

JOBS NEWSLETTER

Holistic Economics Re-energizes Development Scene in Bangladesh

by Kathryn W. Uphaus

Holistic medicine is an eastern concept that is gaining widespread acceptance in the West. Here in South Asia, the JOBS Project is practicing something that might best be described as holistic development economics.

The American Heritage Dictionary defines “holistic” as “Emphasizing the importance of the whole and the interdependence of its parts,” and that is exactly what JOBS is doing in facilitating the establishment of the Enterprise Development Forum Chittagong (EDFC), in Bangladesh. Comprised of 39 NGOs from Chittagong, Cox’s Bazar, Rangamati, Bandarban, Feni, and Khagrachari Districts, the Forum is bringing together the diverse skills, knowledge, expertise, human and material resources, and financial assets of organizations that have heretofore been working independently of one another and, as a result, at considerably less than their full potential.

The idea of the Forum was sparked by the impressive success of the Modhupur Pineapple Association. Formed only five months ago under JOBS’ auspices, the 21 original members, all independent, small area farmers, have already hired 32 employees to manage their office and plantation and pack several trucks two or three times weekly to ship their produce to regional markets in Dhaka, Sylhet and other districts. Their first loan was paid off ahead of schedule; their second, considerably larger loan was readily granted and is being used to expand into banana production. The success of the Modhupur Association has encouraged the establishment of similar associations throughout the area, 12 in all, which have banded together with the original Association to form a network of associated MEs focusing on pineapple and banana production and nursery and agricultural products such as fertilizer and insecticide.

With this model of success, JOBS was inspired to extend the association concept to a network of NGOs and MFIs cooperating to pool their individual resources, strengths, and areas of expertise and bring them to bear on wider ranging projects that promise to benefit the larger community. Such was the inception of the Enterprise Development Forum, Chittagong.

WHY A FORUM?

A variety of factors combined to give the idea of a Forum particular appeal. One was certainly the confidence inspired by JOBS’ demonstrated success in establishing and shepherding the Modhupur Pineapple Association to such impressive accomplishments in so short a time. The ability



Altaf Hossain, YPSA volunteer Aleya and other YPSA field staff discuss marketing problems faced by these Chittagong area pottery producers.

of lungi-clad farmers, selling their pineapples at street stands one day, to transform themselves in just a few short months into Association representatives in shirts and tailored trousers, ready to discuss their latest loan with the bank manager, spoke powerfully for the possibilities inherent in a cooperating body such as the Forum. If simple farmers could establish themselves as micro enterprise entrepreneurs so quickly, what might the possibilities be for existing micro enterprises?

Another factor was the significant diminution in foreign funding to Bangladeshi NGOs and MFIs for narrowly focused, single-purpose poverty alleviation activities that were proving to be short on results given their cost. Donors were beginning to notice that money alone does not cure poverty.

During its four-year tenure in the country a few things about the development scene in Bangladesh have become abundantly clear to the experts at JOBS. One is that the country’s huge labor force is significantly lacking in skills; technical assistance and skill development at a variety of levels are needed. The country’s MEs lack access to credit; somehow, banks and other commercial lending sources need to be convinced that small businesses can be creditworthy clients. Small businesses likewise need access to wider markets and alternatives to the profit-diminishing interference of middlemen.

Finally, available local resources, expertise, and services are not being mobilized to any significant extent. Not only does this fact diminish the effectiveness and stifle the growth of area businesses; it is a major factor limiting the effectiveness of NGO and MFI poverty alleviation efforts, because income will never be secure until it is supported by

other community resources. Increased personal income that must be spent on children's medical bills can't be used to enhance the quality of a family's life, much less generate business growth. The efforts of the hardest working heads of households will still come to naught if their sons and daughters don't have the opportunity to learn the skills they need to take their place in the larger economic community and become contributors to their families' and their community's well-being. Encouraging the use of local government and private health and educational facilities could potentially solve some economic as well as health and social problems.

The fact is, local support service resources from private, donor, and governmental sources, such as skill development training programs for youth, pro-poor loans given by commercial banks to MFIs they know and trust, and poultry, fishery, horticulture, and agricultural extension services, are largely underutilized. In most cases, people are simply unaware of the existence of such services, or too unsophisticated to avail themselves of them. In other cases, it is a case of the left hand not knowing what the right hand is doing: lack of communication and cooperation among NGOs and MFIs operating in the area have resulted in numerous missed opportunities to take advantage of support services that already exist in their own backyards, often in each others' organizations.

JOBS realized that all of these problems could be addressed more effectively by an association of NGOs and MFIs, all of which are suffering under the limitations they impose and all of which would benefit significantly from their alleviation. In short, the Forum concept holds out hope for instituting the holistic approach to economic development through which all those missed opportunities for cooperation and resource sharing could be channeled.

WHY CHITTAGONG?

The 39 Participating NGOs (PNGOs) and MFIs of the EDFC are involved in a variety of activities, including health care, environmental education, fisheries, forestry, and agriculture, water and sanitation, as well as micro enterprise and micro finance. They in turn serve a variety of clients, most of them rural agricultural and urban laborers. They have united to work toward two distinct but appropriately business-like objectives, "To promote micro enterprises as a means of poverty alleviation by mainstreaming them into the local, regional, and national economy," and "To reduce program costs and earn the maximum income to meet operational costs in an effort toward self-sustainability." It is the diversity and the variety of strengths and resources of the individual organizations involved that promises to enrich and elaborate these objectives.

The area in which the Forum operates itself incorporates a rich diversity of ecosystems, environments, and people. It includes several sizable urban centers, among them Chittagong, Cox's Bazaar, and Rangamati. Situated on the Bay of Bengal, Chittagong is the second largest city in Bangladesh and the largest port. Cox's Bazar is the country's only beach resort; Rangamati is a promising outlet for unique tribal textiles. The rural population includes 13 indigenous tribes who live in the highlands of the Chittagong Hill Tracts and along the many rivers that transverse the valleys, along with Bengali settlers.

In addition, numerous NGOs and MFIs operate in the area, chief among them Young Power in Social Action (YPSA), a social development organization based in Chittagong that, along with JOBS, has taken the lead in initiating the Forum. YPSA has been working in the area since 1985, and brings a wealth of knowledge and skills to the Forum. This organization of young local and international volunteers is a mini-forum in itself, with sports, cultural, and environmental programs, projects in maternal and child health and family planning, gardening, nutrition, and education, along with short term welfare activities, disaster relief and rehabilitation, and advocacy programs for the disabled. In 1999, YPSA won the International Youth Peace Prize and was selected as a long-term development partner of ActionAid Bangladesh.

Other Forum members bring another useful commodity—money from member's deposits. From those contributions and through its activities to date, Ghashful, a Chittagong-based NGO specializing in micro enterprise development, has accumulated 1.5 crore Taka that it is eager to lend for more sustainable, Business Development Service (BDS) projects such as the Forum has in mind. Thus, like-minded PNGOs, MFIs, Chambers of Commerce, and bankers have been brought together by JOBS to direct their many and varied resources to activities focused on providing their beneficiaries access to technical assistance, institutional finance, alternative markets, and valuable local resources, and on assuring the long-term, sustained development of area MEs.

WHAT ARE THE FORUM'S GOALS?

JOBS' main goal in facilitating the Forum is to mainstream marginal MEs into the larger economy, providing them knowledge and information on how to access the markets, credit, skills, services, and human and material resources they need to flourish in a modern, global economy. By ensuring their access to dependable local resources, the technical knowledge to use them productively, and the linkages to outlets to market their products

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Who Is Funding The Forum?

At present, the major donor to the EDFC is USAID, under whose auspices JOBS operates in Bangladesh. However, because Forum members recognize the importance to the organization's long-term success of operating it on their own initiative, all have agreed to share in the on-going operational costs. Consequently, all active PNGOs have agreed to pay registration fees, annual fees, and fees for trainers' and EDBM training. In addition, each PNGO will contribute a "one-off grant" in cash or kind, which will vary for each PNGO. YPSA is currently making the greatest contribution, bearing the expenses of establishing the Forum. To manage their finances, the Forum will open an account at a bank in Chittagong.

It is also anticipated that the Forum's on-going demonstration of the effectiveness of its holistic approach to economic development will reanimate the interest of foreign donors in the Bangladesh development scene. This has already begun to happen. YPSA has received Tk3 million, part of a Tk20 million grant from CARE, for its activities, and the Palli Karma Shalaya Foundation (the Bangladesh Rural Employment Assistance Foundation) has expressed interest in financing some of the Forum's activities. Negotiations are also in the final stages with several commercial banks to provide ongoing capital, and also for inclusion in the Chamber of Commerce.

Experts Define Components of Information Technology Law for Bangladesh

A panel of local and expatriate Information Technology (IT) experts, under the aegis of IRIS and The JOBS Project and in consultation with officials at the Ministry of Planning, have forwarded the Government of Bangladesh a list of proposed components of a modern Information Technology Act, now under consideration by the GOB.

The panel identified eight components as critical to the success of a IT Law for Bangladesh:

- Amendment of the Contract Law of 1872 to include electronic contracts as legally binding documents.
- Amendment of the Evidence Act of 1881 to allow for the legal admissibility of electronic signatures.
- Amendment of the Bangladesh Banker's Book Evidence Act of 1891 and the Bangladesh Reserve Bank Act of 1934 to permit the transfer of funds by electronic means.
- Amendment of the Bangladesh Penal Code to establish a Cyber Regulations Appellate Tribunal to adjudicate disputes that arise under the new legislation. In particular, penalties for computer related crimes need to be introduced, including unauthorized

access to computer networks or databases, computer virus activities, electronic forgery, tampering with software, and disruption of computer services.

- Legal provision for private or semi-private certification or licensing.
- Encryption, a technical problem involving the use of digital signatures, must be addressed by the law. The current standard technology used for digital signatures, the "asymmetric crypto system," may be replaced by another system as computer technology improves. Any law regarding electronic signatures should anticipate this possibility. Many countries have opted for a technology-neutral approach in writing such laws.
- Industrial disputes and consumer protection issues will require the review and amendment of two laws which play important roles in legal settlements, the Arbitration Act of 1940 and the Money Loan Court Act of 1990. The Arbitration Act covers disputes arising from business transactions. The Money Loan Court Act established the Artha Rin Adalat (Money Loan Court) to recover

money loaned to individuals through public sector financial institutions.

- Foreign exchange deregulation, which will require amendment of the Bangladesh Reserve Bank Act of 1934.

The panel also pointed out that other issues affecting Information Technology and E-Commerce, although not legal in nature, need to be taken into consideration to insure that a new IT Act achieves the full, desired impact. These include the deregulation of telecommunications, export finance issues, and customs management concerns. Additionally, because any law is only as good as its enforcement, broader issues of judicial reform should also be examined.

The list was forwarded to the Ministry of Planning. Among the prominent members of the panel were Thierry Van Bastelaer, of IRIS; Catherine Mann, of the Institute of International Economics in Washington, D.C.; George Sadowsky, Executive Director of the Global Internet Policy Initiative; Jim Dempsey of the Center for Democracy and Technology; and Anir Chowdhury of Tech Bangla.

profitably, the Forum expects to graduate 100,000 micro credit recipients to MEs.

In one of the first efforts toward this end, starting in mid-November, 50 representatives from Forum NGOs will receive JOBS' unique training program on "Enterprise Development and Business Management Training", learning the techniques of production, financial, marketing, and organizational management. Capacity building efforts will be delivered by a combination of JOBS own operational and training teams. From the end of December through mid-June, these business management graduates will go on to train 1,000 more aspiring entrepreneurs. Thus will begin a cascade of training efforts, increasing both in numbers trained (up to 100,000 MEs) and in the sophistication of the training they receive, that will result in a resource base of entrepreneurs not only able to manage their own businesses successfully, but able to share those skills with their communities. Since it will be made up of individual, active businessmen running their enterprises locally, this resource base will be an informal, integral part of the community, but it is also planned to ultimately be given institutional and formal presence in a technical training institute being established by YPSA. JOBS and the Forum are also engaging with the Japanese aid program regarding linkages and support for the institute's development.

A second goal is to nurture the Forum itself as an institution that can follow in the footsteps of The JOBS Project, which will be terminating in mid 2002. To this end, beginning in January,

selected EDFC representatives will be trained on Forum management and related issues in order to be ready to "fill JOBS shoes" as Business Development Service providers when the Project leaves Bangladesh. Judging from the demonstrated success of the Modhupur Pineapple Association, the enthusiasm and commitment of the Forum partners, and the JOBS team's experience with, dedication to, and faith in their unique, promising new model of "holistic development economics," these goals are well on their way to being met.



Modhupur Pineapple Association member deliver their pineapples to this collection point daily for transport to Dhaka and other urban markets.

JOBS' Web Page Provides Information On IT Policy Development in Bangladesh

The JOBS Project's web page provides a variety of information useful to anyone interested in the development of an institutional environment supportive to the growth of e-commerce in Bangladesh.

The page provides a forum for sharing policy information, posting the results of GOB committees working on IT issues, reporting on progress toward developing a legal and regulatory environment supportive of e-commerce, and providing resources for policy makers and interested members of the public.

Individuals interested in the progress of the Information Technology Act now being considered by the GOB will find it a particularly useful source of information about the current status of the proposed law.

The URL of the web page is <http://www.iris.umd.edu/adass/proj/ecomresources.asp>. Currently, the page contains information on IT policy reform around the world, minutes of meetings of the Government of Bangladesh Information Technology Task Force, a policy brief on e-commerce and internet communication technology, and information on resources regarding the legal and regulatory environment for e-commerce in Bangladesh. The contents of the web page will be updated regularly.

Legal & Judicial Capacity Building Project Targets Case Management, Court Administration

A recently signed agreement between the Government of Bangladesh and two U.S. consulting firms has initiated the six-year long Bangladesh Legal and Judicial Capacity Building project, which targets two important areas of judicial reform: court administration and case management.

Both are crucial to improved delivery of judicial services, according to IRIS Director Dr. Charles Cadwell. "Economic growth depends on the rule of law. Our research at IRIS shows that predictable and independent resolution of contract disputes plays a central role in explaining why some countries are rich and others poor."

Two U.S. firms, DPK Consulting and the University Research Corporation International, in conjunction with the Government of Bangladesh, will work to introduce a computerized system of court administration and case management, expand the physical facilities of the courts, and establish a modern training institute for judicial administration and the training of judges and judicial officials.

The project will also have the assistance of the Court Administration Consultant Group, being formed by international and local representatives of the World Bank, the National Center for State Courts, the International Law Institute, Development in Democracy, and others.

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