappreciated and underutilized as well. Whether it results from the policy of donor agencies or the preferences of the SMEs they serve, it is the fact in Bangladesh and, I suspect, in most developing countries, that the heaviest reliance is placed on expatriate consultants. Moreover, local private consultants from the ranks of the professional staffs of universities, technical colleges, government offices, banks, large businesses and NGOs tend to rely on personal contacts as their primary source of referrals. Generally, this leads them to work with large, multinational businesses, where the private rewards for their services may be large, but their contributions to the smallest, neediest businesses are minimal.

But whether local or expatriate, there are other obstacles to the successful use of consultants in Bangladesh.

One difficulty is that the cost of using consultants for long periods to resolve the myriad, complex problems of technical modernization, telecommunications, product development, and reorganization, is beyond the resources of most SMEs. Donor agencies, however, agree that the services of consultants are fully recognized, appreciated, and used in a sustained manner only if the SMEs they serve pay for at least a part of those services. Unfortunately, this is not often the case in Bangladesh.

In other countries, this difficulty has been addressed in the following way.

- A group of consultants or their representative organization agrees to provide a minimum number of days a year (perhaps 80 to 100) at a rate 20 to 30% below the rate charged to larger clients.
- The SME clients are required to pay 25 to 30% of that reduced rate.
- NGOs, the central government, or local or regional authorities pay the remaining fees, perhaps with the help of additional contributions from local chambers of commerce, business associations, or banks.
- Consultant help on these terms is limited for each SME to the agreed number of days. If that number is exceeded, the SME pays a higher portion of the daily fee or, after a certain point, all of it.

Other problems in the successful use of consultants may arise in regard to the reliability and quality standards of the services offered and the ethical behavior of the individuals involved.

Minimum standards for quality and reliability need to be set and ensured by background checks of the qualifications and experience of all individuals offering consultancy services. A registry of consultants including resumes and lists of clients should be established. A code of practice needs to be agreed upon and action taken against those who violate it. Such a registry and code could be administered by the Chamber of Commerce and Industry or by a national association of businessmen. Adherence to agreed upon financial arrangements should

also be monitored.

It is inevitable that all this would entail some administrative and bureaucratic costs, but it is also clear that it would be a small price to pay to establish and maintain professional standards among the consultants operating in Bangladesh.

In the meantime, donor agencies have an important role in ensuring that consultants are meeting the needs of the SME sector by

- Supporting the government and private sector in establishing a registry of reliable, qualified, experienced consultants and developing a code of conduct to ensure their ethical behavior.
- Developing a scheme to provide consultants to local SMEs at a cost that is reasonable and corresponds to their needs and ability to pay.
- Ensuring that consultants are familiar with the background, structure and needs of Bangladeshi SMEs and can provide the appropriate assistance to meet those needs. NGOs also have a role to play in facilitating local access to whatever tools consultants may need.
- Providing SMEs with information about consultants who have the skills and knowledge they need, the conditions under which they might be hired, and the benefits that might accrue from working with them.
- Encouraging local institutions that support the SME sector to make greater use of qualified, independent consultants to meet their needs and ensure their sustainable growth.

JOBS' Policy Unit Continues Efforts to Ease Access to Credit

With the successful development of the Secured Transactions Law, which was handed over to the Government of Bangladesh (GOB) in June of this year, the JOBS Policy Unit is continuing to move forward to ensure access to credit for the nation's small businesses.

The new law is designed to move the financial system of Bangladesh from one that supports only loans based on immovable assets, resulting in access to credit only for large entrepreneurs who own land and buildings, to one based on cash flow and movable assets. With the highest density of population in the world, Bangladesh desperately needs a financial system that will allow access to credit for its many small businesses and individual entrepreneurs.

While the GOB deliberates the law, the Policy Unit is not resting on its laurels. This September, JOBS Policy Unit is creating the foundation

for a Collateral Registry, which will guarantee financial institutions access to information regarding pledged assets of a borrower. Currently, there is no easy way to find out if a loan applicant's prospective collateral has already been pledged to another

JOBS' initiatives include the Collateral Registry, education of credit officers, and amending of out-dated laws.

creditor. The Registry would provide this information, giving financial institutions the assurance of their charge priority, and thus making them more willing lenders.

In March, the Policy Unit is planning to offer new training programs for bank and leasing companies' credit officers. Courses will be offered through the

Bangladesh Institute of Bank Management (BIBM) on international standards for the evaluation of business plans, financial statements, loan applications, and collateral. With lenders better equipped to evaluate borrowers' creditworthiness, lenders can improve the quality of the banks' loan portfolios.

The Policy Unit is also taking the initiative to close loopholes in credit enforcement laws of Bangladesh that presently permit debtors to delay payment of outstanding loans while their cases are adjudicated, sometimes for as long as 15 to 20 years. At present there are almost 50,000 such cases pending in the country's courts. In working to amend those laws that address credit recoveries, JOBS will help to ensure lenders speedy repayment of their loans by reducing the legal wrangling that the acts presently permit.

Credits

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