

JOBS NEWSLETTER

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Other recent highlights:

- TRIN, a local training firm, completed need based specialized training on Selling Skills for 46 MEs.
- The renowned training firm CENCE trained 40 SMEs in the Handicrafts sector on salesmanship and buyer communication to assist their entry into export markets.
- A 12 daylong EDBM-TOT course conducted by CDS started for 22 EDWs of two local NGOs, Yogsutra and SSS. The JOBS training team will conduct three sessions.
- YPSA, Ghashful and Green Hill completed eight batches of EDBM training conducted by newly trained EDWs for 250 MEs as part of a recent collaborative venture.
- The Marketing team successfully linked weavers from Tangail to buyers in the largest market in the Dhaka, ensuring both parties better prices and facilities.
- Four participating SMEs, Nippon Pvt. Ltd., Palki International, Banaj Barnali, and Novel Crafts, returned from the New York Home Textiles International Fair with export orders for \$348,000. Orders for \$500,000 are under negotiation.
- JOBS clients attended a Leather Footwear Fair in Tokyo where they negotiated orders projected to total \$3.8 million over the next year.

Credits

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JOBS completes draft law for Secured Transactions

A team of legal experts organized by JOBS completed the first draft of a Secured Transaction Law for Bangladesh this March. The team will now promote the law to build broader support in the public and private sectors and prepare a paper on how the law interrelates with other laws of Bangladesh. The law will be translated into Bangla and introduced to the Government of Bangladesh.

The team members were **Arshadur Rouf**, Advocate, Supreme Court of Bangladesh, Local In-house Counsel, Standard Chartered & Grindlays Bank;

Sheela Rahman, Barrister at Law, Rokanuddin Mahmud & Associates; **Tania Amir**, Barrister at Law, The Law Associates; **Omar Sadat, LL.M.**, (Cantab) Barrister at Law; and **Syed Md. Aynul Kabir**, Barrister at Law, Associate, Lee, Khan and Associates. **Allen Welsh**, an international legal consultant for the JOBS Project, was here for the technical sessions.

See <http://www.iris.umd.edu/adass/proj/BDsecuredlending.asp> to review a copy of the draft law, or request a copy from the JOBS Policy Unit.

JOBS and BILIA sign Letter of Collaboration

On April 8 JOBS signed a Letter of Collaboration with the Bangladesh Institute of Law and International Affairs (BILIA). The Project is working to reduce barriers facing SMEs seeking access to credit. BILIA works in the arena of judicial networking. "This is an excellent opportunity for JOBS and

BILIA to join efforts and work on legal reforms that are economically based," said **Roger Bird**, the Senior Policy Advisor for JOBS. BILIA's Director Ambassador **Waliur Rahman** added, "This is a good step in contributing to the process of strengthening democratic and legal institution building in Bangladesh."



Roger Bird, Senior Policy Advisor for JOBS (second from left) and Ambassador **Waliur Rahman**, Director BILIA (third from left) sign a Letter of Collaboration.

E - Commerce News

- The JOBS Project's **E-commerce in Bangladesh: Potential and Policy Priorities Conference** report was extremely valuable to the IT task force of the Government of Bangladesh. The Secretary of the Task Force applauded JOBS/IRIS' support in making the Conference recommendations a reality.
- The Project is sponsoring stakeholders from Bangladesh at an EC/ICT conference in Stockholm, Sweden in June. Twenty three countries will participate.
- JOBS is assisting TechBangla to assess the status of ICT in Bangladesh and the country's readiness to enter into the global digital economy. The potential of ICT for socio-economic development is also under study.
- The Project participated in a roundtable conference organized by TechBangla on **Telecommunication in Bangladesh: Emerging Issues**, which focused on policy reforms necessary to encourage the growth of EC/ICT in Bangladesh.
- The EC/ICT team assisted the Ministry of Science and Technology in posting its forms on the Web, thereby becoming a pioneer of the E-governance project of Bangladesh. The forms may be viewed at www.bccbd.org. Click on BCC Forms Home. JOBS will continue to assist other ministries to post their forms.

Key Elements in Modern Moveable Property Financing Laws Simplicity and Certainty at Low Cost

Banks and leasing companies take risks for the benefit of receiving a return on investments. Generally, the higher the risk the higher the expected rate of return, the lower the risk, the lower the rate of return. If lenders perceive the risks as too high they simply will not lend. Using movable property as security for loans is often considered too risky in Bangladesh, because if borrowers fail to pay, lenders have problems acting upon the collateral to recover the loans. These problems may include the collateral losing value through depreciation, the perishable nature of some assets, the uncertainty of the legal recovery process, and a weak or non-existent enforcement system.

In short, lending enforcement laws enacted in the 19th century do not suit the modern economy, and so lenders in Bangladesh do not use moveable property as a primary source of collateral.

JOBS, which seeks to increase access to credit for SMEs, has recently drafted a modern secured transactions law, giving lenders the right to timely possession of pledged collateral in the event of default and the freedom to sell the collateral in a commercially reasonable manner. Currently, lenders must wait up to five years for an executory order of sale from the court.

A draft law would also reduce lenders' risks and provide greater opportunities to lend moveable assets. Several general premises of a modern secured transaction law are summarized

below:

Simplicity. Complicated rules leading to inconsistent results make creditors nervous. When creditors are nervous, they lend less money at higher interest rates or do not lend at all. The rules for creating security in movable property must be simple and certain and the results consistent, whether the transaction is a pledge, hypothecation, lease, or other formal transaction.

Transparency. Prospective creditors need easy access to information to ensure that no prior creditor has claimed an interest in the debtor's movable property. Creditors must also know in advance of a loan that they have a priority claim in the moveable property used as security. Priority rules must protect creditors that have rights in future collateral, such as tax authorities, judgment creditors, and bankruptcy trustees. If there are exceptions to the creditor's priority, the circumstances must be limited and clearly stated in the law.

Costs. Filing fees must be low. There should be little or no need to use professional agents to search records or register notices of secured credits.

Enforcement. Movable property depreciates in value, and in some cases may perish. Enforcement must be fast, certain, and inexpensive. A debtor who has defaulted must surrender the collateral to the creditor immediately.



Examples of Moveable Assets at Work

Need based skill development: An essential part of economic growth.

One of JOBS successes is providing Entrepreneurship Development and Business Management (EDBM) training to capable MEs willing to pay for good support services. In last month's newsletter we described how JOBS and the local NGO Thangamara Mohila Sabuj Sangha (TMSS) collaborate. This month we describe how the program works in the real world, where situations are often different from those envisioned during program design.

TMSS training programs have so raised awareness among entrepreneurs that even those not affiliated with JOBS or beneficiaries of partner NGOs/MFIs are seeking assistance. As a result, the Project now provides EDBM training to interested entrepreneurs for a small US\$ 10 fee (Tk. 500). Among the many rural entrepreneurs eager to learn was Nayan Tara, who shares her experiences.

"I believe that spending a little extra money to improve management skills reaps good results for all businesses. Why wait for free services when you can get them now for such a small fee?"

"It was difficult to run our growing business with our limited knowledge. When I learned that TMSS offers business development courses to local entrepreneurs, I was eager to join. I realized that money alone was not sufficient for success in business and that over the years I suffered unnecessary losses because of my lack of proper business management skills."

"Initially my husband worked and I brought him lunch; while he ate I sat at the counter and slowly but surely began to learn about entrepreneurship. When I told my husband that I wanted to work full time, he was encouraging. We knew that together we'd reap better results."

"I soon realized that although I was good at getting a customer's attention I didn't know how to expand the business to improve the family's security. Until TMSS came along, the training I needed was only available to those involved with NGOs. Their offer to train individual entrepreneurs came as a blessing."

"EDBM training is the best way for individual entrepreneurs to achieve success. Armed with the skills I learned from TMSS, I am now confident in running my business. I know how to plan my business. I understand demand and supply trends. I can manage accounts. I also know that our individual growth will contribute to the overall growth and development of our community and eventually the country."

ASSISTING MICRO ENTREPRENEURS TO ACCESS CREDIT

Lack of access to capital is a major constraint for Micro Entrepreneurs (MEs) seeking to expand or set up new businesses in Bangladesh. Consequently, the Project's ME development program emphasizes greater access to credit, which is basically resource mobilization for micro enterprises.

Official requirements (legal documents, sustainability, size, etc) often prevent MEs from applying for institutional loans. NGOs and MFIs intend to provide credit, but often face fund shortages and have limited scope for expansion. Realizing the urgent need to solve this problem, the Project developed a support program focused on organizational infrastructure and capacity building, development of individual entrepreneurs, and linkage with sources of credit.

ORGANIZATIONAL DEVELOPMENT

As the main sources of financing for MEs, NGOs and MFIs require extensive capital to run credit programs. Many suffer from scarcity of funds, resulting in insufficient credit

disbursement to clients. Donor agencies have reservations about funding local NGOs and MFIs due to their unstable management and infrastructure.

To overcome this situation JOBS has developed training programs designed to strengthen organizational capacity and focusing on aspects of credit, accounts, and finance.

BUILDING INDIVIDUAL CAPACITY

Many small entrepreneurs have limited experience handling large amounts of money. Instead of seeking institutional loans from commercial banks, they generally seek credit from NGOs/MFIs, which emphasize maximum utilization and timely return of funds. This can pose problems providing assistance to select sectors. Often clients that most need support do not meet administrative requirements.

To cater to the needs of these sectors the Project selects entrepreneurs for a "package" assistance program. Entrepreneurship Development and Business Management

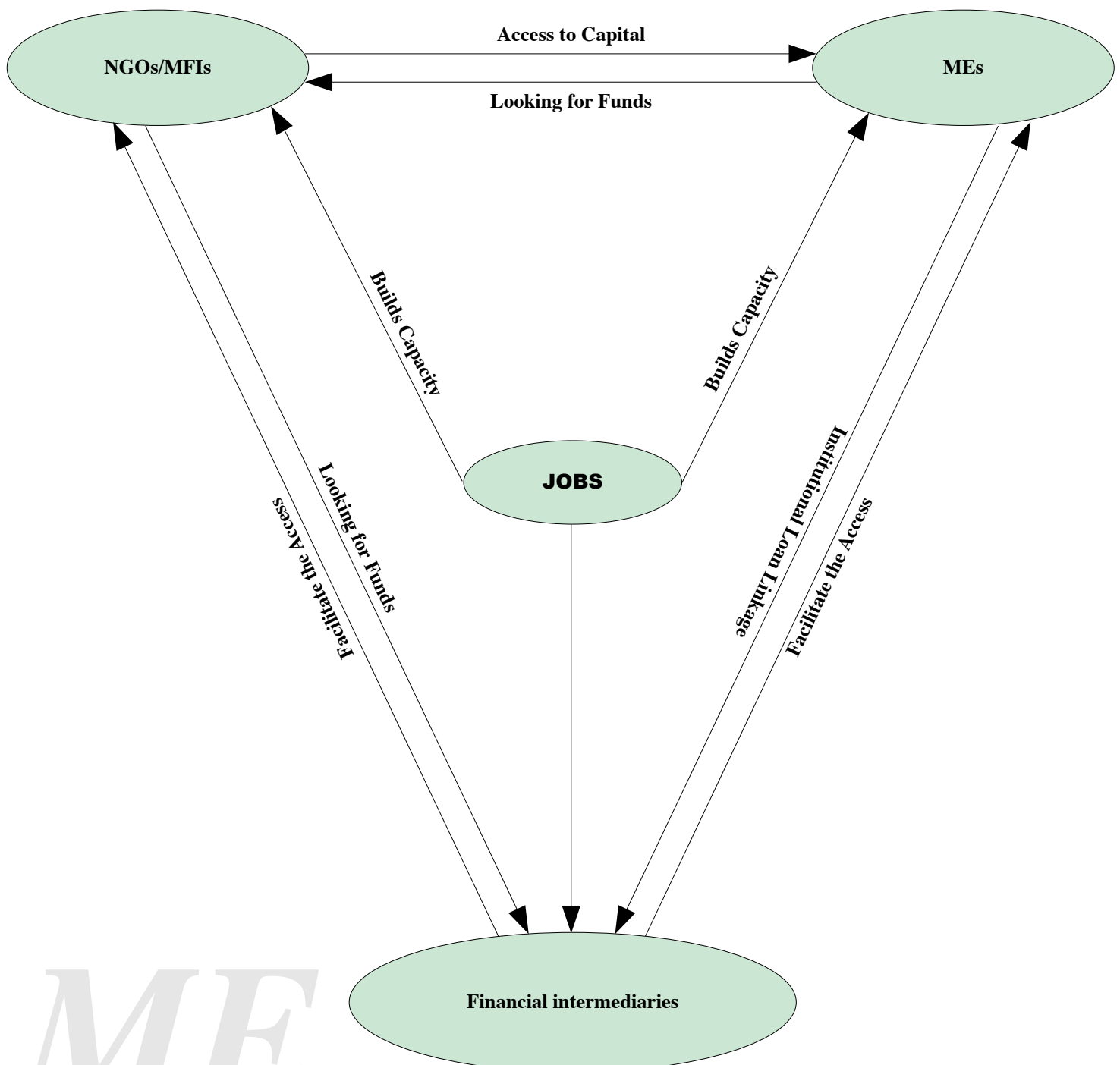
(EDBM) training plays a vital role. Entrepreneurs learn to make business plans, develop an entrepreneurial attitude, and are inspired to innovate. JOBS also creates a secure financing environment for micro entrepreneurs. Intervention in the form of technical assistance includes access to new markets, development of quality products, production cost reduction, and further expansion.

LINKAGE WITH CREDIT INSTITUTIONS

The ME Development Program's primary objective is to

enable MEs to enter the mainstream economy. Micro businesses successfully run become small enterprises. However, NGOs and MFIs, with their limited resources, may be unable to cater to growing MEs requiring more capital. In such cases the Project facilitates links with commercial banks and access to institutional loans that enable MEs to expand capacity. The Project works closely with beneficiaries on paper work and documentation and support from grass root staff trained by the Project is always available.

The following diagram shows JOBS role in ensuring access to credit for MEs:



JOBS, Banks Collaborate to Ease Credit

Small, Medium and Micro Enterprises are the principal employers in Bangladesh. With appropriate support they could become the backbone of the country's developing economy, but lack of access to credit and a shortage of working capital limit their role at present.

JOBS has signed MOUs with three commercial banks to ease access to credit for SMMEs. Technical assistance from JOBS combined with favorable financing through these banks will enhance the capacity and performance of small entrepreneurs.

The **Bank of Small Industries and Commerce Bangladesh Ltd (BASIC)** is part development and part commercial bank. Its micro credit scheme addresses the development of urban and suburban MEs. To diversify the investment portfolio, BASIC provided special loans to about 50 small-scale industries (investment cost US\$ 10,000 to 60,000) in June. Enterprises

involved in electronics, engineering, food and information technology have priority. The objectives of this understanding are to:

- ❑ Finance JOBS assisted, screened, and recommended SMEs. Entrepreneurs unable to provide collateral in the form of immovable property will be financed on



Picture Shows Project Director of JOBS Reid B. Lohr and Mr. Alauddin A. Majid MD of BASIC Bank after Signing an MOU to Provide "Access to Capital Small and Medium Enterprise."

- hypotheccation of movable assets (equipment, inventory, accounts receivable, etc.).
- ❑ Provide collateral free credit (up to US\$ 2,000) for SMEs trained by JOBS and meeting criteria set by the Bank.

The **Prime Bank Ltd (PBL)** is a private commercial bank catering to the credit needs of SMMEs. As part of the USAID's Loan Portfolio Guarantee (LPG) Program, the Bank has eased access to credit for SMEs with a simplified credit scheme. Its main objectives are to:

- ❑ Finance JOBS screened, recommended, and assisted clients, meeting the Bank's regular criteria.
- ❑ Support potential up-scale SMMEs with collateral-free credit facilities, after consideration of Project training on a case-by-case basis.

The **Social Investment Bank Ltd. (SIBL)** relies on an alternative concept of Islamic Banking based on interest-free economic transactions, participation, and sharing of profit and loss.

SIBL has combined three sectors of banking into one participatory approach. The Formal Sector works as an Islamic Participatory Commercial Bank, giving a human face to credit and banking based on profit and loss sharing. The Non-Formal Sector provides banking services to the poor to create income-generating opportunities that discourage internal migration. The Voluntary Sector plays the role of a development bank.

SIBL's Family Empowerment Micro-Credit program assists marginal families. It provides micro credit borrowers with business management training. The Bank's objectives are to:

- ❑ Finance SMMEs screened, recommended and assisted by

JOBS and meeting the Bank's normal requirements. Exceptions will be made for insufficient fixed assets securities/collateral.

- ❑ Provide collateral-free credit up to US\$ 1,000 for SMMEs trained by the JOBS Project.
- ❑ JOBS will provide EDBM training to

micro credit borrowers of SIBL.

JOBS Project's Role

The Project's Loan Facilitation Program (LFP) helps SMMEs access loans. SMMEs, NGOs and MFI's working with JOBS complete a simple credit information form and submit it to the LFP with an application for loan facilitation assistance. The LFP examines the forms and screens clients based on project viability. JOBS is closely involved in contacting and negotiating with institutions throughout the process. After final review and initial approval from the bank, clients will continue to receive assistance with loan applications, business and marketing plans, net worth statements, etc. The LFP only facilitates the loan application and procurement process. JOBS does not provide funds, guarantee, or share the amount loaned.

ACCESS TO CREDIT FOR SMEs

The SME Development Program works closely with the Project's Loan Facilitation Program to provide access to credit for clients. The Project does not fund clients directly, but works with banks to arrange credit.

Banks usually have a loan application procedure involving time consuming paperwork and attention to details that many applicants lose track of. JOBS has signed MOUs with three local commercial banks to facilitate access to credit for SMEs. The steps involved are:

- Step 1:** JOBS developed a simple application form providing information about the client and data about the specific requirements of the bank.
- Step 2:** JOBS verifies the client's application, based on the following requirements of the banks:
- Sufficient cash inflow
 - Enterprise profit increases resulting from loan
 - Export opportunities
 - Work orders
 - Income source
 - Expenses and profit ratio
- Step 3:** JOBS arranges appointments for selected clients with the banks. This is probably the most important support JOBS provides, since it is often difficult for small entrepreneurs to arrange their own appointments.
- Step 4:** The banks, with JOBS assistance, verify the client's business position, commitment, existing business, projected plans, etc.
- Step 5:** If the bank is satisfied, the loan application forms are collected. JOBS assist clients to complete the forms and prepare supporting documents, (i.e. business and marketing plans, net worth statements, etc.).

Recent Successful Examples

- With JOBS assistance, textile client **Kay Krafts** received a **US\$ 44,000** loan from Prime Bank. The loan was disbursed to help extend their market coverage and production capacity.
 - JOBS also helped bakery client **K.B.S** receive a **US\$ 6,000** loan from Prime Bank last year.
- This year JOBS is currently working with several clients and organizations to receive loans for additional capital that will permit employment creation and business expansion.



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Job Opportunities and Business Support (JOBS) is an innovative USAID/ Bangladesh initiative implemented by the IRIS Center at University of Maryland.

