

**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 Relations Division, Ministry of Finance

Implementation Contractor: IRIS Center of University Research Corporation
International
University of Maryland at College Park, MD, USA

Implementing Sub-contractors: Proshika Manabik Unnayan Kendra
Development Alternatives, Inc.

QUARTERLY REPORT NO. 2

JANUARY-MARCH 1998

MAY, 1998

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

TABLE OF CONTENTS

1	Introduction	1
2	Micro Enterprise Development component	2
2.1	Activities Planned for the Quarter	2
2.2	Activities Achieved During the Quarter	2
2.2.1	Formation of ME Working Group	2
2.2.2	Terms of Reference for Selecting Target Areas	3
2.2.3	Identification and Selection of Target Areas (Tasks 1111 and 1112).....	3
2.2.4	Preparation of Concept Paper and Questionnaire for Baseline Survey (Task 1113).....	3
2.2.5	Review of Requirements for Accessing Financial Resources from BASIC, PKF and other Formal Institutions and Assess Capabilities of Partner NGOs (Tasks 1221 & 1222).....	3
2.3	Implementation Notes	4
2.4	Planned Activities in the Next Quarter (April-June 1998)	4
3	Small And Medium Enterprise (SME) Development Component	6
3.1	Activities Planned for the Quarter	6
3.2	Activities Achieved During the Quarter	6
3.2.1	Expansion of the SME Working Group	6
3.2.2	Identification of Potential Sub-sectors for Study (Task 2111).....	7
3.2.3	Selection of Sub-sectors for Study (Task 2112).....	7
3.2.4	Preparatory Work for Sub-sector Study (Task 2114)	8
3.2.5	Preparatory Work for Baseline Survey (Task 2113).....	8
3.2.6	Training Program	8
3.3	Implementation Notes	9
3.4	Planned Activities in the Next Quarter (April-June 1998)	10
4	Policy Advocacy Component	11
4.1	Activities Planned for the Quarter	11
4.2	Activities Achieved During the Quarter	11
4.2.1	Identification and Selection of Groups to Engage in Policy Advocacy Campaigns (Tasks 3112 and 3113).....	11
4.2.2	Preparation of a Draft Paper on the SME Constraints (Task 3241).....	12
4.2.3	Planning for a Workshop/Seminar (Tasks 3231 and 3233)	12
4.3	Implementation Notes	13
4.4	Planned Activities in the Next Quarter (April-June)	13
5	Management and Administrative Matters	14
5.1	Procurements	14
5.2	Recruitment of Personnel	14

ANNEXES

- A. Quarterly Expenditure Information
- B. Mobilization Report on Baseline Survey
- C. Report On SME Development Component, February 25, 1998
- D. Main Legal, Regulatory and Administrative Constraints to Employment Creation by SMEs in Bangladesh—Summary
- E. Trip Report of Dr. Thierry van Bastelaer, Associate Director, IRIS/USA

List of Tables

<i>Table 1: Activities Targeted for the Quarter (ME Component)</i>	2
<i>Table 2: Achievements matrix, ME Component</i>	4
<i>Table 3 : Activities Planned for the Quarter (SME Component)</i>	6
<i>Table 4: Achievements Matrix, SME Component</i>	9
<i>Table 5: Activities Planned for the Quarter</i>	11
<i>Table 6: Achievements matrix, Policy Advocacy component</i>	12

JOBS PROGRAM
QUARTERLY REPORT No. 2
January-March 1998

1 INTRODUCTION

This is the second quarterly report on the activities of the JOBS Program and it covers the period January-March 1998. The first quarter witnessed the formal launching of the JOBS Program, where the emphasis was on administrative activities. In this quarter the programmatic activities of all of the three components of the Program began in full swing.

As a part of its first year activity, the Micro Enterprise (ME) Component has identified 25 target areas for the purpose of intervention. In order to provide business support to the micro-entrepreneurs in these areas, a baseline survey has been initiated this quarter. The concept paper and questionnaire for the survey has been prepared and logistics arranged by Proshika. The survey will provide information on existing as well as potentially profitable business, marketing and resource linkages, etc. Once such information is available, ME Group will chalk out appropriate course of action for the provision of business support to the micro-entrepreneurs in the next quarter. Apart from that, the ME Development Component has initiated work for strengthening the capacity of 20 NGOs that are yet to qualify for funds from Palli Karma Shohayok Foundation (PKSF). A training program on Credit Related Accounts Management has been scheduled for the next quarter, which will be attended by all these 20 identified NGOs.

In the SME Development component, eight sub-sectors were selected for detail analysis. The study would provide a snapshot of each sub-sectors, revealing their growth potential as well as the barriers to growth. Preparations for the sub-sector studies and baseline surveys were made during the quarter. An eight-member Study Team was formed for this purpose. JOBS Program plans to devise an intervention plan in the next quarter, after this study is completed. Meanwhile, a business-training program on marketing was conducted for the electric small goods manufacturers, and another similar program is planned for the plastic goods producers in the next quarter.

In this quarter, the Policy Component produced a draft paper on legal, regulatory and administrative constraints to employment creation by SMEs in Bangladesh by a team of local consultants. In the following quarter, the Policy Group hopes to work on a variety of issues like secured financing of the SMEs, supervision and regulation of the micro finance institutions (MFI), etc. Future policy work will also involve estimating the cost of corruption for SMEs in collaboration with Transparency International.

2 MICRO ENTERPRISE DEVELOPMENT COMPONENT

2.1 Activities Planned for the Quarter

This section briefly describes the tasks and activities that were planned to be carried out under the Micro Enterprise development component of the JOBS Program during this quarter of the implementation period, i.e. from January to March 1998. Table 1 describes these tasks.

Table 1: Activities Targeted for the Quarter (ME Component)

Tasks	Particulars
1111	Identification and selection of 100 target areas in phases
1112	Identification and selection of partner NGOs in target areas to participate in JOBS Program
1113	Compilation of baseline data on micro enterprises in target areas
1122	Identification and compilation of information on profitable investments for micro enterprises
1221	Review requirements for accessing financial resource form PKSF, BASIC and other formal institutions
1222	Assess capabilities of partner NGOs and prepare checklist of requirements to upgrade their capacity (Ref: 1113)
1311	Assess the monitoring system of participating NGOs in the JOBS Program
1321	Conduct a baseline survey of micro enterprises in target areas

2.2 Activities Achieved During the Quarter

2.2.1 Formation of ME Working Group

Work on the Micro Enterprise component started with the signing of the sub-agreement between URCI and Proshika, with the formation of the Working Group. In order to carry out the activities aimed at achieving Intermediate Results-1 of the JOBS Results Package, as elaborated in the Annual Work Plan, it was decided to form an ME Working Group comprising representatives from IRIS/Bangladesh, Proshika, USAID and the Government of Bangladesh (GOB). The Working Group would be meeting once in a week. A representative from Yogsutra would attend the working group as an observer (non-voting member). In future, the Group would be expanded to include representatives of other partner organizations, as and when they come on board.

2.2.2 Terms of Reference for Selecting Target Areas

To identify and select the target areas and partner NGOs a draft Terms of Reference (TOR) was prepared by the ME Group. It was revised by introducing poverty as an indicator to select the target areas. The TOR basically included eight criteria for target area selection and identification.

2.2.3 Identification and Selection of Target Areas (Tasks 1111 and 1112)

As per the Work Plan, in the first year 25 areas are to be selected to implement the activities of the microenterprise component of the JOBS project. The JOBS Team started working on this with the help of the TOR. Initially, 12 areas were allotted to Yogsutra and the rest to Proshika. Later on the distribution was changed to include 15 areas where Yogsutra is active and the remaining 10 areas under Proshika. This modification was done to ensure broader participation of the partner NGOs of Yogsutra. The base line survey would be conducted in the selected target areas accordingly.

2.2.4 Preparation of Concept Paper and Questionnaire for Baseline Survey (Task 1113)

Proshika prepared a draft questionnaire for the base line survey, which was accompanied by a concept paper explaining the objectives and methodology of the survey. Then it was revised incorporating the comments made by IRIS/USA and the Micro Group (attached in the annex). The actual survey work will be carried out in April 1998.

2.2.5 Review of Requirements for Accessing Financial Resources from BASIC, PKSF and other Formal Institutions and Assess Capabilities of Partner NGOs (Tasks 1221 & 1222)

Mr. Alauddin, an ME Consultant, collected a list of twenty NGOs, which were yet to qualify for funds from PKSF. He carefully reviewed the requirements for accessing financial resources from PKSF. In consultation with PKSF, he identified some weaknesses of these NGOs relating to Accounting, Credit Management, Office Management, Management Information System (MIS), Group formation of Micro credit etc. The remedy to these weaknesses is appropriate training of the NGOs which might range from Credit related accounts management training to training on MIS. Accordingly he worked with Credit and Development Forum(CDF) to organize a training program for NGO staff on Credit related Accounts management. The training will start on May 9, 1998. Table 2 highlights the achievements of the ME component in the quarter being reported.

Table 2: Achievements matrix, ME Component

Tasks	Particulars	1998		
		January	February	March
1111	Identification and selection of target areas in phases (25 in a year)		■	
1112	Identification and selection of partner NGOs in the target areas			▲
1113	Compilation of base line data on micro enterprises in target areas			▲
1221	Review of requirements for accessing financial resources from BASIC, PKSF and other formal institutions			▲
1222	Assess NGOs and prepare a checklist of requirements to upgrade their capacity			▲
1311	Assess the monitoring system of participating NGOs in the JOBS program			▲
1321	Conduct a baseline survey of micro enterprises in target areas (same as 1113)			▲

Note: ■ Indicates date completed or submitted
▲ Indicates activity started and not yet completed

2.3 Implementation Notes

The second quarter of program implementation was a period of initiating the programmatic activities at a greater level. One of the problems faced by the ME component in implementing its different activities has been that of coordination among some Working Group members. Nevertheless, the survey work is now progressing well.

2.4 Planned Activities in the Next Quarter (April-June 1998)

This section briefly describes the tasks and activities that will be carried out under the Micro enterprise component of the JOBS Program during the next quarter of the implementation period, i.e. from April to June 1998.

In the next quarter, different tasks of the activity packages 1.1, 1.2 and 1.3 will be implemented. Each task belonging to individual activity is elaborated below.

A good number of tasks are to follow the base line survey work (task 1113) already initiated in the second quarter. These are:

Task 1114: "Identification and assessment of support services for micro enterprises available in target areas."

Task 1122: "Prioritization of profitable investments in consideration of target area, local and regional market."

Task 1123: "Identification of best ventures for each profitable investment in and around the target areas."

Task 1131: "Identification and selection of micro entrepreneurs with growth potentials in target areas (Ref: 1113, 1122).

Task 1132: "Identification of skills required for replication of selected profitable investments (Ref: 1131).

Task 1141: "Assessment of local marketing and resource linkage needed for the selected ventures in target areas."

Task 1142: "Identification of required advisory services for the selected profitable investment to meet the specific needs of the selected ventures in target areas"

Task 1124: "Dissemination of information among ultimate customers through intermediaries, NGO networks, and mass media." This aims to bridge the information gap to help the micro entrepreneurs maximize their gain from the JOBS program. Micro Group & participating NGOs will accomplish this task in the period of May 31 to Sep 30.

Task 1133: "Identification and selection of trainers" will require selection of trainers to improve the management and technical skills of the micro entrepreneurs. This will be completed in the period of May 24 to June 30, 1998.

Task 1134: "Conduct Training of Trainers (TOT) for participating NGO staff of target areas." This will involve a weeklong course for the trainers of Skills Development and Technical Training programs for micro entrepreneurs. Proshika will organize the training.

Task 1144: "Conduct training of trainers (TOT) for participating NGO staff of target areas". This is also a weeklong course for trainers of Advisory Service programs.

Task 1135: "Implementation of skills development and technical training programs for micro entrepreneurs and job seekers on a cost sharing basis" will be implemented by Micro Group and Participating NGOs, within Jun 28 to July 25.

Task 1143, "Identification and selection of trainers" and **Task 1145,** "Implementation of advisory service programs for micro entrepreneurs on a cost sharing basis" are designed to promote the marketing and resource linkage of micro enterprises with growth potentials in the target areas.

Task 1214, "Identification of required TA and selection of experts", **Task 1223,** "Identification of required TA and selection of experts" and **Task 1311,** "Devise and/or adapt appropriate monitoring system if needed and identify necessary TA to implement the system" all are aimed at strengthening the intermediate customers who would provide support services to the micro entrepreneurs.

Task 1215: "Implementation of training program for management capacity building of partner NGOs in target areas" (Ref: 1144) shares the same objective as Task 1214. It will be followed by **Task 1312**, "Implement the required TA and training" and **Task 1224**, "Provide required TA for capacity building of the partner NGOs to enable them to access financial resources from formal institutions".

Task 1322: "Maintain and regularly update the database" will be carried out by the participating NGOs through Proshika.

3 SMALL AND MEDIUM ENTERPRISE (SME) DEVELOPMENT COMPONENT

3.1 Activities Planned for the Quarter

For the quarter being reported (January-March, 1998), the Annual Work Plan had set the following tasks for the SME Development component:

Table 3 : Activities Planned for the Quarter (SME Component)

Task	Particulars
2111	Identification and prioritization of potential sub-sectors for the JOBS program
2112	Selection of sub-sectors and target areas in phases
2113	Compilation of base-line data of SMEs in selected subsectors in target areas
2114	Conduct Sub-sector studies
2211	Conduct a baseline survey of SMEs in selected sub-sectors in selected areas (Ref: 2113)

3.2 Activities Achieved During the Quarter

3.2.1 Expansion of the SME Working Group

The SME Working Group was expanded in the beginning of February to include representatives from Proshika and the Government of Bangladesh (GOB). Later, a representative from the National Association of Small and Cottage Industries of Bangladesh (NASCIB) was also included in the Group. The primary task of this Working Group was to monitor the progress of the SME Component of the JOBS program. Throughout the quarter this Group held weekly meetings for this purpose.

3.2.2 Identification of Potential Sub-sectors for Study (Task 2111)

In January 1998, an IRIS Sub-sector Identification Team, which worked in close consultation with USAID, was created to carry out this task. The team members were:

- Ms. Betty Wilkinson, IRIS/USA
- Mr. Azim Syed, Local Consultant
- Mr. Muzammel Haq, Local Consultant
- Dr. Naushad Faiz, IRIS/Bangladesh

This team was entrusted with the task of selecting and ranking the sub-sectors for the most promising investment in SME development under the JOBS program. The result of their work was a report titled "Identification of Sub-sectors for Technical and Policy Support to Small and Medium Enterprises in Bangladesh" (February 1998). For details of the methodology and conclusion of this study, see Appendix. The Identification Team recommended carrying out studies and baseline surveys of the following 10 sub-sectors:

1. Plastics manufacture
2. Electric small goods manufacture (including electronic component making)
3. Knitwear (handloom or non-power)
4. Small metal works/engineering repairs and parts firm (including metal furniture)
5. Fisheries and prawn production and sale
6. Bakeries
7. Leather shoes for the domestic market
8. Artificial and gold-plated jewelry
9. Textile dyeing and printing (non-powered)
10. Pharmaceuticals

3.2.3 Selection of Sub-sectors for Study (Task 2112)

The findings and recommendation of the Identification Team were presented to the JOBS Team at a meeting on February 25, 1998. The JOBS Team approved all ten sub-sectors, and included three more sub-sectors for study. These three sub-sectors are: Compost wastes recycling, Edible oil and Soap production. Following this, another meeting was arranged to finalize the selection of the sub-sectors for the study. Experts/academics on sub-sector studies as well as representatives of USAID and IRIS/Bangladesh participated in the discussions. The following sub-sectors were short-listed for detailed studies:

- Plastic products manufacture
- Electric small goods manufacture
- Bakery
- Leather shoe manufacture
- Small metal works and light engineering
- Aluminum and steel furniture
- Artificial and gold plated jewelry
- Textile dyeing and printing (non-powered)

It was decided that the sample locations for the sub-sector study and baseline survey would be selected after meeting with the trade associations and other stakeholders.

3.2.4 Preparatory Work for Sub-sector Study (Task 2114)

Terms of Reference: The TOR for the Study was a part of the sub-sector identification exercise referred to in section 4.2.2 above. Later, it was modified and finalized by IRIS in consultation with a number of leading sub-sector researchers of Bangladesh.

Formation of the Study Team: An eight-member Study Team was formed to carry out the sub-sector studies. The Study Team had begun work by the end of the quarter.

Methodology: The researchers in collaboration with IRIS/Bangladesh and USAID finalized the study methodology. A combination of the traditional survey method and the one developed by GEMINI would be used to get a quick and comprehensive picture of the sub-sector. Each sub-sector would have an average sample size of 70, the sample consisting of all the stakeholders of the sub-sector, including the producers, the input suppliers, members of the distribution channel, etc. In addition to individual interviews, Focus Group Discussions (FGD) with representatives of the sub-sectors would be held at the field level. The associations of the sub-sectors would also be contacted for rapport building. The eight researchers would each prepare a report on his/her sub-sector. After all the eight reports have been completed, a foreign consultant would be hired to synthesize these reports and compile an intervention plan for the JOBS Program.

3.2.5 Preparatory Work for Baseline Survey (Task 2113)

Although the initial assumption regarding the survey was that two survey firms would be contracted to assist the researchers in the baseline survey, the researchers as well as IRIS/Bangladesh and the SME Working Group thought it would be advisable to recruit one large firm for the purpose. The survey firm would not only conduct the baseline survey, it would also provide logistic support to the Study Team and help organize the focus group discussions at the field level. To this end, one survey firm would be better coordinated to ensure quick and efficient work. Organizations who had previous experience with survey firms, like the Dhaka Chamber of Commerce and Industries (DCCI), the German Technical Cooperation (GTZ), the Swiss Agency for Development and Cooperation (SDC) etc. were contacted and asked to provide us with the names of a few reputable and efficient survey firms. The TOR for the survey firm was finalized during this quarter.

3.2.6 Training Program

One pilot training program was conducted in March. A general business training on marketing was conducted for the entrepreneurs of the electric goods manufacturing sub-sector. Business Advisory Services Center (BASC), a business support firm, was given the responsibility for the training. BASC, in collaboration with IRIS/Bangladesh, carried out a Training Needs Assessment (TNA) while meeting the members of Bangladesh Electrical Merchandise and Manufacturing

Association (BEMMA). The module for the training program was developed on the basis of this assessment. The module included:

- Overview of the Small and Medium Enterprise of the Electric sub sector
- Selling versus marketing orientation of the SMEs
- Market segmentation and targeting
- Global marketing (Export)
- Managing channel members (Retailers and Wholesalers)
- Total Quality Management
- Inventory and Financial Management

This was a one-day training program and the number of participants was 16. The SME working group decided that in future similar training programs would be carried out before the results from the sub-sector study came through. Table 4 summarizes the accomplishments of the SME Component during the January-March quarter.

Table 4: Achievements Matrix, SME Component

Task	Particulars	1998		
		January	February	March
2111	Identification and prioritization of potential sub-sectors for the JOBS program		■	
2112	Selection of sub-sectors and target areas in phases		■	
2113	Compilation of base-line data of SMEs in selected subsectors in target areas (preparatory work)			▲
2114	Conduct Sub-sector studies (Preparatory work)			▲
2211	Conduct a baseline survey of SMEs in selected sub-sectors in selected areas (Ref: 2113) (Preparatory work)			▲
Unscheduled	A half-day Routine Business Training program for the entrepreneurs of the electrical small goods manufacture sub-sector			■

Note: ■ Indicates date completed or submitted
 ▲ Indicates activity started and not yet completed

3.3 Implementation Notes

It is obvious that the progress during this quarter had been less than anticipated in the annual work plan. This can be partially attributed to the fact that identification of the sub-sectors was scheduled to be completed by mid December 1997, which actually ended in the middle of February 1998. This necessarily meant that all other work was delayed as well. However, once

the eight sub-sectors for the study had been identified, progress was smooth and uninterrupted. It is hoped that the study would be complete by the first week of July, roughly a month behind the schedule mentioned in the work plan.

3.4 Planned Activities in the Next Quarter (April-June 1998)

The tasks to be accomplished under the SME component in the next quarter (April-June) are listed below:

Task 2113: "Compilation of baseline data of SMEs in selected sub-sectors in target areas." A contractual arrangement would be made with a reputable survey firm to conduct the baseline survey.

Task 2114: "Conduct sub-sector studies." This task includes:

1. Development of sub-sector Study Team
2. Preparation of the work plan of the sub-sector study
3. Determination of the universe of the eight sub-sectors
4. Conducting of Focus Group Discussions (FGDs) with key firms of each sub-sector
5. Preparation of questionnaires for the baseline survey
6. Conducting of the baseline survey in collaboration with the survey firm in sample areas.
7. Preparation of a final report for each sub-sector.

The following tasks will be completed simultaneously with the sub-sector study and baseline survey

Task 2121: "Identification of specific skills that need to be improved in selected sub-sectors and sources of skills development support."

Task 2122: "Identification and selection of SMEs in collaboration with participating chambers/associations and NGOs.

Task 2131: " Identification of types and sources of marketing support required in selected sub-sectors

Task 2141 "Review of SME access to financial services in selected sub-sectors

Task 2142: "Explore potential for wider use of assets financing for SME (bridge financing, unlisted securities market, lease financing, venture capital, etc."

In addition to the scheduled tasks, the following activities would be undertaken in the next quarter:

- Training Program on Marketing for manufacturers of plastics goods
- Workshop (in conjunction with Policy component) on Legal, Regulatory and Administrative Constraints to SME growth.

4 POLICY ADVOCACY COMPONENT

4.1 Activities Planned for the Quarter

For the quarter being reported (January-March, 1998), the Annual Work Plan had set the following tasks for the Policy Advocacy component.

Table 5: Activities Planned for the Quarter

Task	Particulars
3111	Opening Workshop
3112	Identification and selection of national and local level groups to engage in policy advocacy campaigns on selected sub-sectors identified by the JOBS Team
3113	Increasing the number of participating groups, in phases, engaged in identified JOBS advocacy program
3241	Identify regulatory and policy constraints in the financial sector relating to SMEs and identify necessary TA for implementation

Although as per the annual work plan, task 3241 was planned to be undertaken in the months of June-August, the JOBS Team decided to schedule it earlier in the second quarter to start some activity in the component since this activity did not require preparatory work under ME or SME component.

4.2 Activities Achieved During the Quarter

The policy component of the JOBS project formally went into action in this quarter by assigning a group of consultants to identify the constraints to SME growth in Bangladesh. In addition, the policy group also planned the organization of a workshop on other policy-related issues.

4.2.1 Identification and Selection of Groups to Engage in Policy Advocacy Campaigns (Tasks 3112 and 3113)

As part of the sub-sector studies, the SME group met different trade association individuals on selected sub-sectors identified by the JOBS Team. Among them leaders of the associations have been identified to engage in the policy advocacy campaigns. In addition, the JOBS Team is trying to increase the number of participating groups, in phases, to engage in identified JOBS advocacy program.

4.2.2 Preparation of a Draft Paper on the SME Constraints (Task 3241)

In this second quarter, a group of three consultants (Dr. Salahuddin Ahmed, Dr. Fouzul Kabir Khan and Mr. Tanweer Akram) prepared a draft paper titled "Main Legal, Regulatory and Administrative Constraints to Employment Creation by SMEs in Bangladesh" for the policy component. The study was done on the basis of interviews with different trade associations, Govt. Officials, Bankers, small businessmen etc. The paper was thoroughly revised and commented upon. The comments came from IRIS/USA and Policy Group. A copy of the Executive Summary of the paper is attached in the Annex.

The policy group has also planned a workshop in mid-April to present the revised paper on the constraints to SME growth. The workshop is likely to be organized in association with American Chamber of Commerce and North South University of Dhaka.

4.2.3 Planning for a Workshop/Seminar (Tasks 3231 and 3233)

The policy group has initiated organizing a "brain storming" workshop on the Micro Financial Institutions (MFIs) (Reference: Task 3233). The basic purpose behind the organization of this workshop is to share the possible policy and regulatory issues regarding reforms of the MFIs with the targeted NGOs/MFIs. Proshika has been asked to organize the workshop. In addition, the JOBS Team has also planned to commission a keynote paper on its own summarizing the existing literature on the MFIs (task 3231). Main focus of the paper will be on:

- Mobilization of savings by the MFIs
- Collateral security for accessing credit by the MFIs
- Legal and regulatory issues of MFIs

Table 6 charts different activities of the policy component, in line with their achievement status

Table 6: Achievements matrix, Policy Advocacy component

Tasks	Particulars	1998		
		January	February	March
3111	Organization of the opening workshop	✖		
3141	Preparation of a Draft paper Titled "Main legal, Regulatory and administrative constraints to employment creation by SMEs in Bangladesh"			■
3112	Identification and selection of national and local level groups (associations, chambers etc.) to engage in policy advocacy campaigns on selected sub-sectors identified by the JOBS Team			▲
3113	Increasing the number of participating groups, in phases, engaged in identified JOBS advocacy program			▲
3231 & 3233	Planning for a seminar/workshop workshop on the MFIs			▲

Note: ■ Indicates date completed or submitted
 ▲ Indicates activity started and not yet completed
 ✖ Indicates activities that were not implemented

4.3 Implementation Notes

The sudden demise of Prof. Mancur Olson, caused a major rescheduling, and, in some case, even cancellation of some activities of the JOBS program. It was planned that the Professor would, on his visit to Bangladesh, present the conceptual foundation of the JOBS Program to representatives from academia, business, media etc of this country through a workshop (Task 3111). His death deprived us all of what could have been an excellent opportunity to learn from one fine economist of this century about his noble venture. Later on, as the JOBS activities gradually got started, the need for such an orientation workshop also dried out. In this backdrop, the workshop was hence cancelled. Other than this, the problem of under staffing has also seriously affected the activities of this component.

4.4 Planned Activities in the Next Quarter (April-June)

This section briefly describes the activities that will be carried out under the Policy Component the JOBS Program during the next quarter of the implementation period, i.e. from April to June 1998.

The original annual work plan spells out the following tasks for this quarter under the activity package 3.1:

Task 3121: Assess the strengths and weaknesses of selected advocacy groups to participate in JOBS advocacy program and identify the required TA to strengthen the groups.

Task 3211: Identify regulatory and policy issues and constraints in the selected sub-sectors

Task 3221: "Identify regulatory and policy issues relating to micro enterprises' access to financial services and identify necessary TA." Dr. Patrick Meagher, Associate Director, IRIS/USA, would carry out this task. He would identify the collateral issues, including the legal framework and the presence of registry. He would also explore the current advocacy activities on these issues. He will be assisted by local researchers/lawyers.

Task 3231: "Identify regulatory and policy issues relating to financial services of NGOs and identify necessary TA." For this purpose a local researcher would be appointed. He/she would address the following issues regarding micro-savings activities: design of appropriate instruments, issues of savings management, legal supervision and protection of depositors, etc. The researcher would finally prepare a report on the regulatory and policy issues.

Task 3233: "Organize a seminar/work shop to disseminate the findings and recommendations."

In the last quarter, the JOBS Team initiated an *unscheduled work* (task 3141, i.e. the paper on the SME constraints) in the policy component. Given that development, a presentation of the paper in a seminar is planned for in the next quarter.

During this quarter, we also plan to explore options for collaboration with USAID's Responsive Government Project and Transparency International on an estimation of the costs of public and private corruption for SMEs.

5 MANAGEMENT AND ADMINISTRATIVE MATTERS

During the quarter under review, the management unit of IRIS/Bangladesh performed a number of important administrative tasks. These are listed below.

5.1 Procurements

During this quarter, the Administration department procured the following items:

- Computers and peripherals
- Photocopying machine
- Fax machine
- Internet and e-mail connection
- An additional telephone set
- A few furniture and fixtures

The department is also in the process of buying air conditioners for the office.

5.2 Recruitment of Personnel

During this quarter, the following positions for which recruitment procedure was initiated in the last quarter were filled up. The selected individuals joined in January 1998.

- Accountant
- Secretary-Receptionist
- Book Keeper-Voucher Examiner
- Office Assistant/Messenger

The Recruitment Committee headed by the Team Leader, JOBS Program, with representatives from USAID and IRIS/USA interviewed eligible personnel for all the three components of the JOBS Program. The Committee identified few eligible people for the position of ME Coordinator, but was unable to recruit any during the quarter. It also finalized the process of recruitment of a Deputy SME Coordinator, who will be on board from April 1, 1998. The Program also hired several short-term consultants for all of the three components during the quarter. Two interns also joined the JOBS Program in this quarter in the ME and SME components.

Mr. Thierry Van Bastelaer, JOBS Project Manager from IRIS/USA visited Bangladesh during this quarter. The purpose of his visit was to supervise the operations of the JOBS office, support the implementation of the activities described in the work-plan, explore options and arrangements for future activities, and participate in efforts to resolve the outstanding issues related to CDPR's participation in JOBS. His trip report is attached.

JOBS PROJECT
 IRIS/ Bangladesh
 Quarterly Expenditure Information as of 31st March 1998

Particulars	Expenditures Jan 1,98-Mar 31,98	Cumulative Expenditures Oct 1,97-Mar 31,98
Personnel	\$66,534.96	\$130,484.46
Travel	\$11,503.51	\$37,452.63
Communications	\$4,854.57	\$10,796.24
Equipment and Supplies	\$13,042.44	\$29,477.01
Consultants/ Subcontractors	\$20,027.43	\$32,282.63
Rent & Insurance	\$12,104.00	\$26,105.88
Indirect Costs	\$34,576.23	\$62,729.86
Totals	\$162,643.14	\$329,328.71

:Fqr398.xls -Sheet3
 :Accounts

MOBILISATION REPORT ON BASE LINE SURVEY

1. BACKGROUND, OBJECTIVES AND RATIONALE

Decades of experiences reveal that graduation of micro level enterprises to small and medium ones and macro policy support to them have been crucial for the sustainability of the poverty alleviation programme. From this realization an effort has been made to devise and launch a programme under the title JOB OPPORTUNITY AND BUSSINESS SUPPORT(JOBS).

The main principle of the project is to innovate poverty alleviation programs by using existing strengths and exploring the opportunities of the concerned partner organizations. To achieve its pronounced goal, JOBS plans to attain the following objectives:

- a. improve ability of micro-enterprises (including self employed) to create employment and /or increase income in target areas;
- b. improve ability of small and medium enterprises to provide jobs in selected sub-sectors and target areas;
- c. increase sustained capability of groups to advocate for the formulation, adoption and implementation policies supportive of employment generation in an open and competitive market economy;

From this perspective, the micro enterprise development activity broadly encompass the activity packages of (i) identification of locally available services and the enterprises having growth potentials and profitable investment (ii) technical assistance to both ultimate and intermediate participants of the project so as to improve the capacity of micro enterprises and thus to create jobs for the poor of the jobs target areas.

The above mentioned activities to be carried out by the micro enterprise working group are expected to result in both effect and impact on the life and livelihoods of the ultimate participants of the jobs programme over a period of time. The extent of this effect and impact have to be measured in a systematic manner. Therefore, the need for the creation of a baseline data has become inevitable to assess the effect and impact of the inputs to be provided by JOBS.

2. SCOPE AND LIMITATIONS OF BASELINE SURVEY

As the area of operation in the first year includes 25 unions spread over various regions of Bangladesh, the baseline survey will be confined to those unions only. Out of 25 areas, 10 areas fall under Proshika working areas while the remaining 15 belongs to Yogsutra member organizations. From each of the 25 areas, 53 households will be brought under survey. In case of Proshika, these potential households will be drawn from the members of

Proshika group under GDS¹ (group development stages) 3, 4 and 5 respectively. For Yogsutra the number of households will be selected purposively by the concerned member organizations. However, all the selected areas may not have 53 entrepreneurs both in case of Proshika and Yogsutra. In this situation, the sample size will be adjusted by drawing households from outside Proshika and Yogsutra organized group members.

The survey will include three major components (i) Area profile involving information on various institutions and the types of services provided by them (ii) entrepreneurial profile which will cover various data such as the type of enterprises having growth potentials and marketing linkages and other support services that are necessary for growth and development of the micro enterprises in a particular areas (iii) household profile involving socioeconomic condition and enterprises related data of the sample households.

While the baseline survey delineates its boundary, it also indicates some limitations. As mentioned before, the survey areas include predominantly individual members of the organized of Proshika and the member organizations of Yousutra while the non members but poor people/entrepreneurs of the areas will be left behind in this survey process. Besides, the baseline survey is predominantly based on the quantitative data which will not suffice to make an in depth assessment of the effect and impact of microenterprise development activities. From this viewpoint, the survey has been more purposive than comprehensive in terms of contents.

3. METHODOLOGY

The sample will be drawn by following simple random sampling . This sampling will be based on the list of households both from selected Proshika and Yogsutra areas.

The randomization method will vary depending on the type of households of a particular area. For example, if any survey area combines the households under both Proshika and Yogsutra organized groups the randomization method will be followed by sampling frame for member-households while the sample of the non- member households will not be drawn by the same method.

Purposively 53 respondents will be selected out of which 40 from programme group(involve with Proshika/Yogsutra) and 10 will be selected from non programme group.

3 respondents will be selected for area profile using qualitative approach. These three respondents will be the entrepreneurs who had previous business establishment but currently sitting idle. Data on household profile and entrepreneur profile will be collected through quantitative approach and the respondents will be the individual entrepreneurs.

¹ Group development stages are meant for the financially self reliant groups of Proshika. With a view to assess overall performance of the groups, Proshika puts value to the groups based on socio-economic criteria and accordingly categorizes them into 5 different stages such as stage-1, stage-2, stage-3, stage-4 and stage-5.

4. PROCESS OF IMPLEMENTATION

After preparation of the questionnaire(enclosed) an orientation workshop has been launched during 1st April to 6th April 1998 in two batches. The workshop participants were 75 enumerators from Proshika and Yogsutra sources. This orientation workshop included discussion on the contents and guidelines of the questionnaire for the baseline survey including fine-tuning of that questionnaire which has been followed by field exercise and pre-testing. 5 more persons have been selected for supervising the quality of data to be obtained from the field. The orientation has been facilitated by two persons, one from IMEC/Proshika and the other person was from IRIS/Bangladesh.

Once the questionnaire orientation is completed, the enumerators will be sent to the field for data collection by 20th April '98. Prior to data collection, the supervisors will be specially trained on qualitative methods, tools and techniques. The specific roles of the supervisors will not be confined to the traditional ones of merely supervising the activities of the enumerators, rather, they will primarily collect qualitative data with the assistance of the enumerators and finally supervise the overall field operation including quality control of both quantitative and qualitative data. Amongst 25 areas(area list is enclosed), each individual supervisor will be for five areas for the above mentioned activities. Apart from these, the whole survey operation will be facilitated by the respective field managers from participating NGOs. The overall survey including field operations will be implemented under the guidance of the coordinator of IMEC/Proshika.

During the period of data collection Programmer will design a system for data entry. After having data obtained from the field, the supervisors will edit data prior to entry.

Simultaneously, the data manager, with the assistance of the survey coordinator, will develop output plan for the survey report. Based on the output tables generated by the Programmer, the survey report will be compiled by the Coordinator which will be edited and finalized by a professional editor engaged by Proshika.

JOBS PROGRAM
REPORT ON SME DEVELOPMENT COMPONENT
February 25, 1998

1. Introduction

This report presents an account of the progress of work in the Small and Medium Enterprise (SME) Development component of the JOBS Program. The report briefly describes the SME component, details the tasks that have been carried out so far, and explains the next steps that are being taken to implement this component. An important objective of this report is to present the list of sub-sectors that have been identified for JOBS intervention for review and approval of the JOBS Team.

2. Background

2.1 SME Development Component

The SME Development Component of the JOBS Team aims to achieve Intermediate Result 2 (IR-2), which is formulated as the "improved ability of SMEs to provide jobs in selected sub-sectors in target areas." This component will work with business associations, chambers of commerce and industries, and other relevant organizations to provide support services to entrepreneurs who will increase production and create jobs in enterprises in key sub-sectors. Activities in this component will include management and technical skills development of existing and potential entrepreneurs in key sub-sectors, provision of marketing linkages and support, facilitating access to financial services, technology transfer, etc. Focus will primarily be on private sector enterprises that are growth oriented, use environmentally friendly and labor-intensive production technology, and are engaged in legal activities.

2.2 SME Working Group

In order to implement the activities of the SME Development Component, an SME Working Group, consisting of representatives of USAID, GOB, Proshika and IRIS has been formed. This Group is primarily responsible for organizing and managing the implementation of the SME program component and consists of:

- Dr. Najmul Hossain (USAID)
- Mr. Gaziul Hoque (GOB)
- Mr. Masiur Rahman (Proshika)
- Dr. Naushad Faiz (IRIS), Coordinator

The SME Working Group has held two meetings and has decided to meet at least once in a fortnight.

3. Identification of Potential SME Sub-sectors

A detailed work plan for the SME Development component was prepared by IRIS in December 1997. The first task of this work plan is "to identify and prioritize potential sub-sectors for JOBS intervention." This task (no. 2111) was completed in January 1998 by the IRIS Sub-sector Identification Team which worked in close consultation with USAID. The findings and recommendations of this team were discussed and approved by the SME Working Group in its recent meetings. The methodology used in identifying the sub-sectors and a list of the selection made by the SME Identification Team are discussed in the next sections.

3.1 Methodology of Sub-sector Identification

In order to identify the sub-sectors the following methodology was used. First, the team determined the universe by reviewing manufacturing, services and agriculture sectors. The team set aside agriculture for discussion due to involvement of another USAID project, and sought further guidance. The service sector was also set aside, to be considered later for selection. The team then defined sub-sector clusters, according to the data base of Industrial Surveys and Studies (ISS) program, and sub-sector as product line or major input flowing through to outputs.

The ISS data base was selected to use as basis for sub-sector comparative measurements. Three surveys were reviewed when determining the information source:

1. BBS Census of Manufacturing Industries of 1989-90
2. Follow-on Metropolitan Chamber of Commerce and Industry survey of 1991
3. World Bank/USAID-sponsored ISS.

The team selected the ISS survey as statistically most reliable, despite its slight large-firm bias and the fact that some sub-sectors have emerged after the survey was completed.

The team then set a series of filters through which the sub-sectors had to pass to make the first cut. These filters included:

A. Initial Assumptions

1. The infrastructure at the minimum must be sufficient for growth to occur.
2. Credit funds, as needed, must be accessible from other sources, as the JOBS program will not provide credit although it will facilitate access when possible.
3. Sufficient numbers of investors must exist who will invest their funds in these sub-sectors and stimulate growth in them.
4. The necessary inputs must be accessible on a timely basis.

C. Basic Requirements

1. The sub-sector must consist at least in the large minority of SMEs.
2. The sub-sector must not be a matured industry, but must clearly be growing.
3. The sub-sector must use in-country, largely unskilled or semi-skilled labor.
4. Technology, management knowledge, and/or marketing (inputs and products) must be the major bottlenecks. Policy can be a major bottleneck, but must not be actively preventing sub-sector growth.
5. At least one firm must be in operation, and preferably several.
6. The sub-sector activities must be legal.
7. The sub-sector activities must be culturally appropriate.
8. No other donor or project should be providing full services to the sub-sector.
9. Sub-sector activities must use relatively environmentally friendly technologies.

After this review, a shortlist was made and reviewed with USAID. At that time, the team removed from the list sub-sectors that were rendered ineligible by the Foreign Assistance Act's Lautenberg Amendment. This law forbids assistance to industries competing for exports with sensitive US industries. In addition, the team reconsidered the agriculture sector at the request of USAID.

D. Final Criteria

1. Labor intensity
2. Male/female labor use
3. Growth potential
4. Identifiable bottlenecks in the sub-sector
5. Short gestation period to results
6. Linkages to other SMEs and micro enterprises
7. Government active emphasis

The team could not locate existing updates or further analytic materials to update the ISS and complete the analytic picture. The best known proxies for growth in the absence of reliable overall sales data are capital investments/financing information, external financiers assessments, export data where relevant, and the views of the SME owners themselves. To supplement the data base and enhance the selection process, the team also interviewed approximately 15 small and medium sized company owners within the program target group from the initially identified sub-sectors along with key persons from chambers of commerce and financial institutions. Due to time limitations in this activity, the entrepreneurs were selected on the basis of personal and professional contacts of the sub-sector identification team.

3.2 List of the Identified Sub-sectors

The Sub-sector Identification Team reviewed and short listed 22 sub-sectors for possible JOBS intervention in the near future. Based on a number of criteria, explained in the section on Methodology, the Team classified these sub-sectors in 4 groups. The first group consists of 3 sub-sectors with which JOBS can start work immediately, while studies and baseline surveys are

carried out on them. The second group comprises 7 sub-sectors on which studies and baseline surveys need to be conducted (an eighth sub-sector was subsequently added to the list by the SME Working Group). Out of these, 2 sub-sectors will be selected for JOBS intervention along with the 3 contained in the first group. The third group includes 5 sub-sectors that will be tracked and reviewed later on during the life of the JOBS program, depending on developments. The fourth group contains 7 sub-sectors that were, for various reasons, found to be unsuitable for JOBS intervention. The list of identified sub-sectors is reproduced below.

Group A: For immediate involvement and sub-sector study

1. Plastic products manufacture
2. Electric small goods manufacture (*including electronic component making*)
3. Knitwear (handloom or non-power)

Group B: For sub-sector study (selecting two and holding others in reserve)

1. Small metal works/engineering repairs and parts firm (*including aluminum and steel furniture*)
2. Fisheries and prawn production and sale
3. Bakeries
4. Leather shoes for the domestic market
5. Artificial and gold-plated jewelry
6. Textile dyeing and printing (non-power)
7. Pharmaceuticals
8. *Compost waste recycling*

Group C: For tracking and later review, depending on developments

1. Silk weaving
2. Soap production
3. Stored/dehydrated/processed fruits and vegetables
4. Edible oil
5. Rubber products

Group D: Discarded (not for JOBS involvement)

1. Ancillary feed-ins to the ready-made garment industry
2. Cotton spinning
3. Shoe production for export
4. Computer data entry
5. Recycled paper products
6. China and pottery
7. Bamboo and cane products

4. Current Activities

Based on the recommendations of the Sub-sector Identification Team, we have drawn up scopes of work and terms of reference for undertaking 8 sub-sector studies and baseline surveys. We have identified and spoken to a number of experts who will act as consultants for carrying out the studies. The studies can start after a fortnight. In addition, a separate study, which will focus on policy issues relating to enterprise development, has been commissioned under the Policy Advocacy component.

We have also started talking to trade associations of the three initial sub-sectors to provide them with program support. As there is already some information available on these sub-sectors from secondary sources and from our discussions with associations and entrepreneurs, we can start organizing training programs on, for instance, business management and marketing. Later, as we get more information from the sub-sector studies we can refine the training programs to address more specific needs of the participants. We are also talking to professional training organizations and reviewing their manuals and schedules with the aim of starting the first training session in two weeks' time.

**MAIN LEGAL, REGULATORY AND ADMINISTRATIVE CONSTRAINTS TO
EMPLOYMENT CREATION BY SMALL AND MEDIUM ENTERPRISES IN
BANGLADESH**

*Salahuddin Ahmed, NSU
M. Fouzul Kabir Khan, NSU
Tanwer Akram, NSU*

This study analyzes the main legal, regulatory, and administrative impediments faced by SMEs in order to examine whether there are any systematic bias against them and how these constraints are inhibiting their growth potential. The study also suggests some future directions that would restore level playing field for the SMEs and help them in the realization of their growth potential by removing/mitigating such constraints. It identifies the stakeholders in the system that are the major advocates for the policy changes in the study.

The industrial policy of 1991 defines small industry as an undertaking either a manufacturing process or services activity whose total fixed investment, excluding the price of land and expenses for inland transportation of machinery appliances and duties and taxes, is limited to Taka 30 million. CMI and BSCIC survey provides somewhat different pictures of small enterprises in Bangladesh. Table 1 provides comparative data from the two surveys.

**Table 1: Total Number of Units, Number Employed,
Gross and Average Output for SMEs**

	CMI		BSCIC	
	1991-92	1991	1995	
Number of Units	25,681 (91.1)	38,294	45,738	
Number Employed	79,510 (60.0)	523,472	707,484	
Average number of workers	30.96	13.67	15.47	
Gross Output (in billion Taka)	94.8		2.35	
Average output per annum	0.96 million		0.61 million	

Source: BSCIC (1996); CMI (1997)

SMEs suffer from the disadvantage of not having access to both input and output market as well to institutional credit. There exist economies of bulk purchase of materials due to discount and economies in distribution and selling costs that enable large units to sell their output at lower cost (given quality). When manufacturing process is also subject to scale economies, SMEs face further disadvantages. Historically, the policy support has been given to offset such

disadvantages. Policy measures have taken different forms: *promotional* versus *protective measures*.

In spite of enunciation of policies for benefiting the SMEs it has been found by the present study that the policy benefits hardly reach the target group. In fact our informal interview revealed that there was a lack of information on existing policy benefits among the SMEs. In spite of this lack of access to policy benefits, specially meant for the SMEs, there has been substantial growth of the SMEs in Bangladesh.

Certain factors, however, inhibit the growth of competitiveness of these enterprises and their contribution to export development. These include the lack of infrastructure and legal, regulatory and administrative constraints. While the Government has put strong emphasis on development of infrastructure, the industrial enterprises, both large and small, continue to suffer from LRA constraints. Some of these are specific to SMEs. Others affect both large and small enterprises, with SMEs suffering more because of their being small.

The legal and regulatory framework in Bangladesh is characterized by pervasive, archaic, unnecessary laws; vague and discretionary regulations; flawed and weak enforcement. There is little or no scope to incorporate the views of the people likely to be affected by these regulations. This absence of participatory approach is primarily responsible for framing of unsuitable, non-enforceable, and burdensome laws and regulations in Bangladesh. The legal, regulatory and administrative constraints affect the SMEs quite adversely.

1. Business registration: Businesses are required to register for trade license, Value Added Tax and Tax Identification Number. They require similar information, and process is cumbersome.

2. Financing difficulties: Because of high cost of processing and monitoring and the fact the interest band for SME is lower than the market rate banks do not have the incentive to lend to SMEs. Further, documentation requirement (including a cumbersome application form) is huge, deterring SMEs to approach the financial institution. The issue of collateral requirement affects the SMEs adversely. Further, SMEs have inadequate access to L/C because of red tapism and the size of cash fee deposit. As such SMEs purchased their imported inputs from large importers, putting them at a disadvantage vis a vis large firms who import their own input.

3. There is a perception among some SMEs that NGOs engaged in activities similar to them receive favorable treatment. According to them, the NGOs can mobilize resources for their commercial operations through foreign grants.

4. Fiscal measures for protection have distortionary effect. The small producers are exempted from VAT but has to pay turnover tax at a low rate. This leads to scope for corruption.

5. The SMEs have little access to export promotion benefits given by the Government. They have little information on these policies and their implementation is cumbersome. Export Promotion Bureau has not been very effective in providing assistance to SMEs.

Table 2: SMEs: Problems and Prospects

Issues	Problems	Agencies Responsible	Recommendation
General Legal & Regulatory Framework	Absence of Participatory Process Micro management through regulations Unfair competition from NGOs commercial activities	Ministries, Divisions, Departments	Establish participatory process Let market decide the details Equal treatment of commercial activities of NGOs
Licensing, & Registration TIN, VAT Registration	Delays High Start up Costs Multiplicity of Agencies	Municipal Corporation Deputy Commissioners' Office National Board of Revenue (NBR)	Avoidance of Multiple Registration Single Inquiry or Inspection Separation of fiscal controls & registration
Financing	High Monitoring Cost of Loans to SMEs. Rational preference for large borrowers. Application Forms: Long, Redundant, Tedious Interest Rate Band Below Market Rate Collateral Weak project evaluation and implementation capability of banks	Central Bank NCBs & Private Banks Non-Bank Financial Institutions (leasing companies etc)	Take assistance from Trade Association in the loan giving process to SMEs. This will reduce the monitoring cost. Form Simplification Reduction of documentation requirement Removal of Interest Rate band Collateral Registry Improvement of project evaluation and monitoring capability of the banks
Fiscal Measures	Exemption Threshold Implementation Problems Conflict between Cottage Industries and SMEs	National Board of Revenue	Equalization of Tax liability under VAT and turnover tax Reduction of VAT rate Withdrawal of cottage industry exemption
Access to Export promotion benefit	Limited Information on policy benefit Cumbersome implementation of policy benefits Lack of market information	EPB BSCIC Ministry of Industry Ministry of Commerce	Strengthening of EPB Dissemination of information on policy benefits Simplification of procedure for implementation
Corruption	Illegal financial extortion Gratification payment for benefits	All ministries	Improvement of Governance
Contract Enforcement and resolution	Lack of appropriate laws for modern business Long drawn judicial Process	Ministry of law Ministry of Commerce Ministry of Industries	Formulation of appropriate laws particularly strengthening of legal framework for subcontracting needs Simplify judicial procedures
Labor market regulation	Archaic laws preventing the growth of flexibility in labor market	Ministry of law Ministry of labor	Revise Industrial Relation Ordinance 1969. Review Public Wage Policy as well as minimum wage legislation.

6. Corruption is rampant. Illegal financial extortion, under political patronage, continues with complicity of law enforcing agencies.

7. There is inadequacy in contract enforcement and resolution

8. Labor laws are not conducive to a dynamic export oriented economy. Labor markets are rigid and needs to be reformed.

In order to facilitate the resolving the constraints mentioned above a consolidated matrix comprising of issues, problems and agencies responsible for implementation and recommendations for solving the problems has been provided in Table 2.

ADVOCATES OF THE PROPOSED REFORMS

The beneficiaries of the reforms proposed in this paper are going to be the SMEs. Therefore those bodies which represent them will be strong advocates of these reforms. These include trade associations and chamber of commences such as FBCCI, DCCI etc. It needs to be recognized that most of these problems affect all sizes of firms with smaller ones being affected than the rest.

Trip Report

**February 21 to March 4, 1998
Dhaka, Bangladesh**

Thierry van Bastelaer, IRIS

I traveled to Dhaka as part of my regular pattern of advisory and supervisory visits as Project Manager of the JOBS Program. The main goals of the visit were to supervise the operations of the JOBS office, support the implementation of the activities described in the workplan, explore options and arrangements for future activities, and participate in efforts to resolve the outstanding issues related to CDPR's participation in JOBS. Main activities under these categories are briefly presented hereunder.

Operations of JOBS office

I observed the administrative and financial operations of the JOBS office and found them to be well organized, with clearly defined and applied roles and responsibilities. Work is performed on a complete and punctual basis. Internal and external communications are well and expeditiously managed.

The programmatic side of the operation needs several adjustments in order to implement the workplan and develop additional sound activities. One or two full-time senior staffers are needed to provide the sustained leadership needed at the present stage of the microenterprise program, and to establish the continuous and in-depth collaboration with NGOs that is a crucial part of the program. Junior assistants are also recruited by the three teams to provide research, reporting and logistic support.

Implementation of Workplan Activities

In the microenterprise development component, the 25 areas for first year intervention have been selected on the basis of 8 assumptions and criteria. Proshika and its Yogasutra partners are preparing for the baseline surveys in the 25 areas. The speed of progress in this area will be, to a large extent, a function of our success at finding appropriate and available staff for the necessary position(s) (see above).

In the SME and policy areas, we decided, with USAID's approval, to concentrate those workplan activities that can be collapsed without compromising program integrity and conceptual preparation. This will allow us to begin the training for SMEs in the selected subsectors without making it dependent on the completion of the subsector studies. Needs of enterprises in the three subsectors are being assessed and provided as input into the training program already being

discussed with BASC. Similarly, in the policy area, we have proposed to invert some elements of the workplan and begin the substantive activities by a rapid appraisal of the main legal, regulatory and institutional constraints to SME development and employment creation. This work will reinforce the main policy findings of the subsector identification process, providing a possible blueprint for the policy advocacy agenda for the coming months.

Options and Arrangements for Future Activities

Zia, Naushad and I met with several members of the NGO and donor communities to identify common areas of interest and possible avenues for collaboration (see attached list of persons visited). At this point, most promising options for JOBS and collaborative activities include, among others:

1. linking our microenterprise support programs with new Enterprise programs (providing loans in excess of Tk. 10,000) of ASA and other PKSF members in JOBS selected areas,
2. SME training with BASC,
3. technical assistance to medium-size enterprises with IESC,
4. transaction costs approach of corruption facing SMEs with Transparency International and USAID's Responsive Government Program (?),
5. training of "marginal PKSF NGOs" with CDF or other groups,
6. development of appropriate savings instruments and insurance options with ASA and smaller NGOs;
7. identification of "Advocates" and preparation of advocacy campaigns on major policy issues with the Federation of Chambers of Commerce and Industries.

CDPR's Participation in JOBS

At the request of the GOB representatives in the JOBS Team, I met with Dr. Shah, Chairman of CDPR, and attempted to resolve the outstanding issues regarding the Centre's participation in JOBS. It is unclear that the meeting achieved this objective, but it certainly helped correct several misunderstandings about the goals and procedures followed by USAID and IRIS in designing and implementing the JOBS Program.

Miscellaneous

Zia, Mr. Huda and myself met with MM. Shahabuddin and Sabri of Proshika to discuss the level of involvement of their organization in JOBS. We supported the involvement in Proshika's JOBS Team of two additional full-time staffers to centralize and organize the provision of administrative, technical and strategic support by Proshika and its subcontractor Yogsutra. The arrival of a full-time coordinator on Proshika's JOBS Team (Ms. Sulatana) suggests that the organization's degree of responsiveness to the needs of the program may improve, although the staffer is as new to Proshika as she is to JOBS.

Zia and I met with Julu Badrudduza and discussed Yogsutra's temporary role as a Proshika subcontractor as an excellent option for the NGO consortium to develop its internal systems while producing critical, and fully compensated, work for the program. We suggested that Yogsutra's long-term interests, as well as that of JOBS, would benefit from the permanent presence of a Yogsutra observer on all ME Team meetings.

Finally, I briefed the USAID Mission Director, Contract Officer and FST members on various contractual and conceptual issues directly affecting the present and future of the program, informed our local staff and the USAID partners that the untimely passing of IRIS' founder Mancur Olson will not diminish the full commitment of IRIS to the objectives of JOBS, and participated in the third JOBS Team meeting.