

**Final Report**

## **Mid-Term Evaluation**

# **Entrepreneurship Development of Women through the Jatiyo Mahila Sangstha, BGD1971043**

**Government of Bangladesh / Ministry of Women  
and Children Affairs / JMS  
UNDP/UNOPS**

**November 2001**

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### ***List of Abbreviations***

ADAB	Association of Development Agencies in Bangladesh
ASA	Association for Social Advancement
BB	Bangladesh Bank
BDS	Business Development Services
BEF	Bangladesh Employers' Federation
BGMEA	Bangladesh Garment Manufactures and Exporters Association
BKB	Bangladesh Krishi (Agricultural) Bank
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
BSCIC	Bangladesh Small and Cottage Industries Corporation

CDF	Credit Development Forum
CEFE	Creation of Enterprise Formation of Enterprise
DCCI	Dhaka Chamber of Commerce and Industries
DFI	Development Financial Institution
DFID	Department for International Development
DWA	Department of Women Affairs
DYD	Department of Youth Development
EADS	Environment, Agriculture and Development Services Ltd.
EDP	Entrepreneurship Development Program
EDW	Entrepreneurship Development of Women
EGPRD	Employment Generation Project for the Rural Poor
ERD	External Resources Division
GoB	Government of Bangladesh
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMED	Implementation, Monitoring and Evaluation Division
JMS	Jatiyo Mahila Sangstha
JOBS	Job Oriented Business Support
LAC	Loan Approval Committee
LFS	Labor Force Survey
LPC	Local Project Committee
MIDAS	Micro Industries Development Assistance and Services
MIDI	Micro Industries Development Initiative
MIS	Management Information System
MOF	Ministry of Finance
MOI	Ministry of Industries
MOU	Memorandum of Understanding
MWCA	Ministry of Women's and Children's Affairs

MSEs	Micro and Small Enterprises
MTE	Mid -Term Evaluation
NCBs	Nationalized Commercial Banks
NGO	Non Government Organization
NPD	National Project Director
PKSF	Palli Karma Sahayak Foundation
PIC	Project Implementation Committee
PMC	Project Monitoring Committee
PP	Project Proforma
PRA	Participatory Rural Appraisal
ProDoc	Project Document
PromPT	Promoting Participation and Training
PSC	Project Steering Committee
SEDP	Small Enterprise Development Program
SME	Small and Medium Enterprises
TOR	Terms of Reference

TOT Training of Trainers

TRIN Training, Research and Information Network

TTT Training and Technology Transfer

UNDP United Nations Development Program

UNOPS United Nations Office for Project Services

USAID United States Agency for International Development WB World Bank

WEA Women Entrepreneurs' Association

WEDP Women Entrepreneurship Development Program

WEDT Women Entrepreneurship Development Training

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## ***Acknowledgements***

The Evaluation Team wishes to extend its appreciation to all individuals and organizations that have supported and contributed to the Mid-Term Evaluation Mission. Firstly we would like to express our thanks to the Government of Bangladesh, Ministry of Women and Children Affairs, Jatiyo Mahila Sangstha, and to UNOPS and UNDP for involving members of the team in this important mission, and for facilitating the necessary arrangements.

Our sincere thanks and appreciation are extended to the JMS Chairperson, Ms. Tahrunnesa Abdullah, National Project Director, Ms. Masuda Benthe-e-Quadir, the Project Management Team, Project Staff at both the central and district level, and the International Micro Enterprise Specialist, for their openness, excellent cooperation and support during the mission. We greatly appreciate the arrangements made for the field visits and meetings and for the warm Bangladeshi hospitality extended to the team.

We wish to express our sincere appreciation and thanks to the UNDP Management, the Programme Officer responsible for the project, and various other UNDP staff for efficiently facilitating the mission work. We also wish to acknowledge and thank women entrepreneurs and all other individuals and organizations with whom we held meetings and discussions in the field and in Dhaka, for their valuable time and inputs.

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## ***Executive Summary***

### **INTRODUCTION**

The Project, Entrepreneurship Development of Women (EDW) through the Jatiya Mohila Sangstha (JMS) was instituted in March 1998. It is a NEX project funded by UNDP, executed by the Ministry of Women and Children Affairs (MCWA), and implemented by JMS. The project has been in operation since July 1998, but activities actually started in January 1999. The main objectives of the project are to:

1. Develop entrepreneurship among women undertaking income-earning activities with the potential for scaling-up and enhanced investment
2. Strengthen the capacity of the implementing agencies for effective service delivery.

The project over its intended five year time frame (July 1998 - June 2003) will identify 7000 rural and urban women in all 64 districts of Bangladesh who have previously received micro credit or skill training from JMS, NGOs and the Department of Women Affairs (DWA). Fifty per cent of the beneficiaries will be from JMS, 25 per cent from DWA, and 25 per cent from NGOs. These women will then be formed into groups of five to ten members and provided entrepreneurship training before credit is extended. This will be in the range of Taka 30,000 to Taka 150,000 for a fixed term of two years for which a service charge will be levied. The project will provide training to selected beneficiaries in skill development, leadership and advanced management.

The groups formed, and about ten such groups living in proximity and nominated by the JMS/ NGO/ DWA will be interlinked to form an entrepreneur association or Samity. By the end of the project period it is envisaged that Samities will be formally registered with the DWA on the recommendation from the JMS / Project. The organizations formed during the first two years of the project will be assisted in becoming self-managed and self-sufficient.

## **MAIN FINDINGS**

### **Project Concept and Design**

The Development Objective and two Immediate Objectives have been clearly stated and elaborated with quantitative targets/indicators under each objective. However, the project design manifests certain flaws. The problem to be addressed is only partially stated in the Prodoc and places an undue emphasis on micro finance access for women entrepreneurs. While credit is a key constraint, it is only one of the many constraints in promoting sustainable enterprises. Good business practices and market response are equally important. The implementation strategy has a *"missing piece strategy element,"* an intervention for promoting an enabling policy and legal environment and policy advocacy

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strategies to support it. This is considered essential if women's businesses are to flourish and if women are to be empowered in the economy. The project design and strategy also provides no rationale for targeting 7000 women entrepreneurs and a nation wide coverage of 64 districts. This is considered an exceedingly high figure for a pilot effort. Findings show the project is highly relevant and timely in meeting the needs of a growing body of women entrepreneurs, and is very much in line with policies of GOB, and the UNDP CCF.

### **Main Achievements**

The main achievements include: a focus on a non-poverty target group, women entrepreneurs. This is a recognition of women in Bangladesh as important economic actors and not just a target group of poverty-oriented programmes. This shift in perception is a rather significant one. It is backed by the project's effort to enhance the entrepreneurial skills and potential of women entrepreneurs. Secondly the project has built an initial knowledge base and entrepreneurial skills among the target group, which should be further

strengthened. Thirdly, concerted efforts have been undertaken to achieve substantial quantitative outputs. Women entrepreneurs, 3600, have received quality entrepreneurship training, loans have been extended to 1784, businesses have been promoted, project personnel, 109 staff, have received orientation training and the project has produced a number of different guidelines, baseline surveys, PRA Report, a monitoring Handbook and Training Manuals which are useful tools for the project.

## **Component Outputs, Issues, Recommendations**

### **~ Selection of Women Entrepreneurs**

The Prodoc sets out clear criteria for selection, and thus far 1784 women entrepreneurs in 50 districts have received loans. Findings show some irregularities in selection, with about 20 percent of the sample not fulfilling the criteria (Auditors Report November 2001). Even then, this figure is high and suggests the need for corrective measures. The mission has reiterated the criteria and also provided the terms and conditions on which loans should be disbursed. A contributing factor to this situation is that the local project committee [LPC], which screens loan applications, has in several instances not followed fair and neutral practices. As a result of improper selection of women entrepreneurs, some of the loans have been used by husbands / male household members or diverted to other purposes.

#### ***Recommendations***

The selection criteria should be strictly adhered to. The terms and conditions for loan disbursement should also be followed to target the appropriate women entrepreneurs. In addition women who demonstrate real entrepreneurial capacity should be identified and encouraged rather than setting quotas, which agencies cannot fulfill.

### **~ Group Formation and Samities**

The strategy of formation of small self-managed groups of 5 to 10 women entrepreneurs living in proximity, and subsequently the interlinkages of groups of about 10 to form larger Samities/entrepreneur associations is indeed relevant for the promotion of

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women's MSEs. It is a means of fostering collective strength, improving their bargaining power, representing the interests of women in business in various fora and networking. Samities /women entrepreneur associations can play a very supportive role in providing women business contacts and linkages, including networking possibilities with local chambers of commerce and employers' association, as well as undertake cooperative marketing activities.

As of September 2001, 293 groups have been formed with an average of 6 members per group in 50 districts. The groups have mobilized savings and members have obtained individual loans for their businesses. The larger Samities /entrepreneurs associations have not yet been initiated.

The implementation of the group formation strategy leading to Samities in the EDW project has been uneven and weak, and concerted efforts need to be undertaken in group

capacity building and organizational development.

Some of the key issues are that: *groups* have been formed in an arbitrary manner and primarily as an "administrative unit" for channeling credit and for savings mobilization. They have yet to become cohesive and interactive entities promoting the business interests of members. Groups/members interviewed by the team have a limited understanding of the rationale for *group* organization and the potential benefits to be derived for their businesses thereof. Similarly, not all *groups* are fully aware of the longterm project goal of Samity/entrepreneur association formation. Group guidelines have only recently been prepared and distributed to the field level and need to be implemented. However, the district officers of JMS have not yet received training and orientation on these guidelines.

#### **Recommendations**

Every district should go through a process of reorganizing and reorienting motivated members in group formation, ensuring the groups are homogeneous so as to improve the quality of *groups*. The Group Guidelines should be implemented, but the concept of *group* guarantee for loans should be deleted as is not applicable for large loan sizes. JMS district officers should be oriented and trained in group organization methodologies. The training for JMS field staff should utilize the expertise of selected NGOs with a focus on building the capacity of *groups* to become self-managed and perform functions set out in the guidelines.

The formation of Samities should be *a group driven process*, evolving with women entrepreneurs most ready and keen to join Samity for the purpose of empowering them, giving them a voice and visibility, rather than as a financial entity. It may be necessary to simplify the procedures and management structures of the Samities as set out in the guidelines. JMS and DWA should closely monitor the functioning of the Samities.

*The mission does not see the role of the Samities in managing a revolving and savings funds within the project duration and beyond as set out in the Prodoc.*

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#### **~ Capacity Building of Women Entrepreneurs, and the JMS Staff**

According to the Prodoc, at least five types of training are to be provided to women entrepreneurs. These include: entrepreneurship development training (EDT) followed by refresher training after two years, leadership and management training, advanced entrepreneurship training, skills development and upgrading, training in new skills, and study tours for women entrepreneurs to neighboring countries. Thus far the project has provided EDT to 3600 women, as part of the capacity building effort; 109 project and JMS Staff have received orientation training. Several other training courses are in various stages of progress.

The key issues: The training activities have developed some capacity of both the implementers and the women entrepreneurs. But there is a continued need to further build capacity, sharpen and reinforce skills acquired. JMS has contracted five renowned training organizations namely, MIDAS, TRIN, PromPT, EADS, and TTT to conduct the proposed training. Some contracted training organizations did not utilize the services of listed and



reputed trainers after receiving the award from JMS. The project did not undertake a systematic training needs assessment to identify the required knowledge, skills, and attitudes of the targeted women entrepreneurs. Some training needs were identified through the baseline surveys and PRA reports. EDT has been beneficial to many of the trainees although some of the topics included in the training were not relevant to their needs and not cast at the right level.

### **Recommendations**

To ensure the quality of the courses, JMS should see that the contracted training organizations engage the listed trainers to conduct the training. The Training Consultant should develop a training plan (calendar) and share it with all the training organizations. There should be a participatory workshop with the representatives of the training organizations and JMS to finalize common course content, a training schedule, methodology, session plan and handouts. All of these should be prepared in keeping with the needs and level of the participants. Women entrepreneurs should be linked with local NGOs, DWA, Ministry of Youth, and BGMEA Fashion Institute etc. for skill training. The project needs efficient staff with the capacity to provide follow up extension services to the target group. Hence capacity building of staff remains a key element in the project. Training is also needed by the members of the LPCs in appraisal of business and loan proposals.

### **~ Credit and Savings Operations and Management**

The EDW credit and savings operation follows the basic formula developed by the micro-finance industry in Bangladesh. The processes of group formation, and the simultaneous disbursement of all first round loans within a district, are exceptions to this. The nationwide target for credit disbursement, to just 7,000 loanees, has resulted in weak accountability and monitoring at the local level, whilst all authority has been retained by the Head Quarters in Dhaka, which has had insufficient staff to ensure due oversight. This centralization has determined a bureaucratic style of implementation that tends to be insufficiently attentive to the needs of the individual entrepreneur. Loan approvals have

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not focused sufficiently on the potential of existing businesses to absorb additional credit. Although loanees are introduced to banking, through the requirement to open a bank account, no further use of this account has been required. All loans are extended for 27 months regardless of the borrowers needs and the interest rate has been low, varying between 7.5% and 10% flat, with 3 months free credit.

The on-time repayment rate, currently standing at 88%, should be address urgently so as to prevent widespread delinquency within the programme. The savings rate of Tk. 200/per month has been successfully achieved in most districts, although little return has been earned on these savings.

### **Recommendations**

Greater financial sustainability can be achieved by removing the grace period of three months; gradually increasing the interest rate to 15 per cent flat and improving on time repayments with a minimum target of 95 per cent. For future sustainability the Forward Looking Strategies propose financial intermediation by selected financial intermediaries, and reference should be made to this section.

### **~ Institutional Linkages**

A major barrier that women entrepreneurs encounter is the lack of access to adequate institutional support in technical, business and financial services. The project / JMS can in no way meet the spectrum and range of requirements for these services. Therefore the strategy to develop institutional linkages is critical. Most important is to build the capacity of women entrepreneurs to confidently interact with

public and private sector agencies providing both financial and non-financial services. The project has established good linkages with training institutions to subcontract for various training activities. However, these linkages are limited and the project works somewhat in isolation from wider developments in the MSE sector and those targeted to women. Hence opportunities for women entrepreneurs to avail of services and technical support have yet to be fully explored.

#### **Recommendations**

It is recommended that the project intensify its linkages with various institutions, more particularly with the business and financial sector. The most viable and immediate options for linkages include MIDAS, Agrani and Sonali Bank. In addition the project should explore possibilities with other NCBs and NGOs.

#### **Project Management and Implementation**

**Institutional Arrangements:** Under the NPD, who has overall responsibility for the management and implementations of the project, is the Project Team and Staff at central and district level. Attached to this unit is the International Micro Enterprise Specialist. There are 4 committees, three at central level and one at district level that support the work of the project. These include: a Project Steering Committee (PSC), National Project Implementation Committee (PIC), the Loan Approval Committee (LAC), at central level,

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and a Local Project Committee (LPC) at district level. The Committees play an advisory, supervisory and monitoring role.

Findings of the mission show that the institutional arrangement is rather centralized and does not lend itself to effective outreach and response to the target group. The LPC is an important committee to support project implementation, but limited in technical expertise for the task entrusted to it. The LAC needs to be decentralized to enhance efficiency of the credit operations. The NPD is also the Executive Director of JMS and as such cannot give her continuous and undivided attention to the project.

#### ***Recommendations***

The mission proposes that institutional arrangements be streamlined and a decentralized approach adopted. The PSC should be strengthened to include representatives from the financial and other key government institutions such as the Bangladesh Bank, the MOI. The PSC should be more issue oriented, focused on policy issues arising from the field level. A Project Management Committee (PMC) should replace the PIC. The PMC should include the NPD, project team and staff, representatives from the field level and selected collaborating partners who are most conversant with the project and keen to ensure its success. The NPD position should be made a full time posting.

The LAC and LPC should be merged into one committee at the district level, namely the LPC. The latter should be revitalized, its composition reorganized to include members with financial and business expertise and a technical orientation. This would ensure its ability to undertake responsibilities for the selection of women entrepreneurs, screening of loans and business plans. The decentralized approach implies more decision-making at the local level and as such greater responsibility should be delegated to field level staff. The roles and responsibilities of the reorganized committees should be clearly spelt out.

#### **Implementation and Management**

While the project was delayed at start up, once it got underway the pace accelerated and

quantitative outputs have been satisfactorily achieved. However the quality of interventions is at issue, as indicated under the various components: irregularities in selection of women entrepreneurs, weaknesses in group formation, a centralized credit management system, and the limited capacity and experience of staff at local and central level for an "entrepreneurship" focus. Because of the emphasis in attaining numerical targets, the qualitative aspects of the project have not received sufficient attention.

### ***Recommendations***

The management should adopt *a team building and team approach*, fostering greater interaction between field level and central project team and staff. It should also develop a team and participatory approach at the central level involving staff in both problem solving and decision-making. The project should focus on improving the quality of interventions and not just the quantitative targets.

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### **Quality of Monitoring and Backstopping**

The reporting arrangements have been functioning in a timely manner. The emphasis of monitoring however has been on the quantitative targets with greater attention given to the credit component. The performances of businesses have been inadequately monitored, as also the effectiveness's of the selection process, training and capacity building of women entrepreneurs and staff, and the functioning of the various committees.

### ***Recommendations***

Implement the Monitoring Handbook, and orient and train staff on the qualitative aspects of monitoring. Field monitoring should be conducted regularly and problems addressed as soon as they arise. LPC members should discuss enterprises with problems and the project staff should take immediate follow-up actions.

### **The Role of UNDP**

UNDP's role as a partner and in providing financial support for this initiative has indeed been an important one. However, UNDP needed to consider more carefully the size of the credit component, which because of a lack of scrutiny is out of line with UNDP guidelines on micro credit grants to institutions. The donor has an obligation to follow the established guidelines for micro finance activities, ensure that subsidized credit does not undermine efforts of organizations that follow sound principles of sustainability.

UNDP is well positioned to play an active and visible role on policy issues, especially in a project that clearly has strong policy implications for women entrepreneurs.

### ***Recommendations***

It is essential that UNDP closely monitor the project in the immediate future. At the same time it should pursue with partners the policy agenda and galvanize breaking new ground on policy issues.

### **The Role of UNOPS**

UNOPS has supported the project through the recruitment of an International Micro Enterprise Specialist, and this has been much needed technical expertise. She has given

particular attention in improving the project systems and preparation of several useful guidelines.

### ***Recommendations***

The expertise of the Specialist should be utilized much more by the project. She should be called on to provide technical assistance with the business development aspects of the project, in monitoring, in assisting staff in linkages with institutions and joint problem solving. She should in future liaise closely with JMS and UNDP in reporting on implementation issues and provide TA in addressing these.

### **Sustainability**

The project needs to move towards greater sustainability through the recommendations proposed under the various components. Institutional sustainability will also depend on the capacity and commitment of the JMS/MWCA to consolidate the achievements and

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strengthen capacity to continue the project past donor funding. It is envisaged that besides the recommendations made to improve credit management, the financial intermediation strategy as described in the Forward Looking Strategies will contribute to financial sustainability.

### **Lessons Learned**

Credit alone is not enough to enhance women's entrepreneurial skills and a more integrated package of support is required, including strong technical and business support. It is essential that the project maintains a clear focus on the appropriate target group and ensures that implementers strictly adhere to the criteria. A project with several complex interventions requires strong technical and managerial capacity, and adoption of a pilot approach. This means starting out with a few districts before going nation wide. Another important lesson is that centralization limits the ability of the project to be responsive to women entrepreneurs. Excessive centralization prevents the efficient use of funds due to the lengthy time in processing loans and making disbursements.

### **FORWARD LOOKING STRATEGIES**

Women's economic self-reliance and empowerment through entrepreneurship development remains a critical and central thrust of the project and a valid one. The project has laid the ground work and needs to be given the time to mature, fine tune its design and strategies, make the necessary adjustments and firm up project operations.

The following ***Forward Looking Strategies*** are proposed to further strengthen the project.

1. Policy Advocacy for women entrepreneurs.
2. Deepening entrepreneurial skills, capacity of women entrepreneur groups, and staff capacity.
3. Local Resource Facility and Decentralized Management Strategy.
4. Financial Intermediation

#### **1. Policy Advocacy for Women Entrepreneurs**

A Policy Advocacy Forum will be organized and initiated by JMS/MWCA in collaboration with MOI. The Forum will identify key priority issues affecting women entrepreneurs. It will bring to the forefront of policy makers the critical legal and policy gaps experienced at the grass roots and illustrated through the EDW and other ongoing projects in women's entrepreneurship. The forum will facilitate the preparation of papers on specific policy issues and lobby for change. It will be comprised of representatives from relevant private sector, government and NGO organizations. A Policy Coordinator will be recruited to facilitate the policy advocacy strategy, and assist the lead agencies to follow-up with policy makers.

**2. Deepening entrepreneurial skills, capacity of women entrepreneur groups, and staff capacity.**

A key strategy is to continue to build on the initial knowledge base and entrepreneurial skills gained by women entrepreneurs participating in the project, and to sharpen and

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deepen these skills. Efforts will also be intensified to strengthen group capacity for self-management and to promote their evolution into Samities/ entrepreneurs association. Similarly during this phase, the capacity of local and central staff will be enhanced. Further work will be undertaken in establishing concrete linkages and partnerships with financial and business development services.

**3. Local Resource Facility and Decentralized Management Strategy**

The Local Resource Facility will be set up in 6 divisions of Bangladesh, covering the districts in each division. Two specialists, one in credit management and group formation, and the other in business development and marketing will staff each Local Resource Facility/Focal Point. The main aim of this Facility is to bring high quality technical expertise within close range of women entrepreneurs, and to improve the monitoring and backstopping of the project at local level. The specialists will facilitate and extend services in market information, business counseling and advice, credit management and linkages with financial institutions, networking with various service providers, legal and regulatory support and supervision and monitoring. They will also be in a position to promote advocacy for women entrepreneurs at community level, and feed back policy issues to the Policy Advocacy Forum.

**4. Financial Intermediation**

Financial intermediation is proposed as a key strategy to transfer credit management responsibilities for the existing revolving fund [provided to JMS in the region of \$ 870,000 to date] to selected identified financial intermediaries. It is proposed that a Financial Intermediation Consultant be recruited to work in close collaboration with the NPD to identify the suitable financial intermediaries, negotiate and detail modalities by which recipient institutions will make the funds available to the women entrepreneurs in the EDW project; and finalize MOUs.

**Future Continuation of the Project**

It is proposed that the project be extended for a year beyond the project period June 2003 to June 2004. This will allow adequate time for the readjustment and strengthening of the

project to become a successful and replicable model.

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## **A. INTRODUCTION**

### **Background and context**

#### **Entrepreneurship Development of Women Project**

The project Entrepreneurship Development of Women (EDW) through the Jatiya Mahila Sangstha (JMS) was instituted in March 1998. The EDW is a NEX project funded by UNDP, executed by the Ministry of Women and Children Affairs (MCWA), and implemented by JMS. It is aimed at promoting self-reliant and skilled women entrepreneurs and sustainable enterprises, by providing timely credit, training, and institutional linkages for further finances and business development services (BDS).

The main objectives of the project are to promote the economic independence of women and capacity building of implementing agencies:

1. Develop entrepreneurship among women undertaking income-earning activities with the potential for scaling-up and enhanced investment
2. Strengthen the capacity of the implementing agencies for effective service delivery.

The project over its intended five year time frame (July 1998 - June 2003) will identify 7000 rural and urban women in all 64 districts of Bangladesh who have previously received micro credit or skill training from JMS, NGOs and the Department of Women Affairs (DWA). Fifty per cent of the beneficiaries will be from JMS, 25 per cent from DWA, and 25 per cent from NGOs. These women will then be formed into groups of five to ten members and provided entrepreneurship training before credit is extended. Through the project women entrepreneurs will have access to micro credit in the range of Taka 30,000 to Taka 150,000 for a fixed term of two years for which a service charge will be levied. The project will provide training to selected beneficiaries in skill development, leadership and advanced management.

The long-term objective is that the groups formed under this project would be able to generate and manage existing and additional resources towards running the project. Five to ten women entrepreneurs will come together and form a group. Ten such groups will form an entrepreneur association or Samity. Women living in proximity to one another and nominated by the same agency (JMS/ NGO/ DWA) will form Samity. By the end of the project period it is envisaged that Samities will be formally registered with the DWA

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on the recommendation from the JMS / Project. The organizations formed during the first two years of the project will be assisted in becoming self-managed and self-sufficient.

The project has been in operation since July 1998, but due to devastating floods in

Bangladesh in 1998 activities actually started in January 1999. The period during July 1998-December 1998 was used to set up the administration and infrastructure for the project.

## **Timing of the review**

The Mid-Term Evaluation is timely and taking place 35 months after the project has been in operation out of a total of 60 months planned for the project. The project has therefore had adequate time for laying the groundwork; operationalizing and testing out project strategies, and building a strong base for sustainability and replicability.

## **Purpose of the Mid-Term Evaluation**

The main purpose of the Mid-term Evaluation (MTE) is to assess the progress of the project, the results achieved, and the validity of the overall approach in achieving the long term and immediate objectives. Based on these findings, recommendations will be made for adjustments and reorientation of the project. A detailed TOR for the mission is found in Annex 2.

### ***A focus on "entrepreneurship"***

It is important to point out at the very outset that in keeping with the TOR the mission team views the project clearly as **one aimed at "women's entrepreneurship development"** as distinct from micro finance, income generation and self-employment. These terms have often been used interchangeably. While access to micro finance is certainly a key element it is only one of many interventions for women's entrepreneurship development. Good business practices and market response are equally essential. Micro enterprise development strategies targeting women in Bangladesh have often employed a poverty alleviation and welfare rationale that lacks a market focus and may not necessarily lead to enterprise sustainability in the long term or enhanced business capacity and scaling up of enterprises.

In our view "women's entrepreneurship development" has an ***economic and empowerment rationale***. It seeks to promote and build the capacity of women entrepreneurs as independent economic actors (owners and managers) willing to identify and seize business opportunities, mobilize and access financial resources, take risks, respond to market changes and manage a sustainable business. Women's enterprises have potential for generating employment. Promoting sustainable enterprises for women uses a market based and demand driven approach. Entrepreneurship development can lead to greater economic autonomy and gender equality, increase in women's self-esteem and confidence, and greater control over decision-making in the family and community, thus

empowering women socially and economically. It is within this broader context that the mission team has conducted the MTE.

## **Methodology**

The MTE was conducted during the period October 30-27 November 2001, by an Evaluation Team consisting of three members: an International Consultant / team leader, specialist in Organization Development and Training, International Consultant/team member, specialist on micro finance and micro enterprise management, and a National Consultant / team member, specialist in micro finance and micro enterprise management.

The Evaluation Team has used both primary and secondary sources of data for the evaluation. Secondary sources of data include various project reports; documents, guidelines, and other relevant materials listed in the TOR and additional documentation provided the JMS Office. An initial briefing about the project was provided to the MTE team by GOB/MWCA and JMS. Subsequently the mission had an opportunity to meet with the project team members and the expatriate micro enterprise specialist

Field visits were undertaken to Bhairab, Tangail, Gazipur, and Uttara-Dhaka. The team adopted a participatory approach during the interviews and also used random sampling techniques to learn about women entrepreneurs and their businesses. Meetings, interviews, and focused group discussions were held with a range of stakeholders: women's entrepreneur groups, JMS chairpersons, Local Project Committees and the district staff of JMS/DWA/NGOs. In addition there was an opportunity to talk with relatives/male members of the household, employees in the business and neighbours associated with the women entrepreneurs' businesses.

Discussions were held with other institutions such as the Agrani and Sonali Bank, the local Chamber of Commerce and Janata Bank branch in Bhairab, MIDAS, BRAC, BSCIC and donor agencies such as DFID, USAID, working on issues of the micro and small enterprise sector. The team met with training institutions PromPT, TRIN, and EADS. The objective of these meetings was to gain the perspectives and inputs of those involved directly and indirectly in providing support and technical assistance to the sector and to women entrepreneurs in particular. A list of persons and organizations met is attached in Annex 4.

The MTE report has been prepared on the basis of the findings from these various sources.

## **Structure of the Report**

The Report includes an Executive Summary followed by various sections, beginning with an Introduction that provides the background and context of the project. This is followed

by Section B the Main Findings and includes: the Project Concept and Design, Project Achievements/Outputs/Issues and Recommendations, Institutional Arrangements, Project Management and Implementation, Project Results. Section C sets out the Forward Looking Strategies. The report includes several annexes that provide information on the detailed TOR, the itinerary of the Mission, list of Persons and Organizations met and a list of



Training Service Providers.

## **B. MAIN FINDINGS**

### **I. PROJECT CONCEPT AND DESIGN**

#### **1. Context of the project** (*Brief situation analysis of women entrepreneurs and findings from field visits*)

Women in Bangladesh play a significant and growing role in the economy and their share in the labour force continues to rise. Even though a statistical curtain renders much of women's economic contribution invisible in national income accounts, women remain key productive and committed workers in the subsistence economy, in the informal sector and in micro and small businesses.

Women's participation in the labour force survey of 1995-96 is found to be 42%<sup>†</sup>. Nearly 43% women are involved in agricultural activities but mostly as unpaid family helpers. They constitute a high proportion of unpaid workers in family based cottage industries and form a significant and majority work force in the export oriented industries particularly in the garment industry. However, women's participation in the formal economy is still quite limited.

While data on women entrepreneurs/enterprises is limited, trends indicate that over the past decade there has been an emergence of active and enterprising women in micro, cottage, small and medium businesses. An increasing number of women are becoming entrepreneurs, owners, and managers, investors involved at all levels in enterprises. They tend however to be clustered in certain enterprise sectors that are related to tasks traditionally performed at home and utilize these skills. This includes sectors such as food processing, the garment and textile industry, batik print, binding and packaging, livestock and handicrafts industry. But many aspiring women entrepreneurs are breaking out into new enterprise areas such as the computer and stock business and participating in trade fairs outside the country.

#### ***Gender specific constraints in entrepreneurship development***

Though women are very active in the economy and demonstrate the potential for owning and operating successful businesses like their male counterparts, they face major constraints. Some of the problems in owning and managing a business are generic and

<sup>†</sup> Baseline Survey Report Phase II Entrepreneurship Development of Women (BGD/97/043) JMS February 2000

common to all micro and small entrepreneurs, but women remain at a distinct disadvantage. Gender is a key determinant and has implications in terms of women's unequal and lower position in the labour market as compared with men, their lower social

and economic status, and social and cultural constraints that limit their access and control of productive resources. Some of the key gender specific constraints are summarized as follows:

- Women's multiple and demanding roles and responsibilities in the household, community and in their businesses, place competing demands on their time. This affects their entrepreneurial ability and reduces the energy and time to fully engage in the development of their enterprises. The equal sharing of household and family responsibilities is rarely a norm.
- Women entrepreneurs often have little self-confidence and assertiveness in the market to seize enterprise opportunities, and interact with an array of businesses, intermediaries (subcontractors, agents, traders, wholesalers and retailers) and service institutions on an equal footing. Unfamiliarity with the business formalities and regulations such as trade licenses, tax rules and a plethora of other requirements appears to be a disincentive for many to engage in businesses
- Women's small businesses are not taken seriously and social perceptions still prevail that doing business is a man's job.
- Relative to men, women have limited access to: financial services and capital (and lack collateral), to updated market information and intelligence, mainstream markets, technology, business training, management skills, institutional support tailored to the practical problems of operating a business
- Women have less education and training and relevant skills related to starting and managing a business, and limited capacity to deal with market competition.
- The lack of organization among women entrepreneurs and few networks and business contacts such as those of their male counterparts, reduces their bargaining and negotiating capacity with various intermediaries in the marketing and distribution chain
- Social and legal barriers persist in terms of limited control and ownership of family assets, differential access to inheritance, and independent legal action is often limited for women.

### ***Women entrepreneurs of the ED W project***

Despite the constraints women are increasingly launching into MSEs<sup>2</sup>. Field visits in the districts and interviews with a small sample of women entrepreneurs and those genuinely involved in micro enterprises indicate that a majority have participated in the entrepreneurship training provided by the project. [The team also met women entrepreneurs who did not fit the selection criteria for participation in the project]<sup>3</sup> The age of their enterprises ranges on average from one to five years and in a very few cases it is more. Many that the team met were in the garment and tailoring business. Most

<sup>2</sup> MSEs, Micro and Small Enterprises

<sup>3</sup> The issues of incorrect selection have been addressed in greater detail under the Section on Selection of Women Entrepreneurs.

women entrepreneurs have a secondary education, SSC, and the project includes women

who are married, single, divorced, and widowed and are of age's 20 years and on.

Women pointed out that their reasons for being in a business are driven by economic incentives, the need to earn an income independently and be economically self-reliant. Bulbul Begum who runs a very profitable poultry business in Bhairab is divorced. *"I do not want to be a burden on my family,"* she stated. Some women see their business activities as a means to also supplement family income and provide for household and other expenses for their children. In many instances women entrepreneurs are the sole economic providers of their families, and still yet some are involved in their business because of their interest in a particular trade per se. Rasina in Uttara owns a garment business. She says *" I have always been keenly interested in garment designing and plan to expand my business and have a showroom. "*

Women entrepreneurs in the districts often work in a far less visible business environment than their male counterparts. A majority operate home-based businesses, which allows them to reconcile their household and business responsibilities, and reduces overhead costs for renting business premises. In some situations the male members of the household assist women in procuring the raw materials and in taking the products to the market. It is a way of addressing the social constraints women may face in terms of their public presence in the market. This does however raise issues in terms of women's empowerment constraints and the need for interventions to strengthen women's capacity to interact confidently in the public business domain. But for Hashi a businesswoman in Gazipur it is not a major issue. She is a dynamic entrepreneur managing a diversified business in garments/training in garment manufacture, embroidery, and acting as an agent for a sewing machine company. She does her own marketing and business promotion in Gazipur and travels often to Dhaka. Interviews also revealed that there has been no specific opposition to women operating their businesses and families have been generally supportive.

Most of the businesses are employing two to three workers/employees on average, though in some instances this ranged from 5-20 workers including piece rate workers. Women's enterprises are generally unregistered, but in Dhaka City many women entrepreneurs have had to register their businesses, own a trade license, and rent business premises. The ownership of trade licenses in the city is partly due to stricter requirements of landlords who are otherwise hesitant to rent their premises to women in small businesses. In the districts these regulations are not as strictly enforced.

As far as business networks and contacts are concerned, these are extremely limited and rarely do women entrepreneurs have opportunities to be members of business associations, or Chambers of Commerce. Networking among group members and even with entrepreneurs of other groups in the district is also very limited and further exacerbated by mobility constraints.

## **2. Project Document**

### ***The Project***

## ***Objectives***

The Prodoc states one development objective and two immediate objectives. These are clearly stated and further elaborated with a success criteria, and quantitative targets/indicators with outputs/activities under each objective. The term "poor women" is inappropriately used in the Development Objective, as the target group of the project is women entrepreneurs, (and not "*poor women*, ") who have graduated from micro-credit schemes and are in the process of further expanding their micro and small enterprises. The term has given rise to some confusion.

In the Project Performa the objectives are expressed as long and short term objectives including aims of poverty elimination and empowerment of women in the political, social and economic spheres. It needs to be underscored that the project is not aimed at poverty alleviation but that its target group is aspiring "women entrepreneurs". This may be a difference in articulation, but it is important to make a distinction in order to focus on the entrepreneurship aspect of the project. The fundamental objectives of the project as set out in the Prodoc however remain unchanged.

The objectives of the project are ambitious considering the complex issue of promoting entrepreneurship development, an area where JMS is venturing for the first time. The numerical targets set for the numbers of women entrepreneurs to be reached, and the extent and coverage of the project tend to be over optimistic projections. These may be unrealistic in a first time effort by the implementing agency and within the time allocated for the project.

The findings suggest that important steps have been taken to implement the activities and realize the objectives. The JMS/MWCA have made a concerted effort to achieve some of the numerical targets set in the Prodoc. These will be examined further in the report including in qualitative terms.

## ***Problem to be addressed***

The problem to be addressed by the project is only partially stated in the Prodoc. Its analysis does not fully capture the issues inherent in promoting women's entrepreneurship development.

The Prodoc highlights the gap in addressing the needs of women who have expertise and entrepreneurial skills, who have had experience in operating micro businesses and wish to expand and scale up their businesses, and require access to larger finances for this purpose and the "right kinds of inputs and support." The right kinds of inputs are not qualified and the rationale not adequately explained. It is true that this target group

remains an under served group in public and private sector programmes that promote women in economic activities.

There are numerous government and NGO programmes extending micro credit and training and targeted to disadvantaged women and those in poverty situations in both rural and urban areas. But these programmes focus primarily on poverty alleviation and income generation, and not specifically on the needs of an emerging group of women entrepreneurs. Definition of beneficiaries and the small loan sizes and procedures followed in their credit operations exclude women in small successful business ventures. Neither are financial institutions responding to the needs of women whether poor or entrepreneurs.

The problem to be addressed as highlighted in the Prodoc, places *an undue emphasis on micro finance access* for women entrepreneurs. The lack of access to credit is a key constraint and one that has been brought out in the baseline surveys, PRA, and field interviews conducted by the mission team with women entrepreneurs. But it is only ***one of the many constraints*** faced by entrepreneurs in developing and expanding their business ventures. Few existing or potential entrepreneurs can establish or expand a business without access to some form of business counseling and business development services.

Women entrepreneurs face problems in access to these services, in obtaining updated market information and know-how, technical assistance in product design and quality control, business registration and legal procedures, and in networking and linkages with various private and public sector organizations that can facilitate their business activities. These are equally critical problems to be addressed if women entrepreneurs are to develop and expand their enterprises as competitive, profitable and sustainable ventures in a changing market economy. The Project Proforma (PP) revised April 2001 highlights some of these issues.

What is not adequately highlighted as a critical issue and one, which is significant, is the *need for an enabling policy and legal environment* for women's entrepreneurial activities to flourish and expand, and which empowers them in the process. The concern is that while women's businesses may proliferate, these businesses stay small and vulnerable to market changes, and women remain disempowered in the economy.

### **3. Project Strategy**

The project implementation strategy consists of several interventions: selection of beneficiaries, entrepreneurship development, revolving credit operations, savings mobilization, organizational development/group and Samity formation, marketing channels and linkages, linkages with other organizations and supervision and monitoring. These interventions are important for women's entrepreneurship development and should be viewed as a coherent and integrated package of support (even though not stated as such in the Prodoc). If effectively implemented they can contribute to the growth and expansion of women's small businesses.

The Prodoc and the PP do not clearly articulate a comprehensive strategy and approach. This may be because the problem the project identified was not analyzed fully. Any serious effort to consolidate gains in women's entrepreneurship must include a strategic approach

in addressing the structural constraints. It implies creating new perceptions about women in MSEs and promoting a supportive policy environment that complements sound technical programmes. The *"missing piece strategy"* elements in the project are therefore interventions for creating an enabling policy and legislative environment including advocacy strategies. This would allow not only for sound entrepreneurship development, but also address women's strategic needs to be empowered as key actors in the economy, with an improved status in society and quality of life.

The project design and implementation strategy provides no justification for targeting 7000 women entrepreneurs in 64 districts. This is considered an exceedingly high number for a pilot effort. Some of these flaws in the design and strategy have in turn affected project implementation.

#### **4. Project Relevance**

Project relevance is examined from the perspective of the clients/women entrepreneurs and the development priorities of the GoB.

The project is certainly relevant and timely to the needs of a growing body of women entrepreneurs, a recent phenomenon of the past decade in Bangladesh. Globalization is changing markets and economic opportunities worldwide with a far-reaching impact on women's micro and small enterprises. While women are key economic players in Bangladesh they are often unable to seize these new market opportunities because of gender specific constraints and their limited capacity and entrepreneurial skills.

The project aims at opening entrepreneurial opportunities, and attempts to address some of the serious constraints of women entrepreneurs. It intends to enhance their capacity through training and scale up their investments and businesses to integrate with and contribute to the national economy.

Project relevance is demonstrated by the fact that many women are the sole economic providers and support themselves and their families through the income they receive from their entrepreneurial activities. Hence supporting women's entrepreneurship makes good economic sense. It increases their productivity and income and has a multiplier effect on the economic and social well being of themselves and their families.

Access to and control of critical inputs and resources (information, knowledge, training, credit, technology) are key to women's empowerment and independence. A strong argument is that economic independence and empowerment is a most effective strategy to uplift the status of women in society and promote gender equality.

The project is in line with the GoB/MWCA priorities and those set out in the UNDP CCP framework of Gender Mainstreaming and the Advancement of Women. It is very relevant in the context of GoB commitment to the Advancement of Women as reflected in the National Policy for the Advancement of Women, 1997, and the National Action Plan for Implementation of the Beijing Platform for Action. The goals set out in the Fifth FiveYear

Plan for example state the need to " promote economic self-reliance for women, and generate economic policies that have a positive impact on employment and income of women workers in both the formal and informal sectors."

In the context of the Beijing Platform for Action the project is fully in tune with one of the critical areas of concern: ***Women in the Economy particularly with*** respect to Strategic Objectives F1, F2, F3, and F4 [Beijing Platform for Action and the Beijing Declaration 1995].

Project relevance will also depend on its impact on policies and leveraging support from policy makers to sustain the gains over the long term. UNDP worldwide has shifted its emphasis from direct field implementation towards more policy-oriented assistance. UNDP acts as a catalyst to change policies, and the grassroots operations provide concrete information and experience to support policy dialogue. This requires that project relevance be viewed not only from the perspective of its impact at the grass roots, but how the learnings from the project can significantly impact on the macro policy framework. How can policies support women's greater integration into the market economy and their empowerment?

## **II. PROJECT ACHIEVEMENTS and OUTPUTS. 1. Main**

### **Achievements**

#### ***Focus on a non poverty target group, women entrepreneurs***

A main and significant achievement of the project is its focus on women entrepreneurs as a non-poverty target group. JMS/MWCA are to be commended for this initiative. The project is recognition that women in Bangladesh are active and committed economic players and not just a target group of poverty-oriented programmes. This is a significant shift in perception. The perception is backed by the project's efforts to further develop the creativity and entrepreneurial potential of a growing number of women in business and to widen their economic opportunities and choices. Investments in women's human resource development can have broader returns for economic development and implications that are far reaching. Not only do women's enterprises contribute to economic growth, but can enhance women's economic status and transform the nature of social and gender relations in society.

#### ***Building a knowledge base and entrepreneurial skills***

Another main achievement of the project is that an initial knowledge base and skills on enterprise development has been created among many women entrepreneurs participating

in the project. The initial exposure of the target group to entrepreneurship training has according to all accounts and feedback from the women during the field visits, confirmed that this training has been most beneficial to women's MSEs. There is a demand for more training and different types of training. For women entrepreneurs,

gaining the skills and knowledge can propel them to enter high value markets. This is vital, as often women find themselves segregated into lower value crowded markets. This achievement needs to be further deepened and strengthened.

### ***Quantitative Achievements***

The quantitative achievements and outputs of the project are substantial as set out in the Box below. This demonstrates the concerted efforts of the NPD, Project Team and Staff both at Central and District level to achieve planned outputs of the project, and it needs to be recognized. Women entrepreneurs have received training, loans have been extended, businesses promoted, staff have received some training, and the project has prepared a number of guidelines, baseline surveys, and manuals as useful tools.

3600 women have received entrepreneurship training in 60 districts

1784 women in 50 districts have received loans amounting to Taka 5, 72,

20,00 528 women have been provided refresher training

293 groups consisting of 6 members per group have been formed in 50 districts

131 women have received leadership and management training

Businesses supported range from garment making to paddy cultivation, handicraft item, fisheries, and electrical items

Loan recovery rates are 88% as of October 2001

77 % of targeted savings have been deposited

Orientation training for 6 days has been provided to 109 staff

Study Tours have been undertaken by 22 persons outside

Bangladesh TOT training has been provided for 80 staff

40 staff have received refresher training

25 staff have received PRA training

A number of different guidelines, baseline surveys, training manuals and a Monitoring Handbook have been prepared and are useful tools for the project.

## **2. COMPONENT OUTPUTS, ISSUES, RECOMMENDATIONS ~**

### **Selection of Women Entrepreneurs**

The selection of the appropriate women entrepreneurs is a critical element in the implementation strategy. Thus far, 1784 women entrepreneurs in 50 districts have received loans, and a total of 3600 have received entrepreneurship training.

**Selection Criteria as set out in the Prodoc** is summarized as follows:

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- Women with skills (ancestral or acquired through training), enterprising, willingness to abide by rules and regulations of the organizations/projects,



- Women heads of households earning for the family
- Poor, widowed, abandoned, educated unemployed young women
- Women who have received training in the activity/trade for which a loan is sought and who have practical experience in undertaking that activity.
- Women with earlier experience in taking loans, which have been managed profitably and repaid on time.
- Women who save regularly, and with a good track record of repayment
- Women who have good relations with other group members and neighbors.
- Women who have leadership potential.
- Women whose present assets (excluding land and homestead) do not exceed Taka.

### **Findings**

Findings of the Evaluation Team and field visits show some irregularities in selection of women entrepreneurs. In several instances the clients did not meet the prescribed criteria, and the project has not adhered to the guidelines. This in turn has affected proper loan utilization, and leakage of funds to non-target clients. It has also revealed problems of inadequate monitoring of loans as highlighted under 'issues.' The situation is further corroborated in the Auditor's Report.

### **Analysis of Auditors findings regarding the selection of loanees and the use of loans**

District	No. of Groups	No. of Members (avg.6)	Loanees without previous experience (not a complete list according to auditors)	Site of enterprise not located (Dhaka only)	Loan not used as indicated in application and without approval	Loan used by husband or other family member	Total
1. Rajbari	5	30					0
2. Rajshahi	5	30	4		3	2	9
3. Bhairab/ Kishorgonj	5	30			1	1	2
4. Bogra	5	30			2	2	4
5. Kushtia	4	24					0
6. Tangail	5	30			8	6	14
7. Jamalpur	5	30	3		1	2	6
8. Dhaka (Metro)	8	48	5	12			17
9. Rangpur	4	24			1	2	3
10. Kurigram	4	24				3	3
<b>Total</b>	<b>50</b>	<b>300</b>	12	12	<b>16</b>	<b>18</b>	<b>58</b>

*[Source: Summary of Audit Observations and Recommendations on Accounts of Revolving Fund and Credit Operation (BGD/97/043) for the Period Inception to June 30, 2001. Khan Wahab Shhafique, Rahman & CO. Chartered Accountant. November 2001].*

This data reveals that about 19% of this sample does not appear to have been processed according to the guidelines. The sample indicates that no loans had been disbursed to

women in Tangail who had not previously received a loan. However, in the random sample of Tangail, the mission found that none had previously received credit from another organization or from DWA. The Auditors pointed out that overall the irregularities in selection are estimated at about 20 per cent. Even then, this figure is high and suggests the need for corrective measures.

### *Issues*

- The Local Project Committee, which screens loan applications, has in several instances not followed fair and neutral practices. It has used undue influence of members to select women known to them, but who do not meet the prescribed criteria. There are some examples of a conflict of interest between the JMS Chairperson and the district staff on selection of clients. It appears the Chairperson often takes the primary responsibility for the selection of clients, rather than basing it on a technical feasibility assessment of the business and loan plans [PRA report 2000].
- Because of improper selection of clients some of the loans have been diverted to the husbands/male household members who are utilizing the credit for their business ventures.
- It has also been observed that some of the recipients of the loan have deposited their money for fixed terms to earn bank interest, instead of utilizing the amount in the proposed business (they do not have any substantial business activity).
- Adequate records have not been kept on changes in the purpose of loan utilization. In some cases the applicants did not receive the desired amount of loan for their proposed businesses, as a result they changed their businesses but the office has no record of such changes.
- In other cases an excessive amount of loan was given and as a result the loan has been diverted to other uses, which also raises issues as regards technical expertise in appraisal of the business plans and loans required.
- Inadequate/inaccurate information among the borrowers about the size of the loans has created problems. For example, the borrowers were given information that the loan size will be between Taka 30,000 to 150,000. In most cases, they asked for loan of Taka 100,000. But in many cases they received loans in the range of Taka 30,000 to 50,000. But their preferred businesses did not fit in this investment range and difficulties were encountered in adjusting the project inputs with the sanctioned loan amount. One entrepreneur in Gazipur planned for a fishery project worth Taka 100,000. She was expecting loan of same amount. She borrowed money from family sources and invested Taka 30,000 for preparation of a pond. But later she received Taka 30,000 and then was disappointed, as the sanctioned money could not help her to start the business. This happened because the loan applicants were not informed of the expected loan amount.

### *Source of Selection of Women Entrepreneurs*

According to the Prodoc beneficiaries are to be drawn from the following groups: 50%

from the JMS, 25% from NGOs, and 25% from the DWA. However in practical terms selection does not work in prescribed percentages. A majority of the clients come for the JMS, and the remainder from the DWA /NGOs depending on the level of collaboration with the project in a particular district.

It appears that JMS did not adequately publicize the programme in such a way that existing women entrepreneurs would be informed and encouraged to apply. The project's staff stated that difficulty in attracting women from NGOs occurred because the officer's in-charge of those NGOs were reluctant to sign a form recommending the applicant. However, this particular form does not constitute any form of guarantee that the women would indeed repay.

### **Recommendations**

In order to take remedial measures in selection and to maintain the credibility of the project, the following is proposed.

- The prescribed criteria for selecting women entrepreneurs for loans should be strictly adhered to.
- Members of the Project Management Committee are not the target group and no loans should be extended to them. Transparency should be maintained in the screening procedures of applicants.
- The criteria "*poor*" should be omitted from the selection of the target group as it contradicts the objectives of the project.
- Because of the practical problems of recruiting women entrepreneurs from each organization on a percentage wise basis, the project should use the criteria as the main guideline. It would thus attract serious entrepreneurs. Criteria should be modified to ensure that only genuine entrepreneurs are selected and the availability of these loans must be advertised openly within the locality. There is no particular reason for restricting eligibility to members of JMS/DWA/NGOs. Women who demonstrate real entrepreneurial capacity should be identified and encouraged.
- The criteria should be limited, initially, to the type of individual sought. When considering the loan application, a further checklist should be used to ensure that the loan is appropriate. For recommendations on this checklist see: Credit and Savings Operations and Management.

The *revised and proposed selection criteria* should be as follows:

- Women with demonstrated entrepreneurial skills, experience and knowledge about the proposed business, with preference given to applicants with innovative business ideas.
- Women with previous experience of utilizing micro-credit, capacity to absorb funds for viable and profitable activities and in need of credit to expand their businesses.
- Women with a sound track record of repayment, and no outstanding loans elsewhere.
- The minimum age of the entrepreneur shall be 20 years.

- Willingness to abide by the rules and regulations of the project.

- Preference given to women heads of households, widowed, divorced or abandoned
- Preference given to women with leadership potential.

### **~ Group Formation/Samities and Organizational Development**

#### **Group Organization**

The project implementation strategy sets out guidelines for organizational development. It proposes that two to ten women entrepreneurs will come together to form an association or 'Samity.' Women living in proximity to one another and nominated by the same agency ( JMS /NGOs/DWA) will form Samity. These groups may be formed during the training period. Each small group will have a chairperson and treasurer.

#### **Samity / Entrepreneur Association Formation**

Following from the above group formation process, ten such groups will form an association /Samity with a Chairperson, Secretary and Treasurer. It is envisaged that by the end of the project period the Samities will be formally registered with the DWA on the recommendation from the JMS /Project. These Samities/associations will be selfmanaged with capacity to operate their own savings and revolving funds, represent the interests of women entrepreneurs in other relevant fora and as a mechanism to discuss issues and cooperate with each other.

#### ***Findings***

The outputs achieved to date are as follows:

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#### **Output Status -September 2001**

<b>Project outputs planned in Prodoc</b>	<b>Outputs as of Sept. 2001</b>
<b><i>Output 1.8</i></b>  Women Samities /Organizations established to manage and continue revolving fund	293 groups have been formed with an average of 6 members / group in 50 districts. The districts showing the highest numbers of groups are Dhaka with 19, Jamalpur with 12, Rajbari, Rajshahi, Madaripur and Bogra with 8. The remainder of the districts show a fairly even spread of 3-7 groups.

	<p>The larger Samities /entrepreneur associations have not yet been initiated.</p> <p>Detailed Group Guidelines have only recently been finalized, translated into Bangla and circulated to field staff for implementation, about 3-4 month's back.</p> <p>Guidelines for formation of the larger Samity/entrepreneur association have been prepared and submitted to the MWCA for approval.</p>
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### ***Relevance of the group organization strategy***

The mission examined the relevance of the group formation strategy vis-a-vis entrepreneurship development; the outputs achieved, and took into account observations and discussions with existing groups during the field visits. Our findings show that quantitative targets have been satisfactorily achieved to date.

The strategy of group organization and small groups evolving into Samity/entrepreneur associations as a bottom-up approach remains valid in promoting women's MSEs. Women entrepreneurs remain dispersed, isolated and unorganized. They lack the collective group structures to give them identity; strength and legitimacy to enhance their bargaining position in the business and market arena in a time of strong competition. Experience in Bangladesh and many countries, demonstrates that well organized and functioning small groups and larger women's entrepreneur associations have been found to be excellent channels for pooling capital /savings, extending loans, purchasing inputs, marketing goods produced, as channels for providing market and business information developing marketing strategies, training and problem solving. Business development services and training provided through groups/associations can reduce high administrative costs and simultaneously reach economies of scale. Associations can also play an important lobbying role for improved policies for women's business development

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While the conceptual approach of developing strong institutional structures at grass roots level is a powerful tool to promote women entrepreneurs' economic visibility and voice, the implementation of this strategy in the EDW project has been uneven and weaknesses are apparent. Much more concerted work needs to be undertaken in group formation and capacity building.

### ***Issues:***

- The quantitative targets achieved in numbers of groups do not automatically reflect that

groups are functioning adequately. Groups have been formed in an arbitrary manner and have yet to become cohesive and interactive entities. They are motivated to be in a group more by the need to obtain a loan rather than for some common business endeavour or purpose. Group leaders tend to play a minimal role and few groups demonstrate the ability for self-management and self-reliance. The project needs to give adequate emphasis in facilitating self-motivated and managed groups capable of operating their own savings and loans, and with member capacity to interface with banks, businesses and other relevant technical institutions. Discussions with the Auditors and the findings of the PRA report also point out the inadequacies in group functioning, with the groups continuing to be dependent on the JMS field staff.

- *The process of group formation* begins after successful applicants receive entrepreneurship training. While they do self-select themselves as members of a group often there are issues of physical proximity and mobility constraints. The process as practiced to date has not provided members the time and opportunity to form a cohesive and interactive group, develop group dynamics and set for themselves a common goal as entrepreneurs. The groups have primarily formed as an "administrative unit" for channeling micro credit and for savings mobilization.
- The purpose of group organization and the process of capacity building for group self-management appear not to have been properly understood by the implementers and the target group. While JMS has successfully implemented 3 micro credit programmes targeted to disadvantaged and poor urban and rural women, these projects did not incorporate the concept of group organization or group guarantee for micro finance lending. As such the JMS practical experience in grass roots group based strategies is limited.
- The project in the initial stages did not have very clear and detailed guidelines or systematic approaches for group formation. The 'Group Guidelines' have only recently been prepared and distributed to the field level and need to be implemented. It is too early to say to what extent these guidelines will be followed in the future, particularly as the district officers of JMS have not received any orientation in how to apply them.
- Groups/members interviewed by the team have a limited understanding of the rationale for group organization and the potential benefits to be derived thereof. Similarly some are not fully aware of the longer-term project goal of Samity/Entrepreneur Association formation. This may be partially because the project has not yet discussed this issue with them. 'Meghna' group members in Bhairab pointed out that they assist each other through small loans e.g. 200-500 taka should a member require that. They did see the benefits of networking and promoting their businesses and products through members as well as using group meetings to share business problems and ideas. This is an important beginning and the group has developed modestly but needs to be further strengthened. Members of other groups were positive about being in a group but had not focused on any particular cooperative activity.

- It appears that because of the pressures to meet the quantitative targets set out in the Prodoc, the project and staff have had to be overly concerned with achieving these numbers and the qualitative aspects of organizational development has taken second place. It needs to be recognized that the group process takes investments of time, and requires experienced staff/facilitators to undertake the initial motivational and organizational activities.

## Recommendations

- Every district should go through a process of re-organizing and re-orienting motivated members in group formation, ensuring the groups are homogeneous so as to improve the quality of groups. The entrepreneurs themselves should see the advantages of a group structure for promoting their business activities.
- The Group Guidelines as prepared are a useful tool and need to be implemented and groups should be oriented to it. It is however recommended that the *group guarantee concept for loans (in the guidelines) be deleted*. While the approach is relevant for micro finance activities it may not be all that applicable for larger loan sizes and women entrepreneurs may not be comfortable with standing guarantee for these.
- JMS district officers should be oriented and trained in the group organization methodologies with specific emphasis on the capacity building elements for women entrepreneurs. In order to successfully use the guidelines, the project should ensure that staff is available in the District who will be able to identify women that do fulfill the criteria. The staff must then be able act as catalysts in the process of group formation, which would require one or more meetings of all qualifying candidates. This process will require additional training for all district officers.
- The training for JMS field staff should utilize the expertise of selected NGOs and be subcontracted to them since they have practical experience in the area of group formation. NGOs such as BRAC, MIDAS, or ASA may be subcontracted. MIDAS has developed group based marketing strategies for upcoming entrepreneurs.
- The focus should be on building the capacity of groups to *self-manage* and perform functions set out in the guidelines. Unless effectively functioning small women entrepreneur groups can be established at grassroots level the goal of forming larger entrepreneur associations, as an institutional base may not be achieved without this firm foundation.
- The district officers/JMS staff should be viewed as facilitators and promoters of groups / associations. Major responsibility for group functions should be handed over to the groups themselves with a gradual phasing out of the role of JMS staff except for maintaining overall monitoring functions of the revolving fund.

## Samities

The evolution and formation of registered Samities/entrepreneur associations has considerable merit. The guidelines suggest that these Samities will establish linkages with financial institutions, business development service providers, encourage interaction and networking between members and represent women's interests in various areas.

The team considers that an important rationale is that a majority of women entrepreneurs do not join as members of existing business and professional organizations, Chambers of Commerce. These are comprised mostly of medium and large enterprise owners and are gender imbalanced. Therefore the formation of Samities can be an effective strategy in increasing women's bargaining power and as a leverage to gain policy support for women's business. There are already two such associations but based in Dhaka.

Women entrepreneur associations can play a very supportive role in providing women business contacts and linkages. The networking possibilities with local chambers of commerce, employers associations are major draws for women entrepreneurs. However, the mission *does not see a role for Samities in managing a revolving and saving fund* within the project duration and possibly beyond. This was set out in the Prodoc and the recently prepared guidelines for: Samity Formation and Management, July 2001, but should be re-visited.

Findings from the field visits indicate that not all groups are fully aware of the 'Samity' idea, as it has not been discussed with them in detail. However, the PRA report indicates that e. g. in Dhaka, Madaripur, Kushtia women entrepreneurs were keen to join Samity. They perceived benefits such as "expanded networks, acceptance of women as business persons, women will become more aware of their rights, promotion of cooperative attitudes" [PRA Report].

## **Recommendations**

- It is recommended that prior to Samity formation the capacity of existing groups should be strengthened for self -management as explained earlier.
- Formation of Samities should be *a group driven process* evolving with women entrepreneurs most ready and keen to join Samity. It should not be an imposed idea. Samities should be formed for the purpose of business networking and empowering entrepreneurs, giving them a voice and visibility, rather than as financial entities.
- The formation of Samities should be -piloted in a maximum of 6 districts (in six divisions) starting out with one, depending on the readiness of groups to interlink into Samities.
- While the guidelines for the formation and management are quite detailed, it may be necessary to simplify the procedures and management structure of Samities. For example, the team recommends that instead of having a Governing Board, Audit and



Finance Committee, Management Committee, a more simple structure should be established initially. It means beginning with a General Assembly and a Management Committee of the Samity. Other Committees should be formed on the basis of needs. It is also recommended that the composition of the Management Committee consist of a Chairperson, Secretary, Treasurer and a representative from each of the groups forming the Samity. This assures broad-based representation and a democratic structure. The three officers should come from different groups. The maximum term for the Chairperson should be a year, Secretary 3 years, Treasurer 2 years in order to promote rotational leadership, and group member 2 years,

- JMS and DWA should closely monitor the functioning of the Samity. ~ **Credit and**

### **Savings Operations and Management**

The methodology of the Entrepreneurship Development of Women regarding the disbursement of credit and mobilization of savings relies heavily upon the tried and tested formula developed by the micro-finance industry. Some exceptions to this, most notably group formation procedures and the simultaneous disbursement of all first round loans within a district, are present, and these will be discussed in more detail.

The process begins when the District Office sends a list of women recommended for enterprise training to the Head Quarters. The Local Project Committee will have approved this list. This committee should ensure that the eligibility criteria have been fulfilled before giving their approval. After receipt at Head Quarters the training department scrutinizes the list and at this stage those not fulfilling the eligibility criteria for the receipt of loans should be removed. It is also stated that 50% of the trainees should be from existing JMS programmes and 25% should be referred by the DWA. The project document stipulates that the remaining 25% are to be referred from local NGOs.

To be eligible for a loan all applicants must attend the JMS enterprise training course. By the end of the training each participant will receive a copy of the loan application form.

#### ***Issue***

Many of the loanees interviewed by the evaluation team had not taken any loan from either JMS or from an alternative organization and it is not clear how the project contacted them. Most stated that they had heard that these loans were available by 'word of mouth' from friends and neighbors.

#### **Bank Accounts**

Each group is required to open two bank accounts. One to be designated for loan disbursement and repayment and other for savings. The group leader and the JMS officer control these two accounts jointly. In addition, the individual member is required to open

one account into which the loan disbursement will be paid. This account can then be used for further transactions, as required.

At the JMS District Office level the project also has two bank accounts. One of these is designated for the disbursement and repayment of loans and the second for the payment of office expenses. The JMS Chairperson and JMS Officer control these two accounts jointly. All project accounts are maintained with Janata Bank. Groups and individual members are encouraged to use Janata also as this eases inter-bank transfer problems. However, they are free to choose any bank that is convenient for them.

It should be noted that the auditors found that some groups were only maintaining one, and not two, bank accounts. It is not possible to state the percentage as only a sample is presented, but it would appear that the majority has just one account. Clearly, by maintaining just one account, there is a danger that the member's saving deposits will get confused with other transactions passing through the account.

### **Loan Application**

The loan application form is completed by the individual members of the group at a meeting, and with the assistance of their district officer (JMS Co-ordinator). The group should record in the minutes whether they have approved the loans and each form is to be signed by the group leader. The guarantee form and the letter of recommendation from their previous credit organization are not required until after the loan has been approved. A photo of both the applicant and her guarantor is required.

The district officer is expected to ensure that all information on the form is correct and should visit the place of the business to authenticate the facts. When all the forms are ready, a meeting of the Local Project Committee is convened.

### ***Issues***

The form asks for estimates of the future turnover of the intended enterprise and how the loan amount is to be utilized within the business. No financial information is requested regarding the applicant's existing business and it is clear that she is not necessarily

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expected to have an existing business. This is contrary to the selection criteria, as listed in the project document. In the absence of historical data on the applicant's business activities, it is impossible for the staff of JMS to make an appraisal of its future earning potential, and therefore, of the likely repayment capacity to be generated by increased investment. In these circumstances, it is very difficult for anyone within JMS to authenticate such figures.

### **Recommendations**

The Loan Approval Form must put a great deal more emphasis on the balance sheet, profit and loss account and cash flow of the applicant's business. Many women will not be able to provide this information before undertaking the enterprise development training. A major

aim of this training, as well as, the overall project, should be to transfer this type of knowledge to the women, such that, over time, their ability to present such information can develop. Many women have expressed a need for more training in accountancy matters.

More urbanized areas should have a higher allocation of the revolving credit fund as the entrepreneurs in these places are more likely to be able to invest larger loan sizes in a profitable way. The availability of entrepreneurs that fulfill the selection criteria is also likely to be higher in the urban centers.

Loans in excess of 50,000 should only be given to borrowers who have already demonstrated their ability to repay loans beyond the normal micro-finance limits. For example: to receive 50,000 the borrower should already have satisfactorily repaid a loan of at least TK. 20,000. It is not advisable to make very large step increases in loan size. The applicant's strict regularity in repayment of previous loans should be closely considered prior to loan approval. Their ability to continue to build-up their savings at the prescribed rate must also be considered.

## **Guarantors and NGO Practices**

### ***Issues***

The issue of the guarantor is contentious. Some organizations, such as BRAC, say that they place little importance by them and rather emphasis the need to deposit some title deeds, not necessarily in the woman's name, until repayment has been completed. MIDAS, on the other hand, does require a guarantor although they discourage husbands from acting as such. They feel that by agreeing to become the guarantor the husband may then exercise undue influence over the management of the business.

The JMS project does require a guarantor and they will accept the loanee's husband or any other individual with a good standing in the community. Although the guarantor form has legal validity it is doubtful to what extent it could be enforced given the time and expense involved in taking court action in Bangladesh.

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## **Recommendations**

The project should re-consider the guarantee and determine whether they need to continue to obtain a guarantee and also whether it is appropriate to accept the client's husband. The time and effort required to obtain the guarantee must be balanced against the possible benefits that it offers.

Since not all the loanees will be known to JMS through prior lending agreements, it is essential that the project does obtain a reference from the woman's previous lending organization. The reference should be required to state precisely whether or not the applicant paid all her installments according to schedule, and, if not, exactly what delays occurred, and why. If such a letter is not forthcoming, JMS should not consider the woman's

s application any further.

## **Member's Savings**

### ***Issues***

As a precondition to the receipt of a loan all group members are required to save Tk. 200 per month. This should be deposited into the groups' saving account. According to the Saving Mobilization Guidelines these accounts are to pay interest to the individual members according to the current bank rate. It appears from the guidelines that savings are to be kept in a fixed term deposit account and therefore to attract higher rates of interest. However, in the majority of cases these deposits are maintained in the groups' one account and attract very little interest. The guidelines are unclear and rather complex in this regard. For example, they stipulate that the member is required to deposit Tk. 100 as an initial entry fee and that this should attract interest equivalent to a two year fixed deposit, whereas, the monthly savings of each member should attract interest according to the one year fixed deposit rate. It is not practical for the groups to maintain two fixed term deposit accounts and in reality very few groups appear to maintain any fixed term deposit account. To date it appears that no interest on any savings has been paid.

The Saving Mobilization Guidelines list six ambitious ways in which members' savings are to be utilized, including; financial instruments issued and backed by the Government of Bangladesh, fixed term deposits, re-lending within the group, part to be maintained as an emergency loan fund for members, and savings bonds/certificates. In reality, savings are maintained on very low interest bearing accounts and are not utilized by members. A provision does exist for emergency loans although it appears that these loans must be repaid within 4 months along with interest at 1 % per month; which is higher than the 10% per annum charged on enterprise loans.

In reality, savings are kept as a form of collateral against outstanding loans, which is a common practice throughout Bangladesh. A few dynamic NGO's, such as, Buro Tangail and ASA, have introduced a combination of flexible and high interest bearing savings accounts, but these remain the exception rather than the norm. Most small organizations have not developed the institutional capacity to manage savings deposits in a profitable

manner. Inevitably, effective mobilization of individuals' deposits would require a much larger unit than a small group of just six members. As a corollary to this, any organization receiving individuals' deposits requires a solid grasp of prudence ratios, to ensure their safekeeping.

Since very few first-time loans have been repaid in full, it is not possible to determine to what extent members will wish to maintain these savings following repayment. Given the effective absence of interest paid, it seems unlikely that these deposits will be maintained, unless the member is optimistic that she will receive another and possibly larger loan in the near future.

## **Recommendations**

The savings guidelines also present a number of formats that are intended for use as receipt slips. Since all entries are recorded in both the groups' ledgers and in the individuals' passbooks, it should be possible to dispense with further paperwork in this regard. Individuals' passbooks should be kept by each member and not stored with the ledger book.

At this stage JMS should ensure that groups have a fixed term deposit account into which savings can be deposited periodically. The interest earned on this account should be allocated to the individual members according to their individual deposits. In the longer term the Samities should propose aggregating members' deposits such that a more beneficial rate of interest is achieved.

Given the fiduciary responsibilities of a deposit holder it is not recommended at this stage that JMS or the Samities should risk utilizing members' savings as part of the revolving fund. However, should individual groups decide to mobilize their own savings in this way they should be encouraged to do so.

Members should be given greater access to their savings, particularly those that have already successfully repaid one loan. Entirely flexible access to savings is not possible so long as the project is relying upon fixed term accounts, but alternatives to this can be sought in the future.

## **The Local Project Committee (LPC)**

### ***Issue***

At present this committee has no power of approval but rather makes recommendations that are then decided upon in Dhaka. Inevitably, this centralization of the decisionmaking function causes considerable delay to the loan approval process. From the auditors report it appears that actual disbursement can take anywhere between two to twelve months following the completion of the Loan Application Form, with the average being around three months. It is common within the industry for disbursements to be made within ten to twenty days, and this project should be aiming to match such targets.

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## **Recommendation: see Institutional Arrangements**

### **Loan Approval and Disbursement**

After receipt of the application forms in Dhaka the project's credit staff review the information provided and ask the district officer to supply any missing details. They will also indicate whether they consider the applicant to be a suitable borrower.

When all the forms are considered satisfactory the National Project Director will convene a meeting of the Loan Approval Committee (LAC). This committee is composed of 7 or 8 members including: The Chairperson of JMS, The Executive Director of JMS, Additional Director of JMS, the Project Director, Urban Women's Development Project Director, Rural Women's Development Project Director, and the Assistant Director (projects) JMS.

### ***Issue***

It is not apparent that this group is able to shed any additional light on the appropriateness of an individual loan application, particularly since they are not in a position to meet applicants or to visit their business premises. By centralizing the approval process in this way a great deal of additional time is required to process applications prior to approval.

The limit of assets of TK.50, 000 (excluding land and homestead), as set out in the membership criteria, should be revised and redefined as business assets only. For example, the limit might be set such that the size of the loan cannot be more than the existing asset value of the business, and such assets not be more than three times the size of the loan. In this way the project might avoid the risk of overburdening a small business with more debt than it is able to service, whilst at the same time, avoiding giving credit to businesses that should be able to raise capital from banks, etc.

**Trade licenses** should be a condition of disbursement although not of approval, as applicants should not be expected to incur this cost until after they are assured that the loan will be forthcoming.

### **Recommendations**

All trainee selection and loan approval should be done at a local/regional level, as better information is available to the project at this level and the decision making process can be considerably speeded up. Again, this depends upon the availability of experienced and more senior staff than are currently provided. The function of the Head Office should be primarily to ensure that the criteria for selection have been complied with, which can be achieved through random sampling techniques.

This LAC should be set aside in favor of a more specialized and streamlined Local Project Committee that would be able to provide on-the-spot appraisal and which would have direct access to the applicant and to her business premises. Therefore, loan

approvals would take place at the district level and a target processing time of 15 days could be established (assuming funds for disbursement are available). In exceptional cases, where the applicant does not strictly fulfill the criteria for membership, the loan application would be forwarded to the National Project Director for consideration and approval.

***Approval checklist item.*** The size of the loan will not be more than the existing asset value of the business, and such assets, not more than three times the size of the loan.

Various other simple financial ratios and indicators are available and the project needs to select a reasonable range of these, that will be relevant to the different types of business that it anticipates funding. It must then ensure that these are incorporated into the training programs of both clients and staff.

On qualifying for the loan, the women will obtain a trade license prior to loan disbursement. The project will assist women with the procedure to obtain a license

### ***Issues***

When all loan authorizations for a particular district have been completed a lengthy process of documentation, etc. ensues. First, the district must ensure that the loanee and her guarantor sign their respective forms which are legally enforceable (a payment of Tk. 150/- is levied for each form). If any guarantor or loanee is not immediately available no disbursement can take place until they return. The district officer must also ensure that all the groups and the individual members have opened their respective bank accounts. A demand draft is then prepared by Janata Bank in Dhaka and sent by post to the district. After its receipt the JMS Chairperson usually organizes an official ceremony, with invited local dignitaries, at which the cheques are presented to the loanees.

A bank charge is levied on demand drafts, which varies according to the amount transferred. Below a certain minimum this fee is about TK.25/- or 30/-. Above this minimum the fee is set at 1.5% of the amount of the draft. Therefore, a Bank Draft of Tk. 30,000 will cost TK.450 to arrange. Banks are said to be reluctant to make small transfers due to the amount of internal paper work that is involved. The Head Quarters therefore feel that it is necessary to ensure that all loans are ready for disbursement before any transfer of funds is made. This is a significant factor in the lengthy disbursement periods mentioned above.

The actual process agreed for the disbursement of the loan, following receipt of the demand draft, is that the district office will transfer the approved credit fund to the assigned bank account of a particular group. From that account the monies are then further transferred to the accounts of the individual loanees. All these local transfers are made by way of 'account payee' cheques. The loanee is required to utilize the fund within one month of its receipt.

## **Loan Duration and Interest**

### ***Rates Issues***

All loans are disbursed for a period of 27 months regardless of the particular needs of the enterprise. In some similar programmes the loan duration can vary between twelve, eighteen and 24 months. BRAC reports that higher repayment rates occurred within their twelve and then their eighteen month loan cycles.

During the first three months the loan enjoys a grace period in which no interest is levied and no repayment is required. For the remaining 24 months, interest at 10% flat rate is charged. Until the summer of 2001 this rate was recalculated after the first twelve months of repayment. This effectively resulted in an overall flat rate of 7.5%, as set out below:

**Example:**

<b>Flat Rate</b>	<b>Loan Principle TKK</b>	<b>Repayment</b>	<b>Interest charged at 10%</b>	
<b>JMS 'old' method</b>	30,000	15,000	3,000	1 <sup>st</sup> year
		15,000	1,500	2 <sup>nd</sup> year (on reduced balance)
			<b>4,500</b>	Total interest charged
<b>JMS 'new' method</b>	30,000	15,000	3,000	1 <sup>st</sup> year
		15,000	3,000	2 <sup>nd</sup> year (on principle)
			<b>6,000</b>	Total interest charged

The method of calculation is now adjusted on all new loans, to more realistically meet the 10% flat rate target. However, due to the three month grace period the effective rate of interest is obviously lower than 10% flat.

A declining balance method is more commonly used to enable comparison between loan products. Under this method the interest charged is recalculated after each monthly repayment resulting in a high charge at the start of the loan and a very low charge at the end (hence the term 'declining'). If the TK. 6,000/- interest now charged by JMS were allocated on a declining balance method the rate of interest would be around 15.5%. This assumes a 27 month loan period and on time repayment. (All such calculations can be distorted by variations in the underlying assumptions and therefore many countries now have regulation requiring the publication of the APR or Annual Percentage Rate, for which the method of calculation is stipulated by law.)

It should be noted that most NGOs are currently charging between 20 and 30 percent on the declining balance, with BRAC and the Government's supported Women's Enterprise Development Programme, under BSCIC, charging around 30%. This is contrasted with the Nationalized Commercial Banks which charge unsustainable rates in the region of 14 to 16 percent, whilst declaring loan write-offs at over 5% of their portfolio.

**Recommendations** - see section on Financial Sustainability

### **Loan Repayment**

For all loans disbursed by the Head Office a Loan Repayment Schedule is provided. This clearly sets out the monthly repayments plus interest, along with the date on which each installment is to be paid. This schedule ensures consistency between the district offices and should eliminate any potential for miscalculation.



## ***Issues***

One of the intentions behind the concept of group formation is to reduce the transaction costs of loan repayment. One focal person, usually the group leader, is made responsible for ensuring that all members have paid. However, the JMS groups, not having been formed through the more effective 'bottom-up' approach, often have little sense of common cause and may not be fully trusting of each other. It is therefore noted that in the majority of cases, members of the group go independently to the district office to make their payment. In some cases, the geographic spread of members may make this the easiest method, rather than convening a group meeting.

It appears that payments are made in cash rather than through their bank accounts by 'account payee' cheque. Using bank accounts would enable members to entrust the repayment with any other group member or a third party. However, there is little evidence that many loanees have adopted any habit of banking as a result of exposure to the project. The bureaucratic nature of the local Bangladeshi banks, which makes small transactions uneconomic, also limits the effective use of bank accounts by small entrepreneurs. It would appear that modernization of banking procedures would greatly assist in encouraging entrepreneurs to make full use of banking services.

## **Recommendations**

The auditors state that the on-time repayment rate in June 2001 was 90%, and this, according to the Head Office records, has slipped further to 88%, as at the end of September. This level of repayment is clearly unsatisfactory, particularly at this early stage of a credit programme. It is essential that project staff take urgent steps to reinforce a strict repayment discipline.

An incentive system should be introduced for those borrowers that repay their entire loan strictly in accordance with the repayment schedule. This would involve a small repayment of interest, as well as, a guarantee of speedy approval of a subsequent, larger loan, if required. If funds are not available the project staff must establish the linkages to ensure that the client can raise finance from another credit provider. Likewise, late repayment must be penalized and the borrower should be penalized immediately rather than at the end of the repayment schedule. This would involve a fine added to the amount due (perhaps 2% per month on the amount overdue).

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Those districts that are already showing good on-time repayment (i.e. 95% and above) should be targeted for additional credit.

## **Loan Monitoring**

### ***Issues***

Comprehensive loan ledgers are currently only maintained at the district level. Each district officer sends monthly and quarterly reports to the Head Quarters. These monthly reports give the actual repayment against repayment due. In addition, where a loanee has failed to repay on time the report will give the full details of that particular defaulter. The quarterly report provides additional information on monitoring visits undertaken by the officer and any problems encountered, etc. Using this information the Head Quarters plan their field monitoring, on an 'exceptions' basis. This implies that no regular monitoring visits take place, but rather, those district offices experiencing low repayment are targeted. It is primarily the district officer's responsibility to visit both the defaulting loanee and her group leader in an attempt to enforce repayment.

In one group visited by the evaluation team, the members (having known each other from childhood) stated that they would assist a defaulting member to make her repayment. However, in other groups the level of group identity was very weak and little sense of group support was expressed.

It is not clear that to date the project has built up any clear profile of successful business niches or other indicators that would assist them to anticipate the profitability of particular investments. An initial baseline survey recommended certain enterprises as suitable and monitoring formats have recently been designed for further follow-up. This information will assist in identifying those businesses less likely to default.

All monitoring activities are severely constrained by the centralized nature of the project and the shortage of sufficient qualified and experienced credit staff.

## **Credit**

### **Management Issues**

Each district office has one officer who is responsible for the management of the enterprise development programme. It is unclear whether this officer reports primarily to the JMS Chairperson or to the project's Head Quarters. In reality the officer is required to maintain a close working relationship with the local Chairperson, whereas he/she may have little effective contact with the Head Quarters. These officers have in many cases been working for JMS for some years prior to the start of this project, so that these project-related duties are now additional to their existing duties on other JMS programmes. There is no added incentive for them to maintain a high quality of project implementation, although undoubtedly many are striving to do so. It appears that many of these officers have been recruited into JMS as newly qualified graduates or post

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graduates. Of the three interviewed by the evaluation team, none had had experience with any similar project prior to joining JMS.

At the Head Quarters level the credit programme is currently overseen by a Credit Consultant with substantial previous experience in similar Government implemented

projects. He is also responsible for much of the accounting function, in which he also has a background. A Credit Officer assists him. Like many of the staff in JMS this officer had no experience in credit programmes prior to joining JMS, but has learnt on-the-job. In addition, one Monitoring Officer is available, also having no previous relevant experience. It is apparent that with just three staff, nearly 60 districts, along with a great deal of Dhaka based work, these staff have little time to undertake effective nation-wide monitoring of the project.

It was intended that a Micro-Enterprise and Management Consultant would assist with business monitoring but this post has remained vacant for much of the time. Methodologies and formats that were to be developed by this Consultant have not been forthcoming. However, the International Consultant has produced formats which will be tested shortly.

The impression gained is that supervision of the districts by the Head Quarters is weak. This is due to the limited capacity of Head Quarters staff, to the nation-wide coverage of the project, and to its degree of centralization.

### **Recommendations**

Staff must be made available at the district level that have a solid background in supporting small enterprises. They should be able to, both, make reliable assessments of a business's ability to benefit from the credit and to provide specialized advisory support to the entrepreneur.

All district level staff should receiving training in business appraisal, such as simple financial analysis, ratio analysis and the use of approval checklists.

At present, no incentives are provided for encouraging staff to make the extra effort to ensure that members have repaid on time. Such a system might be particularly useful at the district level, and could involve recognition in the form of prize giving and/or monetary rewards.

### **The Revolving Credit Fund**

#### ***Issues***

The auditor's report provides detail on why the credit fund is not actually revolving. There is considerable delay both at the group level and the district level in transferring funds back to the Head Quarters. It is likely that this delay is primarily at the district level since most individuals make repayments directly to the district. The instructions from Head Quarters are that funds should be transferred as soon as the districts have accumulated in excess of Tk.100, 000. In many cases this means that funds would only

be transferred about once in every two or three months. The Head Quarters had initially anticipated that the district level fund would simply accumulate in-waiting for the second round of loan disbursements. This implies that the fund might only revolve after 27 months had elapsed. Due to the cancellation of further disbursements from UNDP this

approach was revised.

Another constraint on the movement of funds back to Head Quarters has already been mentioned above. This relates to the cost and time involved in arranging bank drafts.

### **Recommendation**

Clearly there is a need to establish an effective system for ensuring the most efficient utilization of this revolving fund. The disbursement of loans for 27 months reduces the scope to revolve funds quickly. However, with a less centralized system, whereby the fund is revolved within a smaller geographic locality, it should be possible to ensure that idle funds are not left in any bank account for more than two or three weeks. Clear targets should be established to ensure that this is the case. To achieve this a more measured disbursement of funds would have to be devised, rather than the existing approach whereby many loans in one district are disbursed on the same day. Such a system may also enable more pressure to be placed on defaulters, since new loanees would be waiting for the funds that a defaulter had failed to repay.

For further details see section on Forward Looking Strategies for Financial Intermediation.

### **~ Capacity Building and Training of Women Entrepreneurs and JMS Staff**

Capacity building and training is a major focus of the project. It is aimed at enhancing the knowledge, technical and managerial skills and attitudes of trainees to perform their tasks competently in the context of the project.

To evaluate the effectiveness of the training programme, the training courses were assessed in terms of enhancement of knowledge, skills, attitudinal changes in the participants, and resultant improvements in their job performance, as well as, positive impacts on organizational performance. Evaluation of the effectiveness of the three training courses conducted by the training organizations has been analyzed on the basis of the following interrelated factors:

#### **TRAINING**

Leads to	REACTION (Attitude towards Training Program)
Which	Leads to LEARNING (Enhancement of Knowledge)
Which	Leads to JOB PERFORMANCE (Improvement of Skill)
Which	Leads to RESULT (Organizational Performance)

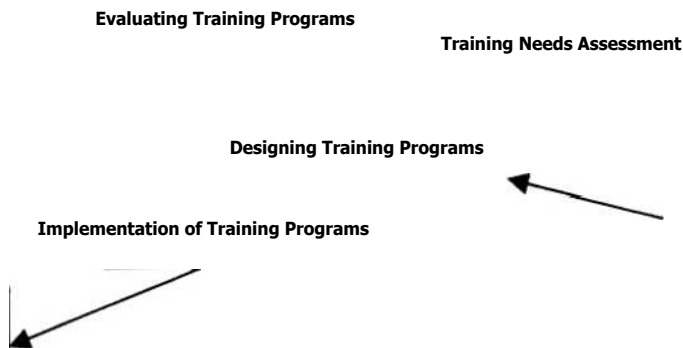
Participants were interviewed regarding training: activities, content, methods, materials, trainers, facilities and management. The retention of knowledge has been assessed

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through interviews on selected subjects. It was difficult to determine the improvement of job performance and its impact on organizational performance in the short period of time of the mission. In addition, the confidence of the trainers and the opinion of the management and the trainees have been considered in assessing the effectiveness of the training programme.

The Evaluation Team also looked at training from the point of view of the training cycle.

### Training cycle



According to the Prodoc there should be at least five types of training offered by the project:

- Entrepreneurship training for all new members followed two years later by refresher training. (Successful completion of this initial training is one of the conditions for receiving a loan.)
- Leadership and management training.
- Advanced Entrepreneurship training for women with special potential and requiring further assistance.
- Skills development/up-gradation and training in new skill. Skills to be chosen on the basis of the women's needs and local market demand.
- Study tours for women entrepreneurs to neighboring countries.

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The project has so far provided the following courses:

Type of Training	No. of Training	Target Participants	No. of Participants	Duration	Facilitating Organization
a) Beneficiaries Entrepreneur Development Training	123 batches	Women entrepreneurs (JMS/NGO/D WA)	25-30 each batch total = 3600 (upto Nov.)	7 days	MIDAS/ TRIN
ii. Refresher training	21 batches	Women entrepreneurs (JMS/NGO/D WA)	25-30 each batch Total = 528 (upto Nov.)	2 days	MIDAS/ TRIN
Iii. Leadership and Management Training	7 Batches	Women entrepreneurs (JMS/NGO/D WA)	20 each batch Total = 71 +60=131 (upto Nov.) approximately	6 days	MIDAS/ EADS/ PromPT/TTT

<b>b) Personnel</b>					
i. Orientation	6 batches	Staff of JMS & Project EDW	109	7 days	Guest speakers GO/NGO
ii. Refresher	2 batches	Staff of JMS & Project EDW	40	2 days	Guest speakers GO/NGO
iii. TOT	1 batch	Staff of JMS & Project EDW	19	10 days	TRIN
iv. PRA Training	1 batch	Staff of JMS & Project EDW	25	3 days	PromPT
c) Study Tour	5 batches	Clients, Project staff, JMS Officers, Govt. Officers	22	-	-
d) Workshops	13 batches	Chairpersons, Project and JMS staff, others	40-50 each batch	1 day	Project

The implementation of these various training activities has developed some capacity of both the implementers and the women entrepreneurs. The process of capacity building needs to be seen as continuous and will require further strengthening.

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## **Training Procedure**

### **Selection of Training Organizations**

JMS invited financial and technical proposals from prospective training organizations through advertisements in national daily newspapers. Each applicant organization had to purchase the TOR for Tk.500 (non-refundable).

Successful organizations then had to pay a three percent deposit to assure their good performance. The deposit was calculated according to the total number of courses potentially available to them, rather than the number for which they were confirmed as the provider.

JMS has selected some experienced and renowned training organizations to conduct the training programmes on "Entrepreneurship Development" and "Leadership and Management Training".

### **Issues**

From discussion with the representatives of the selected training organizations, it appears

that JMS has only confirmed course allocation one at a time, and therefore the providers have no assurance concerning the number of courses they will finally provide. The large deposit required has negatively affected their cash flow.

As JMS has arranged courses individually, the training providers have faced problems in scheduling and resource mobilization, often at short notice.

It is revealed from the examination of the technical proposals on Leadership and Management Training and subsequent consultation with some of the trainers whose involvement was promised, that some successful bidders did not inform the listed trainers after receiving an award from JMS. In one instance, the successful training organization did not contact the associate organizations along with which it had jointly submitted the technical proposal.

### **Recommendations**

- The practice of training organizations including names of reputed consultants in the proposals in order to get an award, and then not involving them once the award is received, is highly unethical and unacceptable. JMS should look into this matter since such a practice can seriously affect the quality of the training courses.
  - Development of an annual training plan is an implementation mechanism for translating organizational strategy into action. A forward plan of training is also required to meet the needs of the training providers. The Training Consultant should develop a training plan (calendar) including the dates, duration, venue and who will conduct which course and share this with all the training organizations.
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- The standard practice of a performance deposit from service providers should be as follows. An applicant organization will be required ' to pay performance deposit ( earnest money) for the total number of courses planned by the project. After the award / selection of the organization for a specific number of courses, JMS will retain a performance deposit only for the number of courses to be implemented by the organization. It will immediately refund the remainder amount to that organization.

### **Training Needs**

#### **Assessment Issues**

It has been observed that no systematic training needs assessment was conducted to identify the required knowledge, skill and attitude of the targeted women entrepreneurs. Some training needs were identified through baseline surveys in 1999 and 2000, as well as, the Participatory Rapid Appraisal reports, as follows:

- Pricing
- Demand estimation
- Book keeping/accounting

- Advice on improved technology and production processes
- Management training, e.g. entrepreneurship development, leadership and quality control.
- Identification of appropriate businesses
- Skill training in new areas, particularly those new to women.
- Marketing
- Quality control of products
- New technology
- Motivational training for developing saving channels
- Production processes
- Product advertising
- Preservation of raw materials
- Loan utilization repayment procedures

### **Women's Entrepreneurship Development Programme**

Overall this training has been very beneficial to many of the trainees that the team interviewed during the field visits. However there are areas needing improvement. .

### **Curriculum Design and Implementation of the Training Programmes**

For the Women Entrepreneurship Development Programme (WEDP), JMS selected two renowned training organizations, namely, MIDAS and TRIN. Both organizations conducted the WEDP course using the **Creation of Enterprises Formation of Entrepreneurs (CEFE)** model. Both organizations have considerable experience and

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qualified resource persons for this model. The Training Consultant also prepared a curriculum on this training.

### ***Issues***

The CEFE model is a well-tested training model for entrepreneurship development training, but this has not been adapted appropriately for the target trainees. The training organizations followed the model in full without assessing the needs of the target group whose educational level is mainly from class VII to HSC, along with a few graduate and master's degree holders.

The participants interviewed expressed mixed reaction to this training program in respect of content, methods, trainers, materials and facilities. Many of the trainees stated that this training was participatory in nature and enhanced their knowledge and skill related to their business responsibilities. Participants liked the positive attitude and behavior of the trainers. Most of the trainers were cooperative and friendly in the classroom and outside the sessions.

The participants also mentioned that some topics were quite complex, for example,



preparation of a business plan, cash flow analysis and calculation of project cost and working capital. The participants questioned the necessity of preparing such a complex business plan, as they did not receive credit on the basis of this business plan. They felt that the time devoted to the preparation of a business plan could be better utilized by giving them more input in other topics, such as, business accounting, book keeping, marketing and how to fill in the JMS loan application form.

The participants liked the case study on the qualities of an entrepreneur, but they did not like the case of a foreigner, Mr.Chin, with whom they could not identify. They requested the trainers to prepare a case study on a successful Bangladeshi women entrepreneur.

Feedback from the participants also revealed that the duration of the course (7 days) was too short in consideration of the course content. The Evaluation Team agreed with this view and shared it with the training organizations and the Training Consultant of JMS. He explained that the duration was shortened due to budget constraints.

### **Recommendations**

- The identification of training needs requires systematic information on task analysis and on the educational levels of each group to be trained.
- The quality of a training program should not be sacrificed for the sake of budget constraints, since it can defeat the entire purpose of the training program. The project should allocate adequate funds to the training component, as capacity building is a major element of this project.

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- The course should be redesigned to suit the needs of the participants. JMS should identify an appropriate curriculum, as conducted by many of the NGOs for similar target groups. The preparation of a business plan in the WEDP training course should be re-examined in view of the level of the participants, duration of the training course and the purpose it is intended to serve.
- Local case studies on entrepreneurs in Bangladesh should be used so that trainees can identify with the situation.

### **Leadership and Management Training**

#### **Training need**

Clients receive loans and make savings within their group, and group formation is a key element in the strategy of the project. According to the Prodoc, the group leader should act as facilitator ensuring smooth running of all group affairs. This has not happened in practice, as found by the evaluation team during their field visits. In fact, group formation and group functioning is weak.

It is therefore appropriate to provide leadership and management training to the group leaders immediately.

On the basis of the technical proposal JMS selected four organizations of good reputation, namely, MIDAS, PromPT, TTT and EADS. Some of these organizations have experience conducting this type of training, although others do not, but their proposals included trainers with experience in this regard.

### **Curriculum Design and Implementation of the Training Programme**

The Training Consultant prepares a brief curriculum outline and gives this to the selected training organizations. They then prepare a schedule individually and share it with the Training Consultant, and after clearance from him they start the course.

#### ***Issues***

From the course curriculum and the schedules, it is apparent that the Leadership and Management training courses are more like refresher courses on the Enterprise Development Programme. Topics on management and leadership included in the programme are related more to the leadership and management of individual enterprises, rather than to group leadership and management, as required for the sustainability of groups and Samities.

There are a lot of variations in the content and schedule of the courses run by the four selected organizations: EADS, TTT, MIDAS and PromPT. These organizations applied their own judgement in designing their courses without clearly following the curriculum supplied by JMS. Moreover, some of the topics included in the training courses are not

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appropriate for the level of participants, and the trainers of some organizations have acknowledged this. Also, some of the schedules did not maintain the sequence of learning.

#### **Recommendations**

These points came from the training organizations and are required in order to remove discrepancies and inadequacies:

- There should be a joint share the needs and expectations
- There should be a two-day training organizations schedule, and training materials
- To eliminate differences in organization should be each organization could submit select the most suitable.
- The handouts must be participants.

The above approach is applicable training organizations.

### **Skill Development Training**

meeting of the selected training organizations and JMS, to discuss the needs of JMS and to consider the design of the curriculum.

by a participatory workshop with the representatives of the selected JMS, to finalize common course content, a training methodology and session plans.

the handouts prepared by the organizations, one particular organization trusted with the task of preparation. Alternatively, each organization provides its handouts to the Training Consultant of JMS, who can

prepare them in keeping with the needs and level of the beneficiaries for all training programmes that are

awarded to several

JMS conducted a baseline survey on the type of skill training available in the locality. In the majority of cases, the women have had some exposure to the type of business they are pursuing. But, in some cases they do not have adequate skill to run their businesses commercially.

### ***Issues***

The PRA report identified that Dressmakers want to learn more. Dairy entrepreneurs want to know about private health care, and vaccination. In each discussion on the above-related issues, the

Entrepreneurs dealing with high material specifications, and that. A list of topics as requested by

the following:

are on the latest fashions and designs.

do not know about livestock treatment, as veterinary doctors are scarce. Similarly, poultry farmers face difficulty in poultry feed as the government has appointed doctors and practitioners that they are not easily available.

Artisans lack design skills and skills for identifying the right equipment. They are faced with non-availability of appropriate materials. The list of the borrowers in the baseline surveys is provided above.

### **Recommendation**

Women entrepreneurs should be linked with local NGOs, DWA, Department of Youth, BSCIC, BRDB, BGMEA Fashion Institute, and other related organizations, for skill training.

## **Local Inputs (Cost Sharing)**

Currently, the women entrepreneurs are attending training courses free of cost. They expressed their readiness to share the cost of food and conveyance for attending courses. In one district, LPC members said that they could organize skill training locally with minimum cost. The project should encourage the participants to share training costs.

## **Capacity building of JMS staff**

### ***Issues***

No systematic method was followed for training needs assessment. The needs came from the workshops and PRA exercises, rather than from the potential trainees. Also, the findings were not documented for use as a guideline to design courses for them. During the workshops, LPC members suggested the following training for district officers:

- Exposure visits on technical aspects of funded projects
- Project management training
- Project implementation and monitoring.
- Loan appraisal
- Management of small credit

Women entrepreneurs interviewed during the PRA session needed considerable assistance from the project. Most of them are doing business for the first time. Some have limited business experience, for instance, they have only handled businesses worth less than Taka 20,000.

The team found the project and JMS staff to be quite motivated. But, project officers such as Credit Officer, Training Officer and Monitoring Officer are all fresh graduates without any background or experience in their respective tasks.

At the local level, some staff members have demonstrated good command of group management. However, the majority do not possess the necessary skill, since:

- The project did not provide management training for the district staff.
- The district staff need to understand more about finance, so that entrepreneurs are supervised properly.
- In the majority of cases, the district staff does not have formal educational background in a relevant field.

- The field staff, in some cases, are overburdened.
- Group management does not get due prominence.
- The filling system is underdeveloped. Information exists but it is not managed in a way to support decision-making, and the project does not recognize this to be a capacity building element

## **Recommendations**

Under the circumstances, the project needs efficient staff with the capability of providing extension services to the borrowers. Borrowers need counseling services, so the project staff should have knowledge of the following disciplines:

- Marketing of micro-enterprise products.
- Trouble shooting production problems.
- Establishing linkages with the external marketing and production support services.
- Efficient utilization of project resources so that borrowers can gain adequate profits and are able to pay back loans and the service charge.
- Identification and assessment of viable projects that will yield adequate return.
- Project monitoring as facilitators/counselors.

The evaluation team considers that project staff should also be trained in the legal aspects of conducting a business. They can assist entrepreneurs in registration and trade licensing, the payment of taxes and VAT, and compliance with other rules and regulations affecting their businesses.

The Project staff should be trained as soon as possible after their appointment. They could gain professionally from attending full-time the various training programmes for entrepreneurs, instead of visiting casually.

A training course for JMS Staff is now being conducted on Trainer's Training for Entrepreneurship Development, and the Training Officer should have attended this course.

## **Orientation and Refresher Training for the Project and JMS Staff**

### ***Issue***

These courses were organized by the project as an in-house activity. The contents of these courses were very relevant as they learnt about the project's aims and activities and project goals. Unfortunately, no reports on these courses were prepared and the contents were not documented.

### **Recommendation**

Proper compilation and documentation of course materials could be a valuable guide for JMS.

## **TOT on Entrepreneurship Development**

## ***Issue***

For the TOT on Women's Entrepreneurship Development Programme (WEDP), JMS selected the renowned training organization, TRIN, which uses the **Creation of Enterprises Formation of Entrepreneurs (CEFE)** model. TRIN has a long association with JMS as they were entrusted with the baseline surveys 1999 and 2000. Also, they conducted some of the training courses on Women's Entrepreneurship Development.

## **Recommendations**

This course is 'trainer's training' and not simple entrepreneurship training. Therefore, there should be more topics on the concept of training, the importance of training and the qualities of a trainer, etc. There should be a training guideline for the participants, as it is one of the objectives of the programme to develop trainers who are to train women entrepreneurs in the future.

Staff needs training in the following areas:

- Office Management
- Credit Management
- Facilitation Skills
- Gender and Development
- Business Management
- Legal Aspects of Business
- Participatory Monitoring and Evaluation

## **Capacity building of the Local Project Committee Members**

### **Needs assessment**

The most important duties and responsibilities the Local Project Committee is to hold timely meetings and to select entrepreneurs as per the prescribed guidelines. They should have proven competence in profitable business identification and project appraisal since they have to screen business proposals and approve loans. This competence has also been identified from the PRA exercise.

### **Recommendations**

Some of the members of the LPC (mostly the chairperson) attended the WEDP courses, as organized for the women entrepreneurs, as well as, the orientation course organized for project staff. But, it has been found that most members of the LPC have very little knowledge of the project's objectives, activities, client selection criteria and the loan disbursement procedures. This shows that the chairperson, and/or whoever attended the

training courses, did not share their knowledge with other committee members. Therefore, a project orientation course, including the above topics, should -immediately be organized for all the members of the LPCs.

Members of LPCs should also have exposure on profitable business identification and project appraisal. A separate course on this subject may be conducted, or these topics may be incorporated in the proposed orientation course.

### **~ Institutional Linkages**

One of the elements in the project implementation strategy is to develop linkages with relevant organizations providing both non-financial and financial services to the MSE sector. The aim is to introduce and link women entrepreneurs with a range of existing private and public sector services: technical, financial, business development and marketing services, and strengthen women's capacity to seek out and avail of these services. A second reason given is to avoid duplication of services. *Output 2. 4* and activities under the output are means of implementing the strategy.

The mission notes that a major constraint and barrier for women entrepreneurs scaling up their enterprises to become profitable ventures, is the lack of adequate and accessible institutional support tailored to their requirements. Women's MSEs often rely on informal sources of business counseling and advice including from family, friends and relatives. The demand for business development and financial services, technical assistance in training, market information and marketing, product development and technical know-how is an expressed need of women described in the PRA Report. It reflects survey findings from 23 thanas where the project is being implemented.

The project has provided direct services and support in entrepreneurship and leadership management training and plans are to have other types of training activities. However the EDW project per se cannot and should not be expected to cover the entire and broad spectrum of requirements because of capacity constraints of the implementing agency at field and national level and the fact that other technical service providers do exist. Therefore strengthening institutional linkages, and developing effective partnerships and strategic alliances with relevant institutions to support women's entrepreneurship is an important strategy from the point of efficiency and effectiveness. The rationale for this is described:

- Providing updated information and facilitating women entrepreneurs/groups to link with existing public and private sector services opens access to much needed institutional support. It empowers women entrepreneurs to become familiar with the service providers, and to interact and negotiate with these institutions to provide technical support to their business activity. It also furthers the project goal of facilitating self-managed and self-reliant entrepreneurs.
- The strength and effectiveness of the project will depend on its interactions and linkages with a wide range of MSE oriented organizations to draw in their

comparative advantage and varied expertise. It is also a means of learning from ongoing good practices in the sector, and keeping abreast of the knowledge and developments in the promotion of the small business sector and women in it.

- Institutional linkages with policy makers, service providers, entrepreneur association's research organizations are critical to women's MSEs. These links provide an avenue to advocate, lobby, and influence policies and programmes. Service providers for MSEs brought into direct contact with women can be made more cognizant and responsive to the specific needs of women's small businesses.

### ***Issues***

- In reviewing the institutional linkages established by the project over the past 35 months, the mission noted that this strategy element has had limited implementation. Linkages have been mostly in terms of subcontracts for training activities. Linkages have yet to be established with financial agencies and the business sector. The project has tended to work in isolation from wider activities in the micro and small enterprise development sector and those targeted at women. This has resulted in the project not being known to key institutions and hence the opportunities for women entrepreneurs to avail of services and support have not been fully explored.
- BSCIC a government agency and a member of the PIC and LPC provides services to entrepreneurs for the development of cottage industries. It also extends loans under its various programmes and services. Despite its close relationship with the project there has been no particular collaboration as yet. BSCIC is a potential and useful link for women entrepreneurs.

### **Institutional Linkages of the EDW**

<b><i>Institution</i></b>	<b><i>Purpose/ Service provided</i></b>
<b>MIDAS</b>	Subcontracted for training in entrepreneurship
<b>PromPT</b>	Conducted Leadership Management Training PRA conducted in 23 thanas and report prepared PRA training conducted for the staff
<b>TRIN</b>	Sub contracted for preparing the Baseline Surveys Subcontracted for Entrepreneurship training Subcontracted for TOT for JMS staff in Entrepreneurship Development



<b>Local Government &amp; Engineering Department (LGED)</b>	Willing to support market infrastructure for women entrepreneurs in rural areas; a women's corner in the main market
<b>NGOs</b>	Selection of women entrepreneurs
<b>DWA</b>	Selection of women entrepreneurs
<b>EADS</b>	Subcontracted for training for Leadership & Management
<b>TTT</b>	Subcontracted for training for Leadership & Management

### ***Linkages with DWA/NGOs***

The project has established linkages with DWA/NGOs at the district level and this has been primarily for the purpose of selection of women entrepreneurs from their programmes, according to that proposed in the Prodoc. The team observed that these linkages are fairly adhoc and tenuous. There is some lack of clarity about the purpose and importance of the linkages despite the fact that there has been orientation training for DWA/NGOs on the EDW project and that the DWA is a member of the PSC and the PIC.

More recently a Memorandum of Understanding, September 2001, between JMS and DWA has been prepared to outline the roles and responsibilities of each partner and to clearly set out the nature of the linkages between them. As regards NGO linkages, the team met with the representative of PROSHIKA in Gazipur. It is our understanding that about 7 women entrepreneurs have been recruited from this NGO to participate in the

project. However close working relationships and collaboration with NGOs at field level are limited.

### ***Linkages with training institutions***

The project has established good linkages with training institutions primarily for subcontracting their services for project training activities. The quality of the linkages can be rated as useful and valuable since the training institutions e.g. MIDAS; TRIN, have demonstrated professional competence and their expertise matches project needs. It is important that the project continue to build on this positive experience.

### ***Other Linkage Options***

There are various NCBs, NGOs, and other bodies that could provide potential and viable linkages. The mission considers it high priority that JMS identify the key institutions with which collaboration could be sought. This is a means to build sustainability in the project with a future orientation. Among some of the institutions that the mission met and which could be future partners, are MIDAS, and the two commercial banks, Sonali and Agrani.

### **Micro-Industries Development Assistance and Service [MIDAS]**

MIDAS is a company limited by guarantee and incorporated under the companies Act 1913. It offers both financial and non-financial products and services. Technical assistance is provided in a range of business development services and training activities, study and research, information and networking and the organization runs a Women's Entrepreneurship Development (WED) programme. MIDAS has a focus on women and 20 percent of all commercial and development activities of MIDAS are in sectors/sub sectors where women feature prominently. Financial services to enterprises are provided by MIDAS Financing Ltd. a spin off to MIDAS, and are provided under the Small Enterprise Development Programme (SEDP) and the Micro Enterprise Development Initiative (MIDI).

MIDI is very relevant to EDW as it provides non-collateralized short-term loans to micro enterprises and develops entrepreneurial skills especially among women in the country. The main features include: loan size of Tk. 50,000-Tk 300, 000 collateral free with a service charge of 16 per cent /annum, a 1-3 year loan repayment period through bimonthly and monthly installment, a 10 per cent rebate on service charge for timely repayment of loan.

Another programme very relevant to EDW is the MIDAS MINI MARTS initiative. This is a cooperative marketing concept and a registered business partnership arrangement between MIDAS and groups of women entrepreneurs. It responds to the problem women in small business face in setting up and operating shops at commercially strategic locations. In partnership with groups of women entrepreneurs MIDAS has established four MIDAS MINI MARTS in Dhaka which are owned and managed by women entrepreneurs under an 11 member management committee, and five sub committees;

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shop display, quality control, finance and accounts, marketing and administration. The cooperative marketing concept appears to be working satisfactorily.

MIDAS was positive about continuing to work with JMS and the project.

### **Linkages with financial institutions**

Project linkages with financial institutions will be critical if women entrepreneurs are to integrate into the mainstream financial market and for the continuity and sustainability of

the project. These linkages open a potential avenue for promising and energetic entrepreneurial women to access larger loan volumes to further expand their business and graduate out of the EDW project. In terms of sustainability it is preferable to make links with the banks' own funds rather than donor-funded projects which have a finite period.

While EDW management recognizes the importance of linkages with financial institutions, it has yet to initiate dialogue with national banks which have varying programmes for MSEs including a few special schemes for women's entrepreneurship development. Meetings with the Agrani and Sonali Bank in Dhaka and the Janata bank in Bhairab, all of which are NCBs, indicate that the bulk of lending has been under micro credit oriented poverty reduction programmes many of which have been donor funded and have targeted women. But these are not applicable to the target group of the project.

According to a recent report prepared by the Association for Development Initiatives<sup>4</sup> the Bangladesh Bank (BB), the Central Bank of the GoB, has directed circulars to commercial banks to lend at least 15 percent of capital for the industrial sector. Five percent is supposed to be for the SCI sector. Very few women in comparison to men have accessed these loans. The BB has also issued circulars for micro credit lending and other schemes but as yet there has been no special directive to NCBs for lending to MSEs and with a special focus on women entrepreneurs. Despite the fact that several banks have ladies branches e.g. Sonali Bank, Janata Bank, Rupali and Uttara Bank the report points out that most of these are running at a loss probably due to their role as deposit collectors rather than lenders.

### **Sonali Bank**

Sonali Bank is the largest NCB in Bangladesh with a vast network of branches across Bangladesh providing a range of financial services. Of particular relevance to the EDW is the Credit for Women Micro Enterprise Development Programme (CUMED). It is aimed at improving women entrepreneurs' access to credit through non-collateralized lending in the range of Tk.50, 000-Tk. 200,000. The terms and conditions of the loan include an interest rate of 16 percent per annum, viability of the enterprise, hypothecation and a personal guarantee. These requirements are very similar to the MIDI programme of

<sup>4</sup> Assessment of the Implications of Policies and measures for Women Entrepreneurship Development in Bangladesh for Policy Leadership and Advocacy for Gender Equality (PLAGE). Ministry of Women and Children Affairs, a project funded by CIDA. Association for Development Initiatives (ADI) March 2001.

MIDAS. The CUMED is currently operating only in Dhaka and based on this experience outreach will be expanded to other areas.

### ***Sonali Bank -NGO Linkage Programme***

This is an innovative micro-credit product and is of relevance to the project when the Samities are formed as independent legal entities/associations. The Samities would be able to establish linkages with the bank and access funds if they fulfilled the *criteria*:

Membership with ADAB/CDF.

Clean legal status.

Adequate experience, good track record and excellent performance in Micro Credit Operations.

Satisfactory out reach and volume of operation. Minimum 95 % recovery rate on continuous basis. 3 years validity with moratorium at the beginning. Interest Rate: 2% plus bank rate, minimum 10% simple rate (declining method basis). Collateral: Free of conventional collateral.

Undertaking for on-time repayment / Repayment Guarantee by ADAB / CDF.

Repayment guarantee by Apex Body of the borrowing NGO/MFI.

### **Agrani Bank**

Discussions with the Agrani Bank show that that the Micro Enterprise Development Unit is implementing the Employment Generation Project for the Rural Poor (EGPRP) financed by IFAD. It is targeted at existing and also potential entrepreneurs capable of starting commercially viable micro enterprises with supplementary training. Women constitute 20 percent of the borrowers. The feasibility of linkages with this particular project pose certain issues, a key one being that the IFAD project will end in 2002 and the future of the programme is and its continuity is unclear.

### **Agrani Bank's Special Programme for Women**

Agrani Bank has introduced a service entitled "Women's Credit Programme (WCD)". This is more relevant to the EDW. Its aim is to encourage women entrepreneurs to run their own businesses and draw more women into the bank's main financial services. The programme is presently functioning on a limited scale in the Divisional branches of Dhaka, Chittagong, Rajshahi, Khulna and Barisal and will expand on the basis of experience gained.

Credit is provided for seven sectors: schools (kindergarten, tutorials etc), tailoring, embroidery etc., batik, garment (small scale) saree shops, Marketing & Marketing of "Nakshi Katha,"preparing & marketing of jam, jelly, paper, achar etc. Initially, loan ceiling has been fixed at Tk. 50,000. However, a successful women entrepreneur in this program is expected to enter into the mainstream banking with no loan ceiling. This special programme is to act as a stepping-stone.

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While the sectors for which credit is provided are traditional business areas for women entrepreneurs, the credit line offers an opening for those already involved in such enterprises.

Due to time constraints the mission was unable to meet with other national banks, which are equally important for exploring linkages, and possibly open avenues for lending to women entrepreneurs.

### **Recommendations**

- A most viable option for immediate linkages in terms of both financial and nonfinancial services appears to be MIDAS financing, through its MIDI programme. JMS has already developed initial linkages through sub contractual arrangements with MIDAS. The organization is familiar with the EDW target group and is willing to provide access to women entrepreneurs who meet its specific criteria. Such an arrangement would be a good starting point and could be tested out in Dhaka City, Chittagong and Khulna. It is recommended that JMS explore access to MIDAS financing and if feasible a MOU between the JMS and MIDAS should be prepared setting out the details of this arrangement.
- Another promising option could be the Agrani Bank, and further discussions should be followed up with them, as well as the Krishi bank.

### **III. INSTITUTIONAL ARRANGEMENTS**

#### **Effectiveness of institutional arrangements**

The project is a collaborative undertaking of: the Government of Bangladesh/ Ministry of Women and Children's Affairs (MWCA) which is the executing agency. JMS under the MWCA is the lead implementing agency and UNDP as the other partner is providing financial support. A National Project Director has been designated who is responsible for the overall management, administration and monitoring of the project and works under the guidance of the JMS chairperson. She is accountable to the chairperson and the MWCA and reports to the MWCA, Planning Commission, IMED, ERD, Finance Division, and Ministry of Establishment and UNDP.

A project team has been set up at the central level to provide technical assistance to the project and project staff. The team consists of three national consultants/specialists: one micro finance consultant, one training consultant and one micro enterprise specialist all hired for a period of 3 years. However the latter resigned after a year and the project is now looking for a replacement. One international consultant/specialist in micro enterprise management was recruited in November 2000 by UNOPS.

The project staff includes a Programme Officer, Credit Officer, Monitoring Officer, Training Officer, Accounts Officer, one Administrative Officer and two computer

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operators. In addition JMS has a network of staff in all 64 districts that are specifically responsible for the credit operations of the project.

There are four committees, three at the central level and one at the district level, that provide policy, advisory, supervisory and coordination support to the management and project team.

- ***Project Steering Committee:*** The committee acts as a policy advisory body and ensures

proper coordination and monitoring of the project. It meets twice a year. The Secretary of MWCA chairs it. It includes the representatives' -Director General DWA, Chairperson JMS, UNDP, representatives from the Planning Commission, IMED, MWCA, DWA, BSCIC, 2 NGOs in organization building, credit and training.

- ***National Project Implementation Committee (PIC)*** is chaired by the JMS Chairperson. It supervises and guides the regular project activities. The PIC meets every two months. The members are from the Planning Commission, IMED, MWCA, DWA, BSCIC, NGO and a training agency.
- ***Local Project Committee (LPC)*** chaired by JMS Chairperson supervises local level implementation in particular the selection of women entrepreneurs for training, loan proposals and monitoring. Members include representatives from the DWA district office, BSCIC, Women Commissioner, NGO, an established woman entrepreneur and the District Officer of JMS. The committee meets at least once every two months.
- ***A Loan Approval Committee (LAC)*** is established centrally and chaired by the JMS chairperson. Other members are JMS's Executive Director, Additional Director, Project Director (urban and rural women's development projects), Assistant Director (Projects) and the National Project Director.

The Institutional arrangements of the project as set out in the committees and management style are quite elaborate with a centralized approach. The mission reviewed the functions and appropriateness of each committee.

### ***Issues***

#### **Project Steering Committee**

The committee has met twice since the project was operationalized. Its role in setting policy guidelines, monitoring progress and ensuring coordination among participating agencies is recognized as appropriate and this role should be maximized.

#### **Recommendation**

The PSC agenda in the future should be more policy and issue-oriented, and based on the information arising from the grassroots experience. The meetings should be convened around specific policy issues that affect the target group and project sustainability. The committee should maintain flexibility and draw in relevant agencies such as the

Bangladesh Bank, MOI, and representatives from the private sector to discuss policy issues identified.

#### **National Project Implementation Committee (PIC)**

The members on this committee with a couple of exceptions include representatives from the same agencies, as does the PSC. The PIC has met only eight times in the last three

years which is considerably less than the schedule proposed in the Prodoc which calls for meetings 6 times a year (it should have met about 18 times).

The main problems pointed out for the limited activity of this committee are time constraints and prior commitments of members, and often minutes of previous meetings and meeting agendas are sent out at short notice. This does not allow members to slot meetings into their busy schedules. The Project recognizes these shortcomings and plans to convene the PIC every quarter in order to activate the committee, improve its efficiency and ensure greater participation by the committee members.

### **Recommendation**

The mission on the other hand is of the opinion that one major committee; PSC at the Central level is adequate to maintain an overview and monitoring role for the project. It is essential to have a Project Management Committee that can deal with the detailed management issues.

It is recommended to replace the PIC, with an EDW Project Management Committee comprised of the NPD, Chairperson of JMS, the central level project team and staff, the representatives from the field staff, and the International Specialist for Micro enterprise Management. This committee would focus on detailed project management and implementation issues, a task best undertaken by those involved in the project on a day-to-day basis. It would thus strengthen the operations of the project, enable problem solving. The committee would meet once in two months. The Project Management Committee may incorporate other relevant organization as required.

### **The Loan Approval Committee (LAC)**

The LAC is centralized and should be set aside in favor of a more specialized and streamlined Local Project Committee that would be able to provide on-the-spot appraisal, which would have direct access to the applicant and to her business premises.

### **Local Project Committee [LPC]**

The LPC at district level is key for effective project implementation because of its proximity to the project target group, and the potential to better understand the local business environment and issues of women entrepreneurs. The committee meets approximately once every two months. All members of the committee, including the JMS Chairperson and the JMS officer, receive a sitting fee of TK.150/- per meeting attended

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### **Issues**

- Discussions with the LPCS in Bhairab and Tangail point out that the committees are not functioning very actively and effectively in supporting and monitoring project implementation. From speaking with members of the committees it was apparent that not all were fully conversant with the aims of the project. For example, they frequently

referred to the needs of 'poor and destitute women', whereas, it is clear that this project is aimed at 'women entrepreneurs. '

- LPC's are entrusted with the role of selecting appropriate women entrepreneurs according to the criteria, screening loan applications including the business plans and monitoring the utilization of the loans. But few members have a strong background and technical expertise in appraising the feasibility of business and loan requirements. In addition, their professional and other commitments also make it difficult for them to provide the time required and maintain regular attendance at the LPC meetings.
- The PRA report points out that conflicts often ensue between the Chairperson of the JMS and the district officers in selecting appropriate women entrepreneurs. The Chairperson is often in full control of these decisions. A related issue is that the LPC's have had little orientation and training to the EDW project and their role in it. For example, while the BSCIC representative was present at the meeting in Tangail he was not fully aware of the goals of the EDW project. Rapid staff turnovers in government agencies contribute considerably to the loss in institutional memory.
- If the LPC is to become a single specialized committee as proposed in the LAC it will need to adequately address the important needs of the project vis-a-vis: selection of clients, loan screening, loan approval, and monitoring at the district level. It is essential therefore that it be composed of individuals with relevant and strong experience in business development and credit management with a genuine interest in ensuring its success. The size of the committee should be reviewed to determine whether a smaller number of motivated individuals could ensure a greater focus on enterprise development

## **Recommendations**

- The functions of the Loan Approval Committee (LAC) at central level should be merged with that of the LPC at district level as discussed. The composition of the LPC should be modified. The aim is to make this committee specialized, more technically and business oriented with the ability to perform the functions set out for it. This calls for high performance levels. The LPC should be a small committee (maximum 6 persons) to include one representative each from the business sector, local bank, target group, BSCIC; JMS district staff, NGO/DWA (only if their participants are involved in the project) and the JMS Chairperson. The role of the latter is to ensure an active committee and facilitate the meetings, with technical

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inputs drawn from the respective members. It is critical that members selected on the committee have the relevant experience and expertise for their tasks.

- Besides the district staff officers, LPC members should also schedule visits to women's MSEs to monitor their performance and better understand the issues.



- The LPC should be provided a full orientation and training to the project and to its role in selection of women clients, loan screening, loan approval, appraisal of business plans and monitoring.

## **IV. PROJECT MANAGEMENT and IMPLEMENTATION**

### **1. Management and Implementation**

The Women's Entrepreneurship Development project poses special challenges to the lead implementing agency for management and implementation. The quality and effectiveness of implementation depends to a large extent on JMS's capacity, highly motivated, and competent staff in the field of MSEs and women's entrepreneurship and with strong technical and managerial experience. It also depends on the flexibility of the implementing agency to respond to the needs of the target group, and a decentralized mode of institutional operations.

As noted by the team, the institutional arrangements of the committees and the management structure are highly centralized. Most of the decisions are taken at the headquarter level including on loan approvals. One of the reasons cited for this was the need to maintain accountability, and the limited staff capacity at local level. Accountability is indeed required and should be supported by a rigorous monitoring effort. But a project with a community based focus and outreach to rural and urban women entrepreneurs requires a more decentralized mode of operation to achieve efficiency and effectiveness. Recruitment of well qualified staff; professional competence; intensive in-service training and refresher training for staff both at national and local level and a tight monitoring system are factors that can contribute to accountability.

JMS is a large national women's organization in Bangladesh established in 1976. It is an autonomous/statutory body under the MWCA with a network of offices in 64 districts with one full time paid staff in each of the district offices. A majority of the Thana offices also have JMS staff for their ongoing programmes. While JMS has successfully implemented three micro finance and training programs targeted to disadvantaged women and those in poverty situation in urban and rural areas, the EDW project with a focus on an entirely different target group and the issue of "*entrepreneurship* " is a first of its kind for JMS. Hence institutional capacity building is a priority issue to enable JMS to work with a different level of women entrepreneurs. According to the Prodoc it was proposed to undertake a capacity assessment of the implementing agency, but it is reported that this activity did not take place and neither is there any documentation on it.

The NPD of the project is also the Executive Director of JMS and thus unable to give full and undivided attention to the EDW project, which requires consistent attention to a number of conceptual and management issues. The project has achieved substantial quantitative outputs and that is to the credit of the management. However findings suggest that the NPD should be a full time position to ensure a successful and replicable project.

## Staff Capacity

The revised PP April 2001 reveals the capacity constraint at field level. It states that JMS staff are "not in a position to discharge duties properly (selection of entrepreneurs, disbursements, recovery of loans and monitoring)." Hence the proposal in the PP to recruit 25 Project Coordinators to work with the JMS field officers.

Over the past three years some effort has been made and some capacity has been built at national and local level through actual involvement in the project and 6-day orientation training for all staff of the project. At the time of writing, a TOT is ongoing for district level officers. However this is not nearly adequate. Very limited in depth in-service training has been provided to national staff and consultants. It does not equip staff with the technical and managerial skills for running a project that is complex, requires innovation, one which is spread across the country and responsible for a considerable outlay and accountability of credit resources. This is a critical gap and constraint in project implementation.

The team also notes that there has been little focus on training staff in gender sensitivity and awareness. It is a gap in a project whose broader aim is the empowerment of women and gender equality in the economic sphere.

## Team Building /Team Approach

The management of the project and institutional arrangements have been centralized as mentioned earlier. The project requires greater participation of field staff in decision-making since they are the front line workers and are most conversant with local needs. However, they work quite on their own with limited guidance training and experience. The hierarchical style does not lend itself for direct interaction between field and national level.

This was a point that was identified and raised by the NPD who sees a need for closer working relationships and interfacing with the local level staff and promoting a team approach. The same is also applicable to the management style in which the central level project team functions. Here again it is necessary to facilitate more frequent interaction between team members, resolve issues jointly, and maintain consensus and a common direction, as well as keeping the staff morale high.

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## Recommendations

- The NPD position should be made a full time posting.
- It is recommended that the project adopt a **team building approach** with regular staff meetings at central level held bi-monthly/monthly. These meetings would provide the opportunity for staff to work as a team, problem solve jointly on implementation issues and plans, and move ahead in a concerted manner.
- It is recommended that periodic workshops be held with field staff and the central level project team to create a more dynamic and interactive working relationship

between the two. It would be a means of providing back up support to field staff and contribute to the team approach concept.

### ***Implementation Issues***

The project document was signed in March 1998, but actual implementation started in July 1998, primarily setting up the administrative structure of the project. Because of devastating floods in Bangladesh actual project activities were delayed and only began in January 1999. These consisted of group formation, training and credit disbursements.

Once the project got underway it picked up speed, targets were revised work plans prepared and an effort was made to catch up with the short falls caused by the delay. The leadership from the MWCA, JMS Chairperson and the NPD were instrumental in operationalizing the project on the ground and taking it forward. The quantitative targets to date and coverage have been satisfactorily achieved. The project has prepared a number of useful guidelines: Credit Guidelines and the Training Manual, which are in Bangla. More recently and with the support of the International Specialist other guidelines have been prepared: Group Guidelines, Guidelines on Savings Mobilization, Formation of Samites, Monitoring Handbook. These need to be implemented more actively.

A closer examination raises concerns about the quality of implementation, which requires a far greater and more focused attention than has been hitherto given to it. For example, there are irregularities in the proper selection of beneficiaries, weaknesses in group formation and group functioning, low interest rates which hamper project sustainability, and issues with capacity building that have been pointed out in this report.

For a first time effort by JMS in "entrepreneurship" development and what may be better termed a pilot effort, the quantitative targets set out in the Prodoc and the nationwide approach seem rather ambitious and inappropriate. This is a flaw in the project design that has affected the implementation of the project. The progress report for the period January-March 2001 recognizes the issue " *the target set for the first year of the project was found to be highly optimistic and difficult to attain even under normal conditions.* "

It is apparent under this scenario that the pressure to meet numerical targets has diverted staff capacity and time from addressing the more fundamental and substantive issues, and establishing a strong foundation and scaffolding for a high quality project that could be replicable. The team has indicated the issues in each of the components and

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recommended strategies for ensuring the project improves quality and stays on track to meet its long-term goal.

### **NEX Reporting Arrangements**

The responsibility of the executing agency under the National Executing modality is to submit quarterly progress reports to the donor including a programme and financial report based on the work plan. This has been carried out satisfactorily and in a timely manner. An

examination of these reports show that the project reported a 100 per cent delivery rate, performance ratings are high but do not reflect the issues identified by the Evaluation Team.

### **Financial Management**

The Transvent team undertook a review of the financial management of the project by JMS in January 2001 under a Financial Advisory Services (FAS) Services Mission. The findings of the report show that the project expenditure is guided by the standards of financial propriety. Guidelines as adopted in the UNDP /NEX manual have been properly followed. " The project staff possesses the required skill to maintain proper accounting records. " Deficiencies were identified in the financial management system indicating that the financial reports only provide a segment (quarter) reporting and do not comprehensively reflect the project in terms of operational aspect or its cumulative status. Other shortcomings relate to maintaining financial control at the sanctioning and spending levels; project management does not prepare any report for their own management purposes. They prepare compliance reports [Report of the FAS Mission].

### **3. Quality of Monitoring and Backstopping**

The overall monitoring system in operation consists of the following:

- Monitoring of project activities at local level by the JMS district officer and the LPC. This tends to focus primarily on loan disbursement and recovery.
- Monthly reports are forwarded by district level officers to the central project level.
- Quarterly reports are submitted by JMS to the MWCA, IMED, ERD and UNDP.
- Field visits by the Central Project Team and Programme Officer to the districts are scheduled on an adhoc basis rather than at regular intervals depending on staff time to get out to the districts.

### **Issues**

- While reporting arrangements are functioning well and in a timely manner, the overall monitoring system indicates weaknesses and the quality of monitoring has been inadequate. Issues on loan monitoring have been described in the section on Credit and Savings Operations.
- Monitoring of the project has focused primarily on quantitative indicators e.g. number of women entrepreneurs in the entrepreneurship training, number of loans and

recovery, the number of groups formed, and number of trainings held. Quantitative indicators are indeed important. Equal attention needs to be given to the qualitative aspects such as: effectiveness in targeting appropriate women entrepreneurs, capacity developed for self-management of savings and credit by groups, the proper utilization of loans, the effectiveness and efficiency of various committees in supporting project implementation, quality of group functioning, and capacity building of staff.

- The limited emphasis on these qualitative aspects of the project are reflected in the TPR reports, annual reports and other project documents provided to the team. The issues that the project encountered have not been sufficiently highlighted. One TPR report of 1999 does mention the need for more follow up and regular supervision and monitoring. It also points out that the "LPC should be more active and careful in identifying and selecting potential entrepreneurs." Unless the monitoring can clearly identify/diagnose issues and take immediate corrective measures the quality of project implementation is affected.
- Another issue is the limited capacity of the central project team in implementing regular supervision and monitoring. Constraints include the time factor, the nationwide spread of the project, which makes it difficult for a small project team to provide quality backstopping and physical coverage. In the absence of the National Consultant on management and micro enterprise scarce attention has been given to monitoring the business development aspects and issues of women's enterprises and providing follow up support.
- The project did not have clearly defined MIS system/guidelines in place to assist staff in their monitoring functions along with training them in the monitoring system. A Monitoring Handbook has only recently, September 2001, been prepared. In addition effective monitoring of a project that covers virtually the entire country was unlikely to be implemented with only one JMS officer allocated full -time to the task. The role of the monitoring officer and capacity to manage all aspects of monitoring is limited. While the project team has provided support it does not compensate this limitation.
- While the LPC's including field staff of participating NGOs and the DWA are also assigned a supervisory and monitoring role if women entrepreneurs from their programmes participate in the EDW, their performance is limited by factors of time and expertise, and unclear definitions of their responsibilities.
- The Prodoc calls for the first level of supervision and monitoring ***by "the group and Samity members who will have the responsibility of ensuring proper loan utilization and timely repayment."*** This is an ideal scenario but capacity of groups to monitor their loans and activities is in the process of development. It needs a stronger emphasis by the project to ensure efficiency in the monitoring system.

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#### Recommendations

- The mission strongly recommends that the project urgently institutes a strict supervision and monitoring system and utilize the Monitoring Handbook. Staff, project team and field officers need to be trained and oriented in the use of the handbook and the various formats included.
- During the interim period that a national consultant on micro enterprise is being recruited the project should make greater use of the services provided by the expatriate micro

enterprise specialist to support to the project team in monitoring the business performance of the enterprises supported.

- Recommendations on loan monitoring are covered in the section on Credit and Savings Operations and Management.
- Intensify the training and capacity building activities for women group leaders and group members in self-monitoring and management of their loans and enterprises. They should be facilitated to diagnose issues and attempt to resolve these amongst themselves and with project support.

#### Role of UNDP

The role of UNDP as a collaborating partner and in providing financial support and backing to women's entrepreneurship development is indeed an important one. The issue falls squarely within UNDP's mandate of Advancement of Women and women's economic empowerment, particularly as the project is a means to catalyze efforts to

integrate women entrepreneurs in the mainstream economy.

While adequate attention has not been given in the Prodoc and in project implementation to policy issues this project clearly has strong policy implications at different levels vis-avis in creating the enabling environment. Women face serious constraints to the access and control of productive resources and in having a greater role in the economic sphere. Breaking these barriers requires not only technical capacity but also concerted efforts and advocacy with policy makers. UNDP is well positioned to collaborate with the GoB/ MWCA, JMS other government agencies, private sector and donors on policy issues in this field, and play a key catalytic and facilitating role.

An important issue is that because this was a first time technical assistance to JMS, it required that UNDP play a more proactive role in maintaining close working relationships with the executing and implementing agencies and in monitoring the project. This would have ensured commonality of goals in implementation and maintaining the project on course. UNDP needed to consider more carefully the size of the credit component which because of lack of scrutiny is out of line with UNDP guidelines on micro credit grants to institutions [UNDP Policy on Credit and Micro

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Capital Grants]. As a result the credit component took prominence and caused some distortion in keeping the project on a sustainable track. A stronger emphasis was needed on capacity and organizational development of women entrepreneurs to enable them to access resources from financial institutions. In addition greater attention is required on policy implications of the project.

As a donor organization it is the obligation of UNDP to follow the established guidelines for micro-finance projects<sup>5</sup>. Such guidelines although not specifically intended for enterprise development can be usefully adapted for the purposes of this project. The issue of financial sustainability is of particular concern and this is addressed under project results.

Although the allocation to the loan fund has subsequently been substantially curtailed, it is nonetheless the case that a significant sum of money has already been disbursed to it. Sufficient oversight to ensure that the implementing agency adopts prudent financial policies, efficient working practices and rigorous monitoring procedures should therefore be in place to protect this fund. UNDP needed to monitor this situation more closely to ensure appropriate action on the part of the implementing agency JMS.

Another important guideline for donors to observe when funding this sector is to ensure that the provision of subsidized credit does not undermine the efforts of organizations that do follow sound principles for sustainability. At present the activities of JMS are small, compared to the overall size of this sector, and therefore its subsidized lending is unlikely to impact upon other providers. Nonetheless, the principle is clearly stated and any deviation from the principle should be short-term and carefully strategized.

One major aim of donor support for such projects, according to the guidelines, is to assist the service provider to leverage funds from the banking sector, or, to directly involve established lending institutions in the implementation of the project. In this way, the provision of small enterprise loans can be brought into the mainstream financial system. However, the considerable loan fund initially approved under this project (despite being referred to as 'seed capital') appears to have been intended as a substitute for any alternative funding, and, the project's staff are of the opinion that this allocation should be further increased

### **Recommendations**

It is recommended that in the near future UNDP be more closely and actively involved in monitoring the project, and in maintaining a regular dialogue and contact with the MWCA/ JMS. It is also recommended that UNDP pursue with the partners the policy agenda and use this pilot effort to break new ground on supportive policies for women entrepreneurs in Bangladesh.

<sup>5</sup> Donor Guidelines for Microfinance International Best Practice. Committee of Donor Agencies for Small Enterprise Development, Donor Working Group on Financial Sector Development

### **Role of UNOPS**

UNOPS has supported the project through the recruitment of the International Micro Enterprise Specialist in November 2000. The Specialist has given particular attention in assisting the project in improving its systems, and this is very relevant. To this effect she has provided technical assistance in the preparation of several guidelines: Group Guidelines, - Savings Mobilization, Organization and Management of Samities, Monitoring Handbook (which are quite recent). These are well prepared and will assist in strengthening the project when implemented

### **Recommendations**

The project should utilize the services of the Specialist much more e.g. by her accompanying staff on monitoring field visits and providing technical backstopping first hand. It is also recommended that the Specialist on her part play a greater role in providing technical support to staff on issues identified. In addition the Specialist should strengthen reporting to JMS and UNDP in writing, highlighting major weaknesses and issues to be

addressed along with recommendations for action.

UNOPS has organized and facilitated the MTE.

## **V. PROJECT RESULTS**

### **1. Immediate Objective 1**

*Develop entrepreneurship amongst women undertaking income-earning activities with micro-credit with potential for up-scaling and increasing investment.*

The criteria for success are stated as the identification, training, and provision of credit and organizational development of 7000 women. Also, 2000 of these women to receive upgraded skills training and 3000 to receive leadership and management training. Savings mobilization is foreseen for all 7000 and 50 women entrepreneurs are to benefit from study tours in neighbouring countries.

To date the project has trained 3600 women in entrepreneurship and disbursed loans to 1784 women. Upgraded skills training has yet to take place, but 131 women have received leadership and management training, and 528 women have participated in refresher training. Savings mobilization has achieved 77% of its target. The project has achieved substantial quantitative targets. However the findings of the MTE clearly show that considerable work needs to be done to improve the quality of interventions, and to further strengthen the capacity of the target group as self-reliant entrepreneurs up scaling their businesses. The evaluation also points out in the Forward Looking Strategies, that reaching the total quantitative targets, as set out in the Prodoc is not feasible for this pilot project at this stage.

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### **Immediate Objective 2**

*To build/strengthen the capacity of the implementing agencies for efficient delivery of services*

The criteria for success being: JMS, DWA and participating NGOs capable of undertaking, monitoring and supervising programmes to support and assist women entrepreneurs. Programme sustainability increased and linkages established.

At this stage it is not possible to state that this objective has been fully achieved. The analysis shows that while some capacity has been built of project staff at local and national level, concerted efforts are required to further enhance staff capacity in technical and managerial skills. The participation of DWA and NGOs has been minimal in the project. While they have received some orientation to the project they are not fully involved in the project activities. Their linkages with the project as pointed out earlier are fairly adhoc at the district level.

### **2. Development Objectives**



*Enhancement of poor women's productivity and income by ensuring access to credit, information, training, and other services with a view to increasing their investment and earning capacities.*

The project has opened avenues for women to receive training and credit, and enhanced their knowledge base and skills. But the overall objective cannot be achieved in a short span of time. There is a need to also create a favourable environment to overcome the barriers women face in owning, managing and operating businesses. The term "poor women" is inappropriately used as pointed out early on in this report, and it is important that the project maintain its focus on *entrepreneurship development*. The work envisaged in the immediate future will continue to strengthen the project move towards its goals and as a replicable model.

### **3. Sustain ability**

The findings of the mission show that achieving sustainability is a goal that the project must pursue by strengthening the institutional base at the grassroots level through the group structures. Capacity of women entrepreneurs to be financially self-sustaining and take independent actions for their enterprise is an indicator of sustainability. Interlinkages between the groups and formation of Samities as an organizational base for women entrepreneur's poses a challenge and is an element of sustainability that is not yet operational. Sustainability of the project also depends on the nature and extent of linkages that JMS can catalyze with financial and business development service providers and link/mainstream women. This is another strong indicator of sustainability and an area where intensive activities are needed. This capacity is in the process of being developed.

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Institutional sustainability will also depend on the capacity and commitment of the GoB, MWCA/JMS to consolidate the gains and continue the project over the long term and replicate the model. An important determinant of sustainability will be the ability of the project to influence policies for promoting an enabling environment for women entrepreneurs. At this stage of the project these various issues are in the process of being addressed.

### **Financial Sustainability**

The over-arching principle of guidelines regarding donor funded credit projects is the requirement to ensure that the preconditions for sustainability are established. In the micro-finance context this usually refers primarily to financial sustainability, although the durability of the entire project's desired outcomes are equally important.

The issue of financial sustainability is addressed in the Forward Looking Strategies in terms of financial intermediation. But it may be useful to point out that greater financial sustainability in the credit component can be achieved by removing the three months grace period and restricting loans to a maximum duration of 24 months. Grace periods have also been found to impede good credit discipline at the start of a loan cycle.

The period of the loan should also be made flexible (12,18 or 24 months) so as to better fit the needs of individual enterprises, and to enable the fund to revolve more quickly.

It is proposed that the interest rate should be further revised upward prior to the project reaching its conclusion. This should be done through a realistic assessment of its future operating costs, its actual loan loss rate, its financial costs, and the effects of inflation on the revolving fund. In other words, a level of interest that will ensure full sustainability of the credit operation. It is unlikely, in the absence of current subsidies that the project could continue to provide sufficient oversight of the fund whilst also supporting the Samities, with an interest rate below 15% flat. Sufficient information is not available to confirm this at such an early stage. It is recommended that the rate be increased gradually so as not to demotivate the newer clients.

Also, improved on-time repayment rates must be achieved with a minimum target of 95%. A tighter monitoring system throughout the project is required in order to achieve this.

A separate charge for any training provision, post project, should also be levied and should ideally be gradually introduced as soon as possible.

#### **4. Lessons learned**

An important lesson learned is that credit alone is not enough for women entrepreneurs, and that equal priority be given to key elements of entrepreneurial training, marketing

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business counseling and related areas. In combination a project of this nature should break new frontiers on policy issues to achieve longer-term impact.

A first time technical assistance project on a complex issue "women's entrepreneurship development" with several interrelated technical interventions needs to carefully take into account the capacity and staff strength for managing the undertaking. This implies prior in depth training for the personnel. Such a project needs to incorporate in its design a pilot approach with testing done in a few districts at first with gradual expansion and then going to scale.

Adherence to selection criteria: A project aiming to assist women entrepreneurs must focus clearly on its primary aim and develop a clear strategy for achieving that aim. The selection of individuals to participate in the project is a vital aspect. Therefore transparent processes and criteria for selection must be set down and adhered.

Centralization: Centralization limits the ability of the project to be responsive to the needs of the women entrepreneurs and provide speedy resolution and decision-making on issues that emanate at the field level. Excessive centralization of a credit component prevents the efficient utilization of funds due to the greatly increased processing time and the effort involved in disbursing funds following approval.

Excessive focus on credit: Projects seeking to achieve impact not directly linked to credit disbursement should avoid the direct management of credit funds. This task absorbs a vastly disproportional amount of management time and thereby diverts attention away from other objectives.

## **C. FORWARD LOOKING STRAGIES:**

Women's economic self-reliance and empowerment through entrepreneurship development remains a critical and central thrust of the project and a valid one.

The project has made a start, laid the groundwork and gained experience in introducing many rural and urban women entrepreneurs to better business concepts through the training activities. It has also provided an avenue to access micro credit. Small beginnings have been made towards building the grassroots institutional base through group organization. But much remains to be done, and most needed is high quality technical expertise and enhanced professionalism.

The mission analyses of various components, the issues to be addressed, and some of the lessons learned, suggest that in moving forward the project will need to solidify its base. It is most important that the project be allowed to mature, firm up operations, improve quality and thereby establish a viable methodology for replication. It is not considered feasible at this stage to continue to expand the project to meet the quantitative targets set out in the Prodoc and PP.

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At this point the project is at a critical juncture where technical support is needed to fine tune and adjust the design and strategies/activities, strengthen considerably the grassroots institutional base of groups, and ensure that the project is on track to meet its overall goals.

The forward looking strategies therefore include:

- 1. Policy Advocacy for Women Entrepreneurs**
  - 2. Deepen Entrepreneurial Skills, Capacity of Groups, and strengthen Staff Capacity**
  - 3. Local Resource Facility and Decentralized Management Strategy 4.**
- Financial Intermediation**

### **1. Policy Advocacy for Women Entrepreneurs**

An enabling policy and legal environment is critical to address the serious structural constraints and barriers, social, legal, institutional and regulatory that women entrepreneurs face in conducting their business activities. It is also essential in promoting gender responsive governance. There are numerous National Declarations and commitments to women's advancement in the economy. The Constitution of Bangladesh had made ample provisions to ensure equal rights of women. The Fifth Five-Year Plan places strong emphasis on women's economic self-reliance and access to information, resources, skills

and opportunities. The NAP declares the objectives to increase the number of women entrepreneurs and promote their development. The Ministry of Industries (MOI) is seen as the most appropriate body to take responsibility to "support women's capacity to undertake enterprises" as defined in the NAP.

Despite these favorable declarations and commitments, the policy and legal environment for women entrepreneurs remains far from being an enabling one. Part of the problem is that these commitments have not been realized in practice. There has been little support generated from the private sector for women's entrepreneurship, and there are few programmes actively promoting women's small businesses. A key issue, closely associated, is that any effort in creating a favourable policy environment for women's entrepreneurship must in parallel tackle widely held social and cultural perceptions. Unfavourable social and cultural attitudes towards women as key business players are a major obstacle. Therefore, raising awareness and sensitizing diverse groups about the importance of supporting women entrepreneurs and the gains thereof will be critical to the effective implementation of more gender-responsive governance.

The EDW project implementation has thus far not focused on policy issues and the 'enabling environment'. It is a gap in the policy design that merits serious attention as the project moves forward. A clear opportunity exists for EDW to bring the issues and information gained from the grassroots experience to the forefront and share this with policy makers at national level. It is essential to identify the continued barriers that women entrepreneurs confront, how these could be best overcome through policy

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initiatives undertaken in partnership between the private and public sector, and the effective implementation of existing and new policies.

## **Policy and Legal Issues**

There are a number of policy and legal issues associated with the promotion of women's business development. While not exhaustive, the mission identified several issues among many others:

- An important policy issue is the lack of adequate, timely, gender disaggregated data on women entrepreneurs/enterprises to provide a sound basis for policy development. Few financial and business institutions maintain such information or recognize the importance of it.
- Policies and directives are required for increased bank lending to the MSE sector and the setting aside of a certain volume of bank funds from national commercial banks for lending to women entrepreneurs. This is *a bridging strategy until* women are fully integrated into the mainstream financial market. Such issues need to be addressed through the Ministry of Finance and the Bangladesh Bank.
- Policy issues are related to streamlining the cumbersome administrative procedures

and bureaucracy in financial institutions to enable them to be more user/customer friendly. While affecting all small borrowers/MSEs, women entrepreneurs are at a particular disadvantage.

- Initiatives are required to stimulate improved institutional support in business development services (BDS) such as business counseling and advisory services by the private and public sectors. Incentives to the private sector to extend this expertise needs to be examined by the MOI which has a special role in providing support to women's MSEs.
- Policies on marketing issues are required to stimulate the private sector to be more pro-active in supporting women's MSEs. This could be through improved market information and marketing linkages with medium and large enterprises. Government agencies can also open market possibilities for preferential purchase of products from women entrepreneurs. Again, this is a *bridging strategy* to integrate women into the market system.
- Policy issues are related to the role of educational and training institutions in improving access of women entrepreneurs to technical training in market-based and non-traditional skills. This is necessary to expand their entrepreneurial choices and diversify the portfolio of their enterprises. Upgrading existing skills of women entrepreneurs is another issue to be addressed.
- Laws relating to women's ownership rights to property, inheritance laws, and to their entering into independent contracts and financial transactions require

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enlightened legal action and modification of laws. This will be necessary if women are to be integrated into a market economy, have access to and control of resources, and function as independent business persons. While it is not a legal requirement, banks still insist on signatures from husbands for loan applications. Other institutions providing financial services also require husbands as guarantors for the woman's business, and examine the husband's solvency before sanctioning a loan.

The mission is of the view that among the most pressing issues listed above are the need for financial institutions to increase their lending to women entrepreneurs, as well as making these institutions 'user friendly.' Another priority issue affecting women's economic status and hence their business opportunities are their unequal rights to ownership of assets and property. These pose a key barrier and should be addressed in civil laws

To address some of these multifaceted and outstanding issues it is proposed that the project pursue and operationalize a **Policy Advocacy Strategy**.

- **Policy Advocacy for Women Entrepreneurs**

Successfully targeted policy advocacy is critical to spur reform of laws and policies that

hold women back from pursuing their business interests. The MWCA/JMS are well positioned to work in collaboration with various government and non-government bodies on policy issues. The MOI with a mandate to promote enterprises should be a key partner.

It is proposed that the MWCA/JMS in collaboration with the MOI initiate and catalyze the formation of a **Policy Advocacy Forum for Women Entrepreneurs**. This forum should involve women entrepreneurs, entrepreneur associations e.g. WEA., selected marketing, training, financial institutions, MoF, MIDAS, Chambers of Commerce and Industry, BSCIC, selected NGOs involved in MSE development, the private sector, relevant donor agencies, and media representatives. It is here that UNDP can play a key role and lend its strong backing and support in galvanizing the initiative.

The Policy Advocacy Forum would provide a common platform for institutions addressing the needs of women entrepreneurs and the enterprise sector, to coordinate their efforts on key policy issues. It would be a mechanism to work jointly and cooperatively towards a common goal.

Based on constraints of women entrepreneurs the Policy Advocacy Forum would identify key policy issues to be addressed and select a few issues to work with. Members of the forum would contribute their expertise in preparing detailed briefs on these issues with policy recommendations, and discuss these in the Forum. These findings would then be brought to the attention of policy makers/appropriate policymaking body to be deliberated on and to reach consensus.

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In this connection the **Dhaka Chamber of Commerce and Industries** (DCCI) is conducting a sample survey on the status of women entrepreneurs, and developing a database on the MSE sector. This data will be used as a basis to prepare an Economic Policy Paper to lobby and advocate with government for a favourable business environment for women. Collaboration with the DCCI on the Policy Advocacy Forum would be very useful and valuable.

It is proposed that in order to galvanize the formation of the Forum, assist with collection of required research and information, and follow up with policy makers, a *Policy Coordinator* be specifically hired and assigned for the task. Commitments of members of the Forum may not allow them to give their full and undivided attention to all aspects of this initiative. Bringing about policy changes and the reform of laws is well worth pursuing if new directions and longer-term sustainability are sought. It should be recognized that such initiatives require time and effort to lead to fruition.

A recent initiative has been undertaken by USAID in drafting a law- "*Non-Secured Transaction Law*." This law proposes that moveable property be treated as collateral, thus addressing an important constraint faced by women in procuring bank loans. The law is to be discussed with the MoF and BB. It is proposed that the project examines the draft and collaborates with USAID as appropriate.

### **Advocacy and awareness raising**

In tandem with advocacy on policy issues, the project should consider efforts in awareness raising and sensitization for selected groups, on the importance of women's economic contributions, and hence support for their entrepreneurial efforts. This has already been proposed as an activity of the local resource facility. Depending on the context, different groups may be targeted including community leaders, family members, and service providers, NGOs, trade associations and women entrepreneurs. Awareness raising should be facilitated through workshops, and carefully targeted.

## **2. Deepening entrepreneurial skills and capacity**

The EDW needs to enter a phase of deepening and strengthening the entrepreneurial skills of women, and continuing to build the capacity of the small groups to evolve to larger Samities. The strategy involves:

### **Focus on quality**

- It is proposed that to heighten quality the project should continue to work with the 1784 women entrepreneurs who have already been reached through the credit component in 50 districts. Expanding the project to reach the target of 7000 women entrepreneurs in 64 districts (as set out in the Prodoc and PP) over the next two years is an undertaking that does not appear feasible at this stage. The focus on quality implies deepening and reinforcing the knowledge and skills acquired by existing women entrepreneurs through continued and more *demand based* entrepreneurship

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and skill training for them, support with improved marketing strategies and product development, training in leadership and management.

- There should be a parallel strategy to address the clients who have already been given entrepreneurship training, an additional 1794 (a total of 3600 received entrepreneurship training) women entrepreneurs. This would mean firstly applying the selection criteria to select appropriate women entrepreneurs. Secondly, an intensification of efforts in group organization for those motivated in group formation. Subsequently clients would be assisted to access other sources of funds through linkages with financial institutions/ intermediaries as proposed under financial intermediation
- Scaling down the number of districts where only a few groups have been formed may be another option during this phase for concentrating and improving training activities.
- Concentrate and intensify efforts across the project in organizational development i.e., improved group functioning, self-management and monitoring of the savings and credit by women entrepreneurs/groups to eventually lead to sustainable and viable Samities / entrepreneur associations.

- Using this period to establish concrete linkages and strategic alliances with financial and business development services in the private and public sector. This is with a view to build sustainability in the project design. It would also be a time to actually test out the feasibility of these linkages e.g. starting with the MIDI programme of MIDAS. Furthermore, a conscious effort needs to be made to facilitate women entrepreneurs to directly link and gain access to services of these institutions. This is an important direction that needs to be pursued in enhancing women's capacity to interact with public and private services.
- Enhanced capacity of project staff at national and local level should be a major objective in improving the effectiveness of the project, and in the delivery of high quality technical assistance to the target group.

### **3. Local Resource Facility and Decentralized Management Strategy**

#### ***A Local Resource Facility at Divisional level for Women's Entrepreneurship Development.***

A Local Resource Facility will be organized at the divisional level as a strategy to decentralize management for a nationwide undertaking. It is proposed that the project establish 6 focal points/facilities in six divisions of Bangladesh. Each focal point/facility would cover the districts in its respective division, and a total of about 54 districts in which the project is actively operating. Each focal point/facility would be based in one of the JMS district offices. Two specialists would staff this facility, one responsible for business development and marketing, and the other for credit and savings management,

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group organization. It is proposed that the officers be drawn from the private sector including NGOs, with demonstrated professional expertise and practical experience in these disciplines and having familiarity with the business and banking sector.

The International Micro Enterprise Specialist should work closely with and support the efforts of these officers particularly on strengthening the entrepreneurial and business development aspects of the project.

The team of 12 officers at divisional level would act as a local resource facility to strengthen the operations and management of the project at the local level and support the central project team in the monitoring aspects.

The specialists/divisional officers would need to be mobile with frequent travel to districts to provide hands on technical support to the women's MSEs, Local Project Committees and the district level staff. A computer and basic furnishings would be needed for each office to establish a data bank of market information and for monitoring purposes.

*It is important to point out that the project is already planning to recruit 25 project coordinators (reference PP) but the recruitment situation is at a standstill because of a*



*temporary freeze. The mission is proposing that instead of hiring 25 coordinators with intermediate qualifications, the project should instead try to recruit 12 professional and highly qualified staff for the focal point/resource facility. The modalities of the recruitment will need to be worked out with UNDP.*

*Rationale for the Local Resource Facility:*

- To bring high quality technical expertise, information and back up support to deepen entrepreneurial capacity in business development and marketing. This will be brought in closer proximity to women entrepreneurs. Support will also be provided to existing participants in improving their credit management, and facilitating them to establish linkages with other financial institutions as set out in the section on financial intermediation.
- To strengthen, consolidate and improve the overall management of the project through greater decentralization, closer supervision and follow up from the divisional level with regular site visits to each district, and ensure implementation of the monitoring guidelines.

*Functions of the Local Resource Facility*

The main role of the Local Resource Facility and staff would be to facilitate and promote:

- **Access to market information and business opportunities** Based on demand, the officer /specialist would collect and disseminate information to women entrepreneurs on market and business opportunities, market trends that affect their businesses, markets/export markets, suppliers, buyers, business contacts,

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sourcing for product development technology, and maintain an updated data bank for market and business information. This information would be communicated actively through simple leaflets, also by holding workshops at the local level for women entrepreneur groups interested in and seeking this information, or other methods.

- **Provide business counseling and advice**  
These services/group counseling sessions will be provided at district level sessions organized with entrepreneur groups on a demand basis and assisted by the district staff. The sessions would aim to assist women with improving existing enterprises, plans for expansion or diversification, and related issues.
- **Strategic networking with financial institutions, business development service providers, chambers of commerce, and large businesses:** Identify and develop linkages with key financial institutions and business services/training and assist women entrepreneurs to directly link with these and access finances and other technical services. Assist women in subcontracting linkages with larger businesses.
- **Strengthen self-management capacity of groups** to lead to formation of strong Samities, one per each division depending on the readiness of groups to interlink for a

specific purpose.

- **Liaise with local authorities** to assist women entrepreneurs overcome various constraints such as the lack of infrastructure or premises, cumbersome registration procedures, and other legal and regulatory issues affecting businesses. Identify the regulatory issues.
- **Raise awareness and promote advocacy at the community level** with relevant bodies, community leaders, chambers of commerce, employer's organizations the wider business community and public sector, in support of women entrepreneurs.
- **Supervise and monitor** project activities and back stop the role of the district level staff, local project committees, and provide technical inputs in approval of loans and business plans. The specialist/divisional officers and central project team will work closely in achieving a uniform and standardized MIS and reporting. Divisional staff would also participate in the Project Management Committee meetings held at central level as recommended under the institutional arrangements.
- The divisional officers would report to the central project level and will maintain a close and dynamic relationship. They will also collect and provide feedback to the JMS/MWCA on policy issues at the local level that need to be put before the Policy Advocacy Forum.

#### **4. Financial Intermediation**

Financial intermediation is proposed as a key strategy to move credit management responsibilities for the existing revolving fund to selected identified intermediaries and to

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promote financial sustainability. This would allow JMS and the project to focus its efforts substantially on the entrepreneurship aspects of the project and establishment of an 'enabling environment' for women entrepreneurs. It would be advisable that no new loans be disbursed by JMS in this transition period. In addition, the project will be more in line with the policy guidelines for recipient organizations of UNDP's micro-capital grant<sup>6</sup>. In this immediate period the project will explore and identify key financial institutions that will collaborate with the EDW.

It is proposed that a Financial Intermediation Consultant be recruited. This individual will be responsible to work, in close collaboration with the National Project Director, to identify suitable recipient institutions which will be mandated to manage the project's credit fund on a permanent basis. The transfer of funds will take place as soon as the appropriate MOU's can be finalized, and the recipient institutions will make these funds available to the women entrepreneurs of the EDW project. Potential financial institutions that may be approached, some of which have been discussed in detail above, are the Nationalized Commercial Banks, MIDAS, PKSf and other NGOs.

#### **D. FUTURE CONTINUATION OF THE PROJECT**

The Forward Looking Strategies will require the support and commitment of the collaborating partners and a readiness to move forward rapidly in the remaining period. These also have budgetary implications, which will need to be factored in.

### **Recommendation**

It is recommended that the project be extended for a year beyond the project period in June 2003 to June 2004. The strengthening and reorientation processes proposed and the forward looking strategies will need this additional time. It will enable the project to make the necessary adjustments, gain quality and momentum as a replicable model of women's entrepreneurship development in Bangladesh. The results should be monitored closely.

<sup>6</sup> According to UNDP policy guidelines micro-capital grants should not exceed \$150,000 per recipient organization. JMS has received in the region of \$870,000 to date.

## **ANNEX 1**

### **COMPILED LIST of COMPONENT RECOMMENDATIONS**

#### ***Components of the Project***

##### **Selection of Women Entrepreneurs**

In order to take remedial measures in selection of women entrepreneurs, and to maintain the credibility of the project, the following is proposed.

- The prescribed criteria for selecting women entrepreneurs for loans should be strictly adhered to.
- Members of the Project Management Committee are not the target group and no loans

should be extended to them. Transparency should be maintained in the screening procedures of applicants.

- The criteria "**poor**" should be omitted from the selection of the target group as it contradicts the objectives of the project.
- Because of the practical problems of selecting women entrepreneurs from each organization on a percentage wise basis, the project should use the criteria as the main guideline. It would thus attract serious entrepreneurs. Criteria should be modified to ensure that only genuine entrepreneurs are selected. Information about the availability of these loans should be provided to public and private institutions, including NGOs that are working with women's micro and small enterprises. There is no particular reason for restricting eligibility to members of JMS/DWA/NGOs. Women from these various institutions who demonstrate real entrepreneurial capacity should be identified and encouraged.
- The criteria should be limited, initially, to the type of individual sought. When considering the loan application, a further checklist should be used to ensure that the loan is appropriate. For recommendations on this checklist see: Credit and Savings Operations and Management.

## **Credit Operations and Management**

### **Loan Application**

The Loan Approval Form must put a great deal more emphasis on the balance sheet, profit and loss account and cash flow of the applicant's business. Many women will not be able to provide this information before undertaking the enterprise development training. A major aim of this training, as well as, the overall project, should be to transfer

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this type of knowledge to the women, such that, over time, their ability to present such information can develop. Many women have expressed a need for more training in accountancy matters.

More urbanized areas should have a higher allocation of the revolving credit fund as the entrepreneurs in these places are more likely to be able to invest larger loan sizes in a profitable way. The availability of entrepreneurs that fulfill the selection criteria is also likely to be higher in the urban centers.

Loans in excess of 50,000 should only be given to borrowers who have already demonstrated their ability to repay loans beyond the normal micro-finance limits. For example: to receive 50,000 the borrower should already have satisfactorily repaid a loan of at least TK. 20,000. It is not advisable to make very large step increases in loan size. The applicant's strict regularity in repayment of previous loans should be closely considered prior to loan approval. Their ability to continue to build-up their savings at the prescribed rate must also be considered.

### **Guarantors and NGO Practices**

The project should re-consider the guarantee and determine whether they need to continue to obtain a guarantee and also whether it is appropriate to accept the client's husband. The time and effort required to obtain the guarantee must be balanced against the possible benefits that it offers.

Since not all the loanees will be known to JMS through prior lending agreements, it is essential that the project does obtain a reference from the woman's previous lending organization. The reference should be required to state precisely whether or not the applicant paid all her installments according to schedule, and, if not, exactly what delays occurred, and why. If such a letter is not forthcoming, JMS should not consider the woman's application any further.

### **Savings**

The savings guidelines also present a number of formats that are intended for use as receipt slips. Since all entries are recorded in both the groups' ledgers and in the individuals' passbooks, it should be possible to dispense with further paperwork in this regard. Individuals' passbooks should be kept by each member and not stored with the ledger book.

At this stage JMS should ensure that groups have a fixed term deposit account into which savings can be deposited periodically. The interest earned on this account should be allocated to the individual members according to their individual deposits. In the longer term the Samities should propose aggregating members' deposits such that a more beneficial rate of interest is achieved.

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Given the fiduciary responsibilities of a deposit holder it is not recommended at this stage that JMS or the Samities should risk utilizing members' savings as part of the revolving fund. However, should individual groups decide to mobilize their own savings in this way they should be encouraged to do so.

Members should be given greater access to their savings, particularly those that have already successfully repaid one loan. Entirely flexible access to savings is not possible so long as the project is relying upon fixed term accounts, but alternatives to this can be sought in the future.

### **Loan Approval and Disbursements**

All trainee selection and loan approval should be done at a local/regional level, as better information is available to the project at this level and the decision making process can be considerably speeded up. Again, this depends upon the availability of experienced and more senior staff than are currently provided. The function of the Head Office should be primarily to ensure that the criteria for selection have been complied with, which can be achieved through random sampling techniques.

This LAC should be set aside in favor of a more specialized and streamlined Local Project Committee that would be able to provide on-the-spot appraisal and which would have

direct access to the applicant and to her business premises. Therefore, loan approvals would take place at the district level and a target processing time of 15 days could be established (assuming funds for disbursement are available). In exceptional cases, where the applicant does not strictly fulfil the criteria for membership, the loan application would be forwarded to the National Project Director for consideration and approval.

The size of the loan should not be more than the existing asset value of the business, and such assets, not more than three times the size of the loan.

On qualifying for the loan, the women will obtain a trade license prior to loan disbursement. The project will assist women with the procedure to obtain a license

Various other simple financial ratios and indicators are available and the project needs to select a reasonable range of these, that will be relevant to the different types of business that it anticipates funding. It must then ensure that these are incorporated into the training programs of both clients and staff.

### **Loan Repayment**

The auditors state that the on-time repayment rate in June 2001 was 90%, and this, according to the Head Office records, has slipped further to 88%, as at the end of September. This level of repayment is clearly unsatisfactory, particularly at this early stage of a credit programme. It is essential that project staff take urgent steps to reinforce a strict repayment discipline.

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An incentive system should be introduced for those borrowers that repay their entire loan strictly in accordance with the repayment schedule. This would involve a small repayment of interest, as well as, a guarantee of speedy approval of a subsequent, larger loan, if required. If funds are not available the project staff must establish the linkages to ensure that the client can raise finance from another credit provider. Likewise, late repayment must be penalized and the borrower should be penalized immediately rather than at the end of the repayment schedule. This would involve a fine added to the amount due (perhaps 2% per month on the amount overdue).

Those districts that are already showing good on-time repayment (i.e. 95% and above) should be targeted for additional credit.

### **Credit Management**

Staff must be made available at the district level that have a solid background in supporting small enterprises. They should be able to, both, make reliable assessments of a business's ability to benefit from the credit and to provide specialized advisory support to the entrepreneur.

All district level staff should receive training in business appraisal, such as simple financial analysis, ratio analysis and the use of approval checklists.

At present, no incentives are provided for encouraging staff to make the extra effort to ensure that members have repaid on time. Such a system might be particularly useful at the district level, and could involve recognition in the form of prize giving and/or monetary rewards.

### **The Revolving Credit Fund**

Clearly, there is a need to establish an effective system for ensuring the most efficient utilization of this revolving fund. The disbursement of loans for 27 months reduces the scope to revolve funds quickly. However, with a less centralized system, whereby the fund is revolved within a smaller geographic locality, it should be possible to ensure that idle funds are not left in any bank account for more than two or three weeks. Clear targets should be established to ensure that this is the case. To achieve this a more measured disbursement of funds would have to be devised, rather than the existing approach whereby many loans in one district are disbursed on the same day. Such a system may also enable more pressure to be placed on defaulters, since new loanees would be waiting for the funds that a defaulter had failed to repay.

For further details see section on Forward Looking Strategies.

## **Capacity Building and Training of Women Entrepreneurs and JMS Staff**

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### **Training procedures**

- The practice of training organizations including names of reputed consultants in the proposals in order to get an award, and then not involving them once the award is received, is highly unethical and unacceptable. JMS should look into this matter since such a practice can seriously affect the quality of the training courses.
- Development of an annual training plan is an implementation mechanism for translating organizational strategy into action. A forward plan of training is also required to meet the needs of the training providers. The Training Consultant should develop a training plan (calendar) including the dates, duration, venue and who will conduct which course and share this with all the training organizations.
- The standard practice of a performance deposit from service providers should be as follows. An applicant organization will be required to pay performance deposit (earnest money) for the total number of courses planned by the project. After the award / selection of the organization for a specific number of courses, JMS will retain a performance deposit only for the number of courses to be implemented by the organization. It will immediately refund the remainder amount to that organization.

### **Training Needs Assessment**

- The identification of training needs requires systematic information on task analysis and on the educational levels of each group to be trained.
- The quality of a training program should not be sacrificed for the sake of budget constraints, since it can defeat the entire purpose of the training program. The project should allocate adequate funds to the training component, as capacity building is a major element of this project.
- The course should be redesigned to suit the needs of the participants. JMS should identify an appropriate curriculum, as conducted by many of the NGOs for similar target groups. The preparation of a business plan in the WEDP training course should be re-examined in view of the level of the participants, duration of the training course and the purpose it is intended to serve.
- Local case studies on entrepreneurs in Bangladesh should be used so that trainees can identify with the situation.

### **Curriculum Design and Implementation of the Training Programme**

These points came from the training organizations and are required in order to remove discrepancies and inadequacies:

- There should be a joint meeting of the selected training organizations and JMS, to share the needs and expectations of JMS and to consider the design of the curriculum.
- There should be a two-day participatory workshop with the representatives of the training organizations and JMS, to finalize common course content, a training schedule, and training methodology and session plans.
- To eliminate differences in the handouts prepared by the organizations, one particular organization should be entrusted with the task of preparation. Alternatively, each organization could submit its handouts to the Training Consultant of JMS, who can select the most suitable.
- The handouts must be prepared in keeping with the needs and level of the participants.

The above approach is applicable for all training programmes that are awarded to several training organizations.

### **Skill Development Training**

Women entrepreneurs should be linked with local NGOs, DWA, Department of Youth, BSCIC, BRDB, BGMEA Fashion Institute, and other related organizations, for skill training.



## **Capacity building of JMS staff**

### **Recommendations**

Under the circumstances, the project needs efficient staff with the capability of providing extension services to the borrowers. Borrowers need counseling services, so the project staff should have knowledge of the following disciplines:

- Marketing of micro-enterprise products.
- Trouble shooting production problems.
- Establishing linkages with the external marketing and production support services.
- Efficient utilization of project resources so that borrowers can gain adequate profits and are able to pay back loans and the service charge.
- Identification and assessment of viable projects that will yield adequate return.
- Project monitoring as facilitators/counselors.

The evaluation team considers that project staff should also be trained in the legal aspects of conducting a business. They can assist entrepreneurs in registration and trade licensing, the payment of taxes and VAT, and compliance with other rules and regulations affecting their businesses.

The Project staff should be trained as soon as possible after their appointment. They could gain professionally from attending full-time the various training programmes for entrepreneurs, instead of visiting casually.

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A training course for JMS Staff is now being conducted on Trainer's Training for Entrepreneurship Development, and the Training Officer should have attended this course.

### **TOT on Entrepreneurship Development**

This course is 'trainer's training' and not simple entrepreneurship training. Therefore, there should be more topics on the concept of training, the importance of training and the qualities of a trainer, etc. There should be a training guideline for the participants, as it is one of the objectives of the programme to develop trainers who are to train women entrepreneurs in the future.

Staff needs training in the following areas:

- Office Management
- Credit Management
- Facilitation Skills
- Gender and Development
- Business Management
- Legal Aspects of Business

## **Capacity building of the Local Project Committee Members**

A project orientation course should immediately be organized for all the members of the LPCs so as to familiarize them with the goals of the project. Members of LPCs should also have exposure on profitable business identification and project appraisal. A separate course on this subject may be conducted, or these topics may be incorporated in the proposed orientation course.

## **Institutional Linkages**

- A most viable option for immediate linkages in terms of both financial and nonfinancial services appears to be MIDAS financing, through its MIDI programme. JMS has already developed initial linkages through sub contractual arrangements with MIDAS. The organization is familiar with the EDW target group and is willing to provide access to women entrepreneurs who meet its specific criteria. Such an arrangement would be a good starting point and could be tested out in Dhaka City, Chittagong and Khulna. It is recommended that JMS explore access to MIDAS financing and if feasible a MOU between the JMS and MIDAS should be prepared setting out the details of this arrangement.
- Another good option is the Agrani Bank and further discussions should be followed up with them, as well as the Krishi bank.

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## **INSTITUTIONAL ARRANGEMENTS**

### **Project Implementation Committee (PIC)**

Instead of a National Project Implementation Committee (PIC), an option is to have an EDW Project Management Committee comprised of the central level project team and staff, the NPD, the Chairperson of JMS, and representatives from the field staff. This committee would focus on detailed project management and implementation issues a task best done with those involved in the project on a day-to-day basis. It would thus strengthen the operations of the project and resolve issues. The committee would meet once in two months. The Project Management Committee may incorporate other collaborating organizations as required.

### **The Loan Approval Committee (LAC) and the Local Project Committee (LPC)**

- The LAC is centralized and should be set aside in favor of a more specialized and streamlined Local Project Committee, that would be able to provide on-the-spot appraisal which would have direct access to the applicant and to her business premises.

- The functions of the Loan Approval Committee (LAC) at central level should be merged with that of the LPC at district level as discussed. The composition of the LPC should be modified. The aim is to make this committee specialized, more technically and business oriented with the ability to perform the functions set out for it. This calls for high performance levels. The LPC should be a small committee (maximum 6 persons) to include one representative each from the business sector, local bank, target group, BSCIC; JMS district staff, NGO/DWA (only if their participants are involved in the project) and the JMS Chairperson. The role of the latter is to ensure an active committee and facilitate the meetings, with technical inputs drawn from the respective members.
- Besides the district staff officer, LPC members should also schedule visits to women's MSEs to monitor their performance and better understand the issues
- The LPC should be provided a full orientation and training to the project and to its role in selection of women clients, loan screening, loan approval, appraisal of business plans and monitoring.

### **Project Management & Implementation**

- It is recommended that the project adopt *a team building approach* with regular staff meetings at central level held bi-monthly/monthly. These meetings would provide the opportunity for staff to work as a team on implementation plans and issues and move ahead in a concerted manner.

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- It is recommended that periodic workshops be held with field staff and the central level project team to create a more dynamic and interactive working relationship between the two. It would be a means of providing back up support to field staff and contribute to the team approach concept.

### **Quality of Monitoring and Backstopping**

- The mission strongly recommends that the project urgently institutes a strict supervision and monitoring system and utilize the Monitoring Handbook. Staff, project team and field officers need to be trained and oriented in the use of the handbook and the various formats included.
- During the interim period that a national consultant on micro enterprise is being recruited the project should make greater use of the services provided by the expatriate micro enterprise specialist to support to the project team in monitoring the business

performance of the enterprises supported.

- Recommendations on *loan monitoring* are covered in the section on Credit and Savings Operations and Management.
- Intensify the training and capacity building activities for women group leaders and group members in self-monitoring and management of their loans and enterprises. They should be facilitated to diagnose issues and attempt to resolve these amongst themselves and with project support.

### **Role of UNDP**

- It is recommended that in the near future UNDP be more closely and actively involved in monitoring the project, and in maintaining a regular dialogue and contact with the MWCA/ JMS. It is also recommended that UNDP pursue with the partners the policy agenda and use this pilot effort to break new ground on supportive policies for women entrepreneurs in Bangladesh.

### **Role of UNOPS**

- The project should utilize the services of the Specialist much more e.g. by her accompanying staff on monitoring field visits and providing technical backstopping first hand. It is also recommended that the Specialist on her part play a greater role in providing technical support to staff on issues identified. In addition the Specialist should strengthen reporting to JMS and UNDP in writing, highlighting major weaknesses and issues to be addressed along with recommendations for action.