PD-ABF 902
82359

End of Project Evaluation

Enterprise Development Project: Bangladesh

GEMINI Technical Report No. 56

GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814

DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International • Management Systems International, Inc. • Opportunity International • Technoserve • World Education

End of Project Evaluation
Enterprise Development Project
Bangladesh

by

Mohini Malhotra, Team Leader
John Magill
James Packard Winkler

with assistance from
M.M. Nurul Haque

April 1993

This work was supported by the U. S. Agency for International Development Mission in Bangladesh through a buy-in to the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, contract number DHR-5448-Q-61-9081-00.

PREFACE

This evaluation of the Enterprise Development Project has two purposes — to provide the Bangladeshi Micro-Industries Development Assistance Society (MIDAS) with a critical assessment of its strengths and weaknesses so that it can take remedial actions that will ensure its survival and growth, and to document the experience of this USAID approach to small enterprise development so that future project designs can benefit from the lessons learned.

The reader needs to be aware that evaluations are essentially negative; they inevitably focus on the issues and problems that a project has encountered. This is especially true in this evaluation, in which we attempt to point out to MIDAS particular weaknesses or problems that it should address in the near future. Thus the tone of the evaluation may appear decidedly more negative than the team intends. This negative tone needs to be tempered by a realization that we believe MIDAS has accomplished a great deal in the past six years. It has grown from a relatively small and insignificant nongovernmental organization that averaged seven loans per year to a substantial organization with a loan portfolio of $4 million. It now maintains three offices, and has steadily progressed toward achieving financial self-sufficiency. These are impressive accomplishments. That the evaluation does not dwell excessively on these accomplishments does not mean they are insignificant or unimportant.

The evaluation was carried out by Development Alternatives, Inc. An evaluation team made up of Mohini Malhotra, John Magill, James Packard Winkler, and M.M. Nurul Haque spent four weeks in Bangladesh from February 3 to March 5, 1993.

The evaluation team wishes to express its appreciation to MIDAS officers and staff for their patient and informative collaboration with the efforts of the evaluation team. Particular thanks go to Mahmoodul Haq, Executive Director; Muzzafer Ahmed, Director, Finance & Administration; Bazlur Rahman Khan, Director, Commercial Department; and Anwarul Azim Syed, Director, Development Department. The team also wishes to thank officers from USAID/Bangladesh — in particular, Dr. James Mudge, Dr. Ross Bigelow, Robert A. Dean, and Jan Rockliffe-King — for their support, comments, and critique of the early drafts and conclusions.

As in all studies of this type, the conclusions and recommendations are those of the authors, and should not be attributed to the officers or personnel of MIDAS or of USAID/Bangladesh.

TABLE OF CONTENTS

CHAPTER THREE
ACCOMPLISHMENT OF PROJECT OBJECTIVES: EDP PROJECT COMPONENTS 29

CHAPTER FOUR
ACCOMPLISHMENT OF PROJECT OBJECTIVES: BENEFICIARY IMPACT 49

CHAPTER FIVE
THE FUTURE OF MIDAS: POSTPROJECT OPTIONS 55

LIST OF CHARTS

TAKA PER U.S. DOLLAR
(Period Averages)

1986	1987	1988	1989	1990	1991	1992	1993
30.4	30.9	31.7	32.2	34.5	36.6	38.9	38.9

Source: Economist Intelligence Unit, *Bangladesh, Country Profile 1992-93*.

EXECUTIVE SUMMARY

The Enterprise Development Project (EDP), which was initiated in September 1987, was implemented through a Cooperative Agreement between the U.S. Agency for International Development Mission in Bangladesh (USAID/B) and the Micro-Industries Development Assistance Society (MIDAS), a Bangladeshi nongovernmental organization (NGO). EDP's goal was to contribute to the development and growth of the small- and medium-scale enterprise (SME) sector. It was to accomplish this by strengthening MIDAS's capabilities to extend financial, managerial, and technical support to promising SMEs and to serve as a dynamic force for SME growth on a largely self-sustaining basis.

The total project budget was $8.5 million, of which $5.8 million was used to capitalize a loan fund. Originally scheduled to end on September 30, 1992, EDP was given an unfunded one-year extension to September 30, 1993, because 25 percent of the original funds remained undisbursed.

EVALUATION PURPOSE

The purpose of this evaluation of EDP was to assess its success in helping establish MIDAS as a largely self-sufficient provider of high-quality financial and nonfinancial services to SMEs in Bangladesh, and its significance in contributing to the establishment and growth of SMEs in the country. The evaluation team was asked to provide recommendations to MIDAS to ensure its sustainability following the termination of the project, and to USAID/B regarding implementation strategies for the remaining project life and for future initiatives in SME development.

MIDAS SUSTAINABILITY

The main purpose of EDP was to improve the capabilities of MIDAS to provide needed, high-quality services to newly formed SMEs in Bangladesh. There have been notable successes in this respect. In a relatively short time, MIDAS grew from a small NGO that made only 4 loans totaling Tk. 6.8 million the year before the EDP began, to a larger organization with a high of 25 loans totaling Tk. 50 million during the most active loan year under the project. The portfolio of MIDAS also grew from Tk. 10 million in 1986 to Tk. 153 million in 1992. In addition to this growth, MIDAS greatly expanded its nonfinancial services under the project, and was successful in attracting and competing for contracts awarded by a variety of donors and private companies.

Perhaps most impressive, MIDAS's level of operating self-sufficiency rose from a low of 51 percent in 1990 (the first year for which the evaluation team had complete financial records) to 88.4 percent in 1992. Projections for 1993 — even considering that many expenses occur during the second half of the fiscal year and that revenues may have been accelerated during the first six months of the year — show that MIDAS is, as targeted in the Project Paper, largely self-sufficient.

However, these accomplishments are at risk. High delinquency rates and a reduction in nominal interest rates charged to borrowers jeopardize MIDAS's future self-sufficiency. Weaknesses in the quality of nonfinancial services provided to other donor agencies, and the lack of a clear market direction, could undermine MIDAS's competitiveness in this arena as well.

MIDAS's future success and sustainability depend on four inseparable, overarching factors:

- Its ability to establish clear strategic objectives and select and cultivate a unique market niche among the providers and purchasers of services to entrepreneurs;
- Its ability to improve the performance of its loan portfolio and other income sources;
- Its ability to provide quality services that maintain a high reputation and credibility among donors and the business community of Bangladesh; and
- Its ability to improve internal management and procedures.

Strategic Objectives and Market Niche

Since the inception of EDP, MIDAS's primary client group has shifted from microenterprises and very-small-scale firms that lack access to formal sector financial resources, to a larger-scale, more affluent client group. This has had two significant implications for MIDAS's long-term sustainability. First, MIDAS is increasingly serving a price-sensitive clientele, with access to alternative and often cheaper sources of finance than MIDAS can provide. This has led MIDAS to lower interest rates, which will have a negative impact on future revenues. Second, the client group that MIDAS now serves is not a priority for many of the donor agencies; there is a high risk that the donor community will simply conclude that MIDAS is not an appropriate institution to support or collaborate with.

Recommendations

- MIDAS must position itself strategically: MIDAS should select and cultivate the market niche(s) it aims to serve, based on such rational criteria as effective demand for services, competition, donor priorities, institutional capability, and profitability.
- The evaluation team recommends strongly that MIDAS target its loan portfolio toward smaller firms than those it currently serves — especially microenterprises that would receive loan sizes of Tk. 50,000 to Tk. 200,000. This market is less interest-rate sensitive, has typically better repayment rates than larger firms, and is more consistent with donor priorities in the country.

MIDAS's Financial Sustainability

As noted above, although MIDAS has made significant progress toward achieving financial self-sufficiency and can cover operating expenses without external support after September 1993, its financial status is fragile.

Using original loan schedules (as opposed to the rescheduling that had been granted by MIDAS), MIDAS has a recovery rate of less than 10 percent on the portfolio, and the current portfolio is worth between 35 and 40 percent of its original value. The rate of decapitalization of the loan portfolio over the past five years has been about 27 percent per year in real terms, a little more than twice the rate forecast in the Project Paper. The primary reason for this decapitalization has been the high rate of delinquency in the portfolio rather than the effects of inflation. As much as 81 percent of the portfolio is at risk, and delinquent payments alone represent 64 percent of the outstanding portfolio. This is corroborated by the rate of return on the portfolio. At present, MIDAS is collecting income and installments on only about 31 percent of the portfolio; more than two-thirds of the loans outstanding are not performing.

Recoveries on outstanding loans have improved during the past three years, because of improved loan monitoring practices in effect since the 1990 evaluation. This is reflected most vividly in the rapid increase in interest income (from Tk. 4,190,200 in 1990 to Tk. 8,638,900 in 1992). Continuation of this trend is critical for MIDAS to sustain its operations into the future.

Recommendations

- MIDAS must continue to make improvements in loan collections and delinquency control. This is the most important single action that MIDAS needs to take to ensure its future financial viability.

- MIDAS should use standard definitions of delinquency, and develop a larger and more realistic bad debt provision to cover probable losses.

- MIDAS needs to charge interest rates that cover the cost of funds, the inflation factor, and administrative costs, and make provision for loan losses out of current income.

Credibility as a Provider of Quality Services

MIDAS operates in an environment in which perceptions about its objectives, market niche, and performance will determine ability to mobilize resources and support for its programs. MIDAS has earned a reputation for quality. However, reputation is a fragile commodity, and it is based largely on perceptions. At the present time, MIDAS faces a strong perception in the local, governmental, and donor communities that could adversely impact its long-term sustainability. MIDAS is increasingly perceived as an institution that gives loans to affluent individuals and persons with connections to board members or staff.

MIDAS has demonstrated the ability to compete against other consulting houses for short-term consulting business. Consulting revenues contributed 43 percent to MIDAS's total revenues in 1992. MIDAS's competitiveness in winning proposals, however, has declined from 67 percent in 1989 to 33 percent in 1992.[1] This decline is attributed to high staff turnover, reduced staff levels based on staff consigned to the Business Advisory Service Center, over-reliance on permanent staff and underutilization of external consultants to perform consulting jobs, and uncompetitive pricing of services, all of which are affecting the quality of services provided.

Recommendations

- Assess the market to better define MIDAS's targets for small enterprise development services based on demand and MIDAS's competitive advantages.

---

[1]Based on a submission-to-award ratio for small proposals (up to $5,000).

- Better integrate the activities of the Commercial and Development Departments to maximize financial gains, service delivery, and efficiencies.

- Increase the capacity to provide services and improve the quality of consulting services by promoting in-house staff or recruiting new staff to fill at least the two new Chief Project Officer positions, increasing use of qualified external consultants, and identifying joint venture opportunities with local and international organizations and consulting firms.

- Improve quality management system of technical consulting work.

Internal Management Issues

MIDAS has matured and made impressive strides in becoming a more systematized institution since the 1990 evaluation. It has streamlined operations to minimize the duplication of functions across departments that was noted three years ago; made progress in developing specific computer-based information functions, although these do not necessarily represent progress toward an effective management information system (MIS); and improved cost-effectiveness and efficiency in revenue generated per staff member.

Weaknesses in the organization include a centralized structure, where decision making is centralized within the Board of Directors and the office of the Executive Director, and financial information is not routinely shared by top management with the department managers. The board is excessively involved in operational management, diverting attention from its far more important strategic role of defining MIDAS's market niche and objectives, establishing performance goals and targets, and holding MIDAS management accountable for achieving these targets.

MIDAS continues to be plagued by high staff turnover, and lacks a monetary staff incentive system and adequate performance evaluations.

The MIS has certain deficiencies, the most important being incompatibility between the accounting software and the dBase MIS package, and lack of systematic loan monitoring data that might permit time series analysis of the development of assisted enterprises. Most important, the system is not providing management, at either the departmental or executive level, with the information needed to run the organization efficiently.

Recommendations

- MIDAS needs to separate the functions of the board and management. The board should concentrate on strategic planning, establish performance standards and measurable targets, and monitor performance. Management should focus on executing the activities of the organization.

- MIDAS's management structure should be decentralized, with increased accountability and decision-making capacity at the department levels. Financial performance information should be provided routinely to department directors and staff for strategic planning and performance-based evaluations.

- MIDAS should develop a written personnel policy with job descriptions and performance evaluation criteria for the different ranks in the institution, and should install a participatory personnel evaluation system, where individuals develop their professional goals and targets for a specified time frame, and set performance evaluation criteria in agreement with their supervisor.

- MIDAS should assess the feasibility of a monetary incentive program, based on successful systems developed by other organizations that are implementing similar programs.

- MIDAS should undertake a major effort to develop a functioning MIS, and should hire a full-time MIS director, at the level of Chief Project Officer, to oversee and direct the planning, design, and implementation of MIS functions.

CONTRIBUTION OF THE PROJECT TO SMALL ENTERPRISE DEVELOPMENT

A major objective of EDP was to contribute to the development of a sound and rapidly growing small- and medium-size Bangladesh business sector able to absorb a significant number of new entrants to the labor force each year. The key indicator selected to measure the achievement of this goal was that the "level of investment in sanctioned and unsanctioned small-scale industries continues to grow at 10 percent per year." Unfortunately, neither the baseline nor systematic time series data necessary to produce such an analysis were available. Nevertheless, it is safe to say that the EDP's impact on overall investment levels has been minimal, because the number of businesses assisted and the amount of assistance provided were very small in the context of the Bangladeshi economy and the thousands of sanctioned and unsanctioned small businesses that exist in the country.

The project fell short of many projected objectives and targets. As one example, MIDAS was expected to be making an average of 30 to 50 loans each year by the end of the project. But volumes peaked in 1989 and 1990, and the number has declined to only 7 loans granted in 1992 for a total of Tk. 14.7 million. Moreover, most of the businesses assisted by the project could have received funding from other sources and chose to obtain loans from MIDAS because of simplified loan-granting procedures. It is, therefore, difficult to argue that the project resulted in a net increase in capital available to small-scale enterprises in the country.

The Project Paper also estimated that 80 percent of MIDAS-assisted new businesses would become successful — a success ratio far exceeding the norm for small business start-ups in the rest of the world. Although most MIDAS-assisted businesses are still in existence, the incidence of "slow-moving," "dormant," and "doubtful" projects would suggest that the long-term survival rate will be closer to that experienced in other countries.

According to data contained in MIDAS's MIS, the businesses assisted since 1987 (the beginning of EDP) were to have created 2,597 new jobs, an average of approximately 520 new jobs per year. Given the population of Bangladesh, internal migration rates to urban areas, and the annual number of entrants to the work force, this projection could hardly have been taken as indicative of an ability to "absorb a significant number of new entrants to the labor force each year" as asserted in the Project Paper. The project itself was too small to have a measurable impact on the stated goal. Furthermore, the projections themselves were not achieved. With only a few exceptions, employment generated by the projects fell short of project plans. It is important to note, however, that the employment generated by the project was **additive** rather than **substitutive**. The jobs created were new ones, employing previously unemployed people, rather than drawing people away from other jobs.

The Project Paper projected that 20 percent of MIDAS loans would be to clients operating in sectors in which women producers figure prominently, and that MIDAS would make loans to individual women entrepreneurs. Actual results have fallen far short of those targets. Of the 65 enterprises assisted with USAID/B funds and MIDAS reflows during 1988 to 1992, 9 (13.8 percent) were to firms listed as having women general managers. In several of these firms, moreover, the general manager was not an active participant in the operation of the business. Employment opportunities for women have fallen significantly below expected results: 7 of the 16 firms visited by the evaluation team had no female employees at all. And, with the exception of three firms, achievement of projected employment levels for females was significantly below achievement of projected employment levels for men.

Although not quantifiable, indications were that businesses supported by the project have been creating backward linkages to small firms in the country, as envisioned by the Project Paper. For example, Continental Baskets purchases split bamboo from rural suppliers; Mahbub Cycle obtains components manufactured by other small companies; Bangladesh Exports, the manufacturer of Espadrille shoes, purchases materials and components from 16 other local firms; and Superior Footwear purchases leather from local tanneries for shoe production.

In conclusion, the project has had a limited impact on the growth of the small enterprise sector in Bangladesh. At the same time, it was unreasonable to assume that a small project like this would have a significant or measurable impact in this area.

FACTORS INFLUENCING PROJECT PERFORMANCE

Many factors have influenced the project's performance and impact. The following, rather than an exhaustive list, focus on the most important.

The skill, quality, and commitment of MIDAS personnel have certainly contributed to developing MIDAS's services and reputation to their current level. That the board has taken an active and committed role in promoting and finding business for MIDAS has also had a positive impact on the organization.

On the negative side, the absence of a financial system that has maintained high repayment standards has led to an expectation that loans do not have to be repaid — a problem that has affected MIDAS. Equally important, MIDAS was not fully prepared to take on the task of managing a significantly expanded program. It did not have the administrative procedures and information systems in place at the time the expanded project began, and, lacking experience with programs requiring these, did not assign the required priority and importance to developing these systems. Similarly, MIDAS did not understand the problems that delinquency control and collections would cause, and did not develop effective procedures for managing them.

The most important factors influencing project success and impact have been the problems with project design, implementation, and supervision, which were the responsibility of USAID/B. The project design incorrectly assumed that MIDAS was prepared to take on the task of implementing a significantly expanded project, and failed to provide for the long-term technical assistance that could have made the project more successful. Many of the other design targets and assumptions were equally flawed. During project implementation, USAID/B participation in the project was neither decisive nor timely. The project monitoring and supervision process certainly offered ample opportunity to identify and rectify these problems, but was not used effectively.

This project was not a failure — it simply failed to achieve what was expected of it, and what could have been achieved had it been designed, implemented, and supervised properly.

FINAL RECOMMENDATIONS TO USAID/B

USAID/B and MIDAS should negotiate an agreement about the EDP phaseout schedule. A decision about whether to extend the PACD or shift undisbursed budget line items into the capital fund should be based on MIDAS's (1) ability to disburse quality loans within a specific, negotiated time frame and its desire to obtain technical assistance or training; and (2) USAID/B's ability to extend the human resources required for additional effort.

Technical assistance and training should be provided in the following areas, contingent on MIDAS's wishing to receive such assistance:

- Strategic planning (1 month).
- Loan portfolio management — loan appraisal, monitoring, and collections (2 months).
- MIS planning and external design that lead to an integrated MIS covering loans, clients, constituents, consultancy, and technical assistance contracts, personnel, and accounting (3 to 4 months of external assistance). A systems analyst should be contracted to work with the MIS designer to develop the internal design of the system (6 months of local assistance), and a programmer should be contracted for intensive programming (3 months of local assistance).
- Training Commercial and Development Department staff in small enterprise development techniques and methodologies, perhaps through a study tour of successful programs, such as ADEMI in the Dominican Republic.

USAID/B need not provide further direct operational subsidies to MIDAS, even though financial statements will indicate deficits based on noncash expenditures to cover loan losses. MIDAS has a loan portfolio that would, if collections were increased, fully cover all operating expenses. Future USAID/B support to MIDAS should be in the form of funding for specific programs or activities that are mutually agreed to by MIDAS and USAID/B.

Any further disbursement of the funds allocated to the credit line should be conditioned upon the presentation of a pending portfolio of qualified loans and upon continued improvements in principal recoveries and interest income receipts.

CHAPTER ONE

CONTEXT

BACKGROUND

The assistance of the U.S. Agency for International Development to the Micro-Industries Development Assistance Society (MIDAS) in Bangladesh began in 1981 under the Rural Industries Project. By 1986 MIDAS had grown, and had demonstrated an ability to manage a loan portfolio and provide technical assistance to small entrepreneurs.[1]

The Enterprise Development Project (EDP), which was initiated in September 1987, was designed to help MIDAS continue this growth and become a major provider of technical and financial services to innovative small-scale entrepreneurs who lacked access to formal sector credit services. It was implemented under a Cooperative Agreement between USAID/Bangladesh (USAID/B) and MIDAS. The goal of the project was to contribute to ". . . the development of a sound and rapidly growing small and medium enterprise sector in Bangladesh." Its purpose was to ". . . strengthen the capabilities of an institution [MIDAS] which will, on a continuing, largely self-sustaining basis, 1) identify exceptionally promising small and medium scale industrial opportunities; 2) provide financial, managerial and/or technical assistance to entrepreneurs prepared to exploit these opportunities; and 3) serve as a dynamic force for growth in small and medium industry,"[2]

EDP was designed to stimulate investment in small-scale growth-oriented and export-oriented enterprises, which would in turn have a catalytic effect on employment. The strategy was to capitalize on the unique position that small and medium enterprises (SMEs) occupy between large-scale, capital-intensive sophisticated enterprise and very-small-scale, informal, unsophisticated enterprises. It was expected that focusing on these firms would help develop linkages between and among firms of various sizes and produce a catalytic effect on employment as well as provide an effective way to leverage project resources.[3]

EDP was planned to provide MIDAS with a vast array of activities to improve support to SMEs. These included subsector research; consultancies; bank referral and co-financing services; information services; financial services, such as fixed and working capital loans; venture capital; and action research to pilot test concepts, such as subcontracting and franchising.

Most of the $8.5 million allocated for this project was to fund a loan portfolio; smaller amounts were dedicated to supporting action research and subsector study programs, consultancy services, and institutional support to MIDAS (Table 1).[4] The project was originally scheduled to end in September

---

[1]ARIES, "MIDAS Evaluation," 1986, p. 2.

[2]USAID/Bangladesh, *Project Paper: Bangladesh, Enterprise Development (388-0066)*, p. 1.

[3]Project Paper, p. 7.

[4]These figures are taken from the Cooperative Agreement rather than the Project Paper, because the amounts in the two documents differed slightly.

1992, but was given an unfunded extension through September 30, 1993. At the time of the extension, approximately 25 percent of the funds originally allocated for the project remained undisbursed.

EDP BUDGET AND UNDISBURSED AMOUNTS (9/92)
(in U.S. Dollars 000)

Line Item	Original Obligation	Undisbursed Balance
Capital Fund	$5,799.6	$878.1
Action Research/Small Enterprise	1,040.0	-1.4
Staff Training	160.0	124.1
Technical Assistance	560.0	479.4
Business Advisory Services	563.9	377.1
Equipment	80.2	-
Evaluation and monitoring	240.0	168.4
Internal Audit	110.0	64.5
Total	$8,553.6	$2,090.3

Items may not add to totals due to rounding.

OBJECTIVES OF THE EVALUATION

This end-of-project evaluation of EDP has a two-fold purpose:

- Assess MIDAS's prospects for long-term financial and institutional sustainability; and

- Assess EDP's achievements to date and progress toward achieving planned outputs and purpose-level objectives.

The evaluation results are intended to guide USAID/B and MIDAS in targeting remaining project activities to ensure that the project's relevant purpose and outputs are achieved; assist MIDAS to identify key problem areas to address, in order to ensure its survival and continued growth after the EDP project ends; and to determine what assistance, if any, USAID/B might continue to provide to assist SMEs in Bangladesh.[5]

---

[5]The scope of work for the evaluation is included as Annex A.

THE EDP PROJECT ENVIRONMENT

MAJOR ECONOMIC INDICATORS

Measure	86/87	87/88	88/89	89/90	90/91
	Years				
GDP	4.2	2.9	2.5	6.6	3.4
Ind. Growth	7.9	0.6	2.8	7.2	2.4
Large	13.6	0.7	2.7	10.6	2.0
Small	1.3	0.5	2.9	2.9	2.9
Ind. (% of GDP)	10.1	9.8	9.8	9.9	9.8
Large	5.7	5.5	5.5	5.8	5.7
Small	4.4	4.3	4.3	4.1	4.1

Source, EIU, pages 16-17

The performance of EDP must be viewed in the context of the Bangladeshi environment. The project's term (1987-1993) has coincided with poor macro-economic performance over the same period — characterized by a drop in GDP growth rates since FY90, drops in manufacturing and investment rates, and a succession of natural calamities.

Although GDP growth jumped from below 3 percent for much of the 1980s to 6.6 percent in FY89, it dropped back down to 3.4 percent in FY90. Low growth since FY91 is attributed to a slowdown in investment and manufacturing. Investment in manufacturing declined from Tk. 15 billion in 1987 to Tk. 6 billion in 1990.[6] This decline is explained by the poor investment climate caused by the gulf crisis, political disruptions with the overthrow of the Ershad regime in the first part of FY91, generally weak aggregate demand in the economy, and excess capacity in industry.[7] Several factors have resulted in a credit crunch, including low levels of personal savings; positive real interest rates that promoted savings rather than investment; tightening of lending procedures in the banking sector with the onset of financial sector reforms in 1990; and virtual bankruptcy of the nationalized commercial banks and development finance institutions, leading to shortages in term finance for the industrial sector.[8] Disbursements from banks to the private sector have been in steady decline.

The EDP term has also coincided with the floods of 1987 and 1988, the cyclones that hit the southern and eastern part of the country in April 1991, and the floods of September-November 1991. Aside from the devastating effects on the economy, these catastrophes directly affected approximately 20 businesses assisted by the project.

Loan activities under EDP must be viewed in the context of what is widely referred to as a "default" environment, in which borrowers typically fail to repay loans. This environment is attributed

---

[6]For a history of the exchange rate of the taka with the U.S. dollar, 1986-1993, see table on p. viii of the Table of Contents.

[7]World Bank, *Bangladesh: Selected Issues in External Competitiveness and Economic Efficiency*, March 16, 1992, p. 9.

[8]*Ibid.*, p. 76.

to low performance standards for repayments set by the banking system, little or no enforcement for collections, corrupt and politicized insider lending, and successions of political forgiveness of debt. Although banks can theoretically opt out of the government debt forgiveness program for agricultural loans of less than Tk. 5,000, this program contradicts and undermines the industrial loan recovery scheme under way.[9] BSB and BSRS, the two industrial development finance institutions (DFIs) and primary sources of term finance for industry, have averaged recovery rates of 10 to 14 percent of outstanding dues per year, and even these rates are in decline.

Industrial entrepreneurship in Bangladesh is a relatively new phenomena. Private industrialists have typically been suspicious of fluctuating government policies, and have preferred to avail themselves of the high returns and low risk in trade and smuggling relative to manufacturing and production.[10]

INDUSTRIAL AND FINANCIAL SECTOR POLICIES VIS-A-VIS THE SME SECTOR

The New Industrial Policy of 1991 and the Fourth Five-Year Plan (1990-1995) emphasize support to small and cottage industries. Small industry is defined as "an industrial undertaking engaged in either manufacturing or service activity whose total fixed investment excluding the price of land, inland transportation expenses and commissioning of machinery appliances and duty and taxes is limited to Tk. 30 million." This definition has increased from the Tk. 15 million ceiling in the 1986 industrial policy. The total investment ceiling for firms labeled as cottage industries is Tk. 500,000.[11] The Ministry of Industry estimates that there are 32,000 small and 383,000 cottage industries nationwide. The industrial sector accounted for 9.8 percent of GDP in constant prices in 1990/91, of which 42 percent was accounted for by small-scale industry.[12]

Until recently, the nationalized commercial banks were mandated by the Bangladesh Bank (Central Bank) under a priority sectors scheme to target 5 percent of their portfolios to the small and cottage industry sectors at controlled concessional interest rates. Under this scheme, the Bangladesh Bank gave an interest rate rebate of 3.5 percent to the nationalized commercial banks to tempt them to lend to small industries. Bank lending interest rates to SMEs were set at 10-12 percent. This scheme did not work — banks lost this portion of their portfolio along with the rest, maintained the funds set aside for SME lending in interest earning accounts, or treated this as grant income to be sacrificed for political favors. Although industrial finance accounted for 28 percent of the total amount of loans disbursed by 24 banks as of December 1991, only 1.5 percent of the loans went to small and cottage industries.

Although subsidies and preferential refinancing arrangements are being eliminated by the financial sector reforms introduced in January 1990, concessions will be allowed to continue for certain priority

---

[9]*Ibid.*, pp. 29, 100.

[10]Gyan Sahota, *Terminal Report Part B. Problems, Policies and Prospects for Small Enterprises in Bangladesh*, preliminary draft, June 23, 1990, p. 29.

[11]Ministry of Industries, *Industrial Policy 1991*, Dhaka, July 1991, p. 14.

[12]EIU, *Bangladesh, Country Profile, 1992-1993*, p. 15.

sectors, which include small-scale industry. The *Fourth Five Year Plan* proposes raising the 5 percent requirement of funds to the SME sector by commercial banks and DFIs to 15 percent.[13]

The financial sector reforms have introduced a partially liberalized interest rate policy, which permits banks flexibility in establishing rates within a range set by the Bangladesh Bank. As of June 1992, banks are permitted to determine rates for lending to priority sectors as well. Interest rates have been declining. The nominal bank rate has declined from 10.75 percent in early 1986 to its current level of 7 percent. Lending rates on term loans from small-scale industry have dropped from 13 percent in early 1991 to current levels of 9 percent. In addition, banks continue to receive a 3 percent interest rate rebate for lending to priority sectors, although this has been lowered from the former 3.5 percent.

Efforts instituted under the financial sector reform efforts to improve loan recovery and instill credit discipline, as well as set loan classification systems and performance standards in the banks are making banks cautious and therefore liquid. Persistence of weak credit demand and high liquidity is due to increased real deposit rates, a drop in investment levels, and borrower inability to meet tighter lending criteria. The real rates on deposits have increased total deposits in the banking system by 11.5 percent, from Tk. 25,8500 million in December 1991 to 28,8010 million in December 1992. After years of giving "grants" to well-connected individuals, bank lending policies, particularly with regard to the SME sector, have become so conservative that in effect money is not being disbursed.

The dearth of term finance persists in the banking sector. BSB and BSRS are essentially nonoperational, and the private commercial banks are dealing only with working capital and trade finance. The low investment levels are reflected by a widely acknowledged drop in the number of loan applications from qualified borrowers throughout the formal financial sector. The sharp decline in MIDAS loan disbursements since 1991 in part correlates with this trend. The Asian Development Bank (ADB) — financed Small and Cottage Industries Project, which channels credit through private commercial banks to the same size of entrepreneur that MIDAS reaches, has only disbursed $2.5 million of $30 million since 1990.

Several of the nationalized commercial banks, and newer banks being established such as Development Bank Ltd. (DBL), are planning a more concerted effort to target SMEs as one segment of their markets, particularly in light of the upwardly revised definition of small industry and of liberalized interest rate policies. However, in the short run, it appears highly unlikely that banks will provide industrial term finance, because most banks are busy attempting to purge their portfolios of nonperforming loans.

MIDAS'S MARKET POSITION

MIDAS is operating in an increasingly liberalized financial market that is faced with excess liquidity and lowered interest rates. Its position in the market has shifted during the past two years from one of virtual monopoly in its segment to one of increased competition with formal financial institutions. In light of this perceived competition (and consistent with the government's redefinition of small industries), MIDAS has increased its loan ceilings from Tk. 10 million to Tk. 30 million, is changing its charter from a society to that of a company in order to borrow from commercial sources, and in

[13]Planning Commission, Ministry of Planning, *Fourth Five Year Plan (1990-95)*, XI, October 1990, pp. 27-28.

December 1992 dropped its interest rate from 18 to 14 percent in line with the overall drop in lending rates in the banking sector.

CHAPTER TWO

ACCOMPLISHMENT OF PROJECT OBJECTIVES: INSTITUTIONAL AND FINANCIAL SUSTAINABILITY

Strengthening the capabilities of an institution that would continue to support small-scale industrial development was an underlying rationale of the Enterprise Development Project. By the end of the project, MIDAS was to have the capability of providing — "on a continuing, largely self-sustaining basis" — technical assistance and credit services to small-scale enterprises for a period of 15 to 20 years. To bring about this level of sustainability, USAID/B programmed funding to finance an expanded loan portfolio, budget support for research and technical assistance activities, and technical assistance to help develop needed managerial skills and capabilities. This chapter examines two critical elements of sustainability — managerial systems and capabilities, and income.

INSTITUTIONAL SUSTAINABILITY

The Project Paper envisioned that MIDAS would assume the following characteristics by the end of EDP — "it will take a systems approach to enterprise development, be entrepreneurial, have limited research, project design and implementation capability, and be managerially and administratively competent."[1] Because none of these characteristics are objectively measurable or verifiable, this section analyzes MIDAS's institutional development since the 1990 evaluation, and recommends strategies for further strengthening MIDAS's institutional capacity.

MIDAS has matured since the 1990 evaluation. It has systematized its procedures and operations, and streamlined those operations to minimize the duplication of functions across departments that had been noted three years ago. At this critical stage, with the pending end of EDP, MIDAS's ability to survive and prosper will depend on the strategic vision provided by the institution's leadership and the effective management of human and financial resources by the professional staff. Much of the institutional groundwork is in place.

Management and Structure

The institutional strength if MIDAS is attested to by several indicators:

- **Ability to survive a change of leadership**. Since 1990, MIDAS has undergone and survived a major management change, with the departure of the former Executive Director in 1991. The ability to survive a change in leadership is a critical test for most nongovernmental organizations (NGOs), whose existence is often dependent on a single individual;

---

[1]Project Paper, p. 11.

- **Retention of senior staff and their promotion into managerial levels.** MIDAS senior staff were selected to occupy the vacant director positions in the Commercial and Development departments. The two department directors are among those who have been with MIDAS the longest; and

- **Continued survival.** MIDAS's ability to survive and grow under the difficult circumstances prevalent in Bangladesh, with minimal supervision and direction from its principal donor, reflect its institutional strength.

As per the project design and based on recommendations of the 1986 evaluation, MIDAS is structured and managed along functional lines. The four departments are the Offices of the Executive Director (EEDS) and Finance and Administration (F&A), and the two revenue generating departments — Commercial (loan activities) and Development (consulting and research). This structure is well suited to the organization's functions. Chart 1 shows a functional organogram of MIDAS. Because the 1990 evaluation report provides a detailed description of the institutional structure and departmental functions of MIDAS, most of which remain unchanged, this description will not be repeated in this report.

The most significant change in the organizational structure since the Project Paper and the 1990 evaluation is the addition of a Deputy Executive Director reporting to the Executive Director. The position was created by the Board in 1991 because of increased activity for MIDAS with the management responsibilities of the Business Advisory Services Center (BASC) and with possible work with the World Bank on rehabilitation and training of privatized enterprises.

The MIDAS Board of Directors consists of 11 prominent individuals. The board includes a representative from American Express Bank, a government representative from Bangladesh Small and Cottage Industries Corporation (BSCIC), and nine private sector entrepreneurs. One board member is a woman entrepreneur who, in addition to regular board activities, addresses gender-specific considerations.

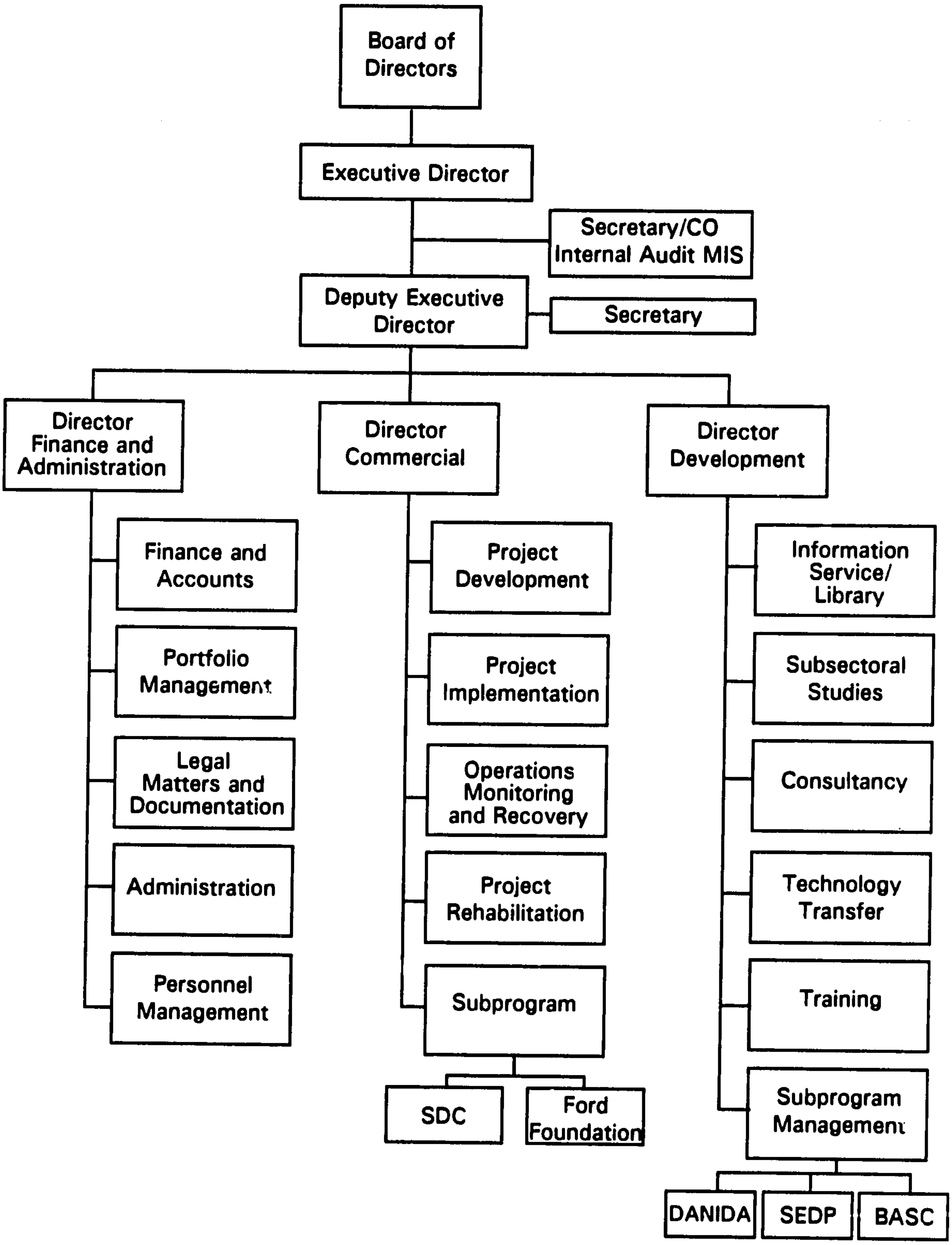
The 1986 and 1990 evaluations characterized MIDAS's management as centralized, with decision-making authority concentrated at the board and executive office level. The board was described as very active in the operational functions of MIDAS. There has been no notable progression toward the "decentralized management structure" that MIDAS is in principle striving for. With the addition of a level of hierarchy in the position of Deputy Executive Director, the structure appears more rather than less centralized today. Decision making continues to be centralized within the board and the office of the Executive Director. Financial information is not routinely shared by top management with the department managers. This information should be made readily available in strategic planning and performance evaluation.

The Board has continued its active involvement in such MIDAS operations as loan approval, new client cultivation, and loan monitoring and collection — an involvement already noted in 1990. The substantial increase in loan installment and service charge recoveries in July-September of 1992 was attributed largely to active board interest. In addition to monthly meetings, board members participate in two regularly convened committees: the Loan Project Committee and the Loan Monitoring Committee.

Although the board's more centralized and hands-on management style was perhaps appropriate for MIDAS at earlier stages of development when it was a small NGO, MIDAS's management must now adapt to the institution's maturation. The board should disentangle itself from operational issues and focus on strategic management. Its role should be in strategic planning — defining a direction and setting

CHART 1

MIDAS ORGANOGRAM 1991-1992
(Functional Organogram)



goals and measurable targets for MIDAS in financial performance, profitability, fund mobilization, loan disbursement and recoveries, and fee income — and in overseeing the institutional image and reputation of MIDAS in the marketplace. The current involvement of the board in loan approval and monitoring, for example, crowds out professional staff initiative and accountability. MIDAS management should be held accountable to the board for achieving performance targets. Total responsibility for loan approvals, disbursements and collections, and for meeting the board's standards should rest with MIDAS staff.

MIDAS has made impressive strides in becoming a more systematized institution since 1990. The functional divisions within and across departments have become more efficient and streamlined in the three years since the 1990 evaluation. For instance, the documentation specialist formerly housed in the F&A Department is now in the Commercial Department, where he is undiverted from his primary function of collateral documentation. In addition, loan monitoring activities have been consolidated within the Commercial Department, an improvement from the situation in 1990 when records were being maintained by both the Commercial and F&A Departments. Loan activities have been consolidated within the Commercial Department, regardless of source of funds, and the Development Department focuses on research and consulting activities. This is an improvement since 1990, when there was duplication of functions in loan fund management — the Commercial Department was managing only USAID/B funds while the Development Department was managing other donors' loan funds.

MIDAS is preparing a comprehensive *Operational Manual*, with 23 modules covering topics such as MIDAS lending policy, personnel policy, portfolio management, fund disbursement procedures, loan recovery, and loan collection procedures. Although the majority are still being developed, those that have been completed are readily accessible and consulted. Another notable achievement since the 1990 evaluation is the installment of a cost/revenue center-based accounting system, and time billing procedures that track staff time to specific projects. The electronic transfer of loan funds to clients' bank accounts has improved internal accounting since loan information is verified by bank reports.

Strategic Planning

A key indicator to gage MIDAS institutional development by project end was "A five-year strategic business plan that is up-dated annually."[2] As specified in the Project Paper, USAID/B provided technical assistance to MIDAS in the preparation of business and strategic plans. MIDAS has since prepared five-year strategic plans that are updated annually. The Third Five Year Business Plan 1992-1997 is comprehensive, and supported by financial projections and staffing plans by department. However, its basic weakness is that the forecasts and projections are based on current operations under the Cooperative Agreement, rather than on an assessment of operations and a strategic direction post-EDP. As such, it is more mechanical than strategic.

MIDAS has not had to be *strategic* in its planning until this point. It was relatively secure with the promise of USAID/B funding under EDP. Strategic planning to date has involved setting targets that comply with the Cooperative Agreement with USAID/B, and measuring actual against expected achievements. The function of strategic planning has taken on a critical new meaning with the pending termination of the Agreement.

MIDAS's strategic plan should probe the questions of MIDAS's direction without the Cooperative Agreement. As such, it should be used to assess the market demand for MIDAS's current service mix,

---

[2] Project Paper, p. 62.

identify market niches in which MIDAS has a comparative advantage, and possible new markets and clients. In summary, MIDAS should assess whether to continue with its current portfolio of activities and services, which were largely determined by USAID/B in the Cooperative Agreement. Chapter Five of this report provides a fuller discussion of MIDAS's strategic options.

Management Information System

The Project Paper calls for the establishment of a computerized management information system (MIS) to help MIDAS in making program management decisions and comply with A.I.D. reporting requirements. The MIS was to:

> Enable management to [1] allocate staff time and use by subproject; [2] track current operating, project, and loan accounts; [3] selectively retrieve information on suppliers, manufacturers, wholesalers, retailers, and exporters; [4] monitor loans more effectively; and [5] establish a data base for economic impact analysis.[3]

USAID/B was to provide short-term technical assistance to help MIDAS develop and install this system. Three person-months of technical assistance were to be used to contract a local-hire computer systems design specialist and accounting team to ". . . redesign the cost accounting system, install a computer-based management information system (MIS), and train MIDAS staff in its operation." Following this a consultant was to be provided for an additional 2 person-months to ". . . follow-up on the development of the MIS and utilization of the computer system."[4]

An MIS consultant worked with a local counterpart and three staff members from MIDAS in July-August 1987 (before the start of the EDP project) as part of a larger technical assistance team involved in helping MIDAS restructure itself and develop a strategic five-year plan. As the consultant reported: "MIS management concepts were explained and demonstrated, and a preliminary design partially completed and tested."[5] However:

> The data base system — earlier anticipated by MIDAS for general information collection and dissemination — has been deferred; also identification of base-line data for entrepreneurial profile analysis and operation program evaluation has only been superficially addressed during this consultancy. Hence, further follow-up action is still required for these two aspects to become realities.[6]

The MIS action plan prepared as part of the consultancy outlined an ambitious implementation schedule that was to have been completed by January 1988.[7]

---

[3]Project Paper, p. 26. Brackets were inserted for clarity.

[4]Project Paper, p. 38.

[5]Kenneth F. Smith, "*The 'MIDAS' Management Information System*," p. 1.

[6]*Ibid.*

[7]*Ibid.*, p. 36.

Three years later, the 1990 Mid-Term Evaluation reported that efforts to develop the MIS had been " . . . less than completely successful."[8] As the evaluation pointed out:

> [There was] . . . insufficient time to determine local needs and conditions and to assist in the development of a system tailored to the types of available information and its intended uses . . . it is not surprising that the development of the MIS was limited to the review of some basic concepts and the introduction of GANTT and PERT/CPM methodologies in the form of project management computer software.[9]

Among the MIS deficiencies noted in the 1990 evaluation were:

- Absence of a complete list of projects or assignments;
- Existence of dual and competing software systems for the storage of data;
- Incompatibilities between the accounting software and the dBase MIS package, which required that data be entered manually to two different systems;
- Absence of a standardized initial borrower contract form and loan application form;
- Lack of systematic loan monitoring data that might permit time series analysis of the development of assisted enterprises;
- Lack of a roster of consultants and organizations capable of providing assistance in aspects of enterprise development; and
- Need to allocate general overhead to revenue centers.[10]

Some progress has been made in developing specific computer-based information functions in MIDAS since the 1990 evaluation, although these do not necessarily represent progress toward a management information system. At present three functions in MIDAS have computer support:

The Commercial Department has three computers that are dedicated to word processing and financial analysis used in preparing feasibility studies;

The Accounting Department maintains MIDAS's accounting records using a commercial software package (AccPac). This system has been completely redesigned and installed since the 1990 evaluation. It appears to be producing accurate monthly, quarterly, and annual accounting statements; and

The MIS unit handles loan monitoring and reporting, and maintains individual project loan cards, using the dBase-III programs developed earlier. These functions were transferred from the Loan Monitoring office.

---

[8]DeSantis, Dukesbury, and Malhotra, *Mid-Term Evaluation*, p. 50.

[9]*Ibid.*

[10]*Ibid.*, pp. 50-53.

MIDAS has developed a standardized initial borrower contract form and loan application form, but information on these is not stored on any of the computers. It has also addressed the issue of allocating general overhead to revenue centers.[11] Loan cards for the projects appear to be accurate and up-to-date.

Many, if not most, of the problems mentioned in the 1990 evaluation continue to plague MIDAS, however. The incompatibility between the accounting software and the dBase MIS package still exists, and data must be entered into both systems. There is still no complete listing of projects or assignments (or of consultancies bid, won, and performed). There is still no roster of consultants and organizations capable of providing assistance in enterprise development. And there are still no systematic loan monitoring data that might permit time series analysis of the development of assisted enterprises.

Much of the information collected by MIDAS — especially loan application, borrower, and monitoring information — is not computerized, with the result that it is not readily available for analysis or reporting. Information on this can only be obtained at great expense in time and effort. The reports developed earlier have not been further elaborated.

Most important, the system is not providing management — at either the departmental or executive level — the information needed to run the organization efficiently. Accounting reports are not shared with the department heads; they are unaware of the performance of the cost centers, and are not able to use the financial statements to plan future work. Although cost accounting information is reportedly collected, it was only at great effort that the evaluation team could obtain income and expense information on individual consulting and technical assistance contracts.

The difficulties in the current system exist because it has not been designed from an information system perspective. Each application has been planned and designed separately, to perform single tasks. The computers are physically separated, and are not linked. The reports necessary to support critical management decision making and reporting have not been defined, and there is no plan to develop an integrated database that would have the capability of generating the needed reports.

Most of these problems result from the EDP project design itself, and from the way information system development was implemented. Although the Project Paper waxed eloquent on the variety of functions the MIS is expected to perform, it seriously underestimated the level of assistance and effort required to design and develop such a system.[12] Similarly, it did not recognize the need for sharing information among departments (which would require, at a minimum, a network), and did not include a plan to acquire the equipment needed to build such a system. Finally, even the minimal technical assistance identified in the project paper was never provided. The short-term consultancy carried out prior to the start of the EDP was never supported by the recommended follow-up assistance.

---

[11] *Ibid.*, pp. 50-53.

[12] As a comparison, a similar project in Swaziland is allocating three person-months of short-term expatriate technical assistance over an 18-month period, six person-months of local technical assistance, and 12 person-months of a full-time programmer just to develop the information system.

An integrated management information system would have the general characteristics listed below.

- It would be designed around seven major subsystems: clients; constituents;[13] loans; projects (consulting, training, and technical assistance); subprograms; personnel; and accounting.

- The client subsystem would be the central subsystem, and would include minimal information on every individual and business that had contacted MIDAS for any assistance (whether or not that assistance had been provided); more complete information on individuals whose applications had been considered; and complete, detailed information on all clients who had actually received assistance. It would be possible to cross-reference client information for loans, technical assistance, personnel, and cost accounting systems.

- The loans subsystem would contain all loan information that is currently maintained by MIDAS, linking each loan to individuals in the client subsystem.

- The projects subsystem would track information on all consultancy and technical activities, including proposals, contracts won, work performed, fees earned, expenses incurred, and information on the clients.

- The subprograms subsystem would maintain essential information on subproject activities.

- The personnel and accounting subsystems would support the operations of these two functions, and would be integrated with the loans, projects, and subprograms subsystems to provide cost accounting information on each activity, and account for the time of MIDAS personnel related to specific consultations, loans, or subprograms.

What is needed to develop a functioning management information system within MIDAS? First, it needs to be planned from a database and systems perspective. This has been mentioned in the past, but it needs to be restated here. Second, it should be built on the basis of a local area network, so that information can be programmed and shared among the departments and the management levels within MIDAS. This will require additional equipment. Third, adequate resources will have to be provided to carry out the design, programming, testing, installation, training, and operations. As pointed out in both the 1986 and the 1990 evaluations, management information is an important element in operating a program such as MIDAS.

To develop such a system, MIDAS would need three to four months of additional external assistance to help plan the functions and external design of the system, at least six months of systems analyst assistance to develop the internal design of the system, and several months of intensive programming assistance. MIDAS should also hire a full-time MIS director, at the level of Chief Project Officer (CPO), to oversee and direct the planning, design, and implementation of MIS functions. Finally, MIDAS would need to invest in new equipment and software, including the installation of a local area network to link the functions of the Commercial, Development, and Financial Departments.

---

[13]By "constituents" we mean the donors and other external organizations that can channel resources to the small enterprise sector through MIDAS.

Personnel Management

MIDAS has expanded its staff by 72 percent in four years, from 51 in 1988 to 88 as of February 1993. This rapid expansion has led to problems in personnel management.

STAFF TURNOVER (%) BY YEAR

	1988	1989	1990	1991	1992	1993*
Professionals	17	10	34	24	32	13
Total	20	8	25	17	24	9

*Figures for 1993 include period July 1, 1993 to February 1993.

High staff turnover persists as a weakness in the institution — it was noted in both the 1986 and 1990 evaluation reports. Although MIDAS is reputed to attract the best graduates of the business and economics programs, staff retention is a problem. The double-digit turnover percentages present a large drain on institutional resources. MIDAS is widely viewed as a "solid training ground" rather than as an institution within which to build a career.

MIDAS attributes this high turnover to the following reasons: inability to compete with compensation packages offered by the international NGOs and multinationals — organizations to which it loses staff; brain flight given the perception of job insecurity with the pending end of the USAID/B Cooperative Agreement; natural attrition; and active poaching of its staff by its donor clients. MIDAS recently lost five staff members to a bilateral donor agency with which it had a contract.

STAFF TURNOVER BY GENDER (%)

	1988	1989	1990	1991	1992	1993*
Female	50	0	38	0	40	18
Male	15	9	24	19	22	8

*Figures for 1993 include the period July 1, 1992 to February 1993.

Women have averaged 10 to 12 percent of total staff since 1988. Retention of female employees is an even greater problem than male staff retention. MIDAS's explanation is that women require higher salaries — qualified women are in high demand by international donors and NGOs; because there are fewer qualified women than men, they demand higher salaries than similarly qualified men. This opinion was shared by two women; one working for an NGO and one for a multilateral donor. Women professionals also seek more secure employment with government agencies, universities, or international agencies.

MIDAS had 88 staff as of March 1993, 56 of whom are professionals. Eleven of the 88 employees are women, 9 of whom are professionals. MIDAS recently hired two women professionals to assist women entrepreneurs with business proposals. MIDAS female staff have similar years of professional experience to other staff members in the same professional rank.

MIDAS has a written personnel policy prepared in 1987 that is being revised to update salary ranges per position. The policy does not provide job descriptions, or specify levels of responsibility by different ranks. A personnel committee is convened when necessary to make decisions on staff promotion, hiring, firing, or bonus decisions. Employees are recruited generally for a six-month probationary period, during which time performance is evaluated before they are hired as permanent staff. Staff performance evaluations are conducted annually by the department directors; the evaluation is a confidential report that cannot be reviewed by the evaluated individuals.

MIDAS personnel policies should be redesigned to make the job descriptions and performance criteria explicit. Staff members should also have the opportunity to review their performance evaluations in order to discuss them and make room for improvement. Finally, personnel evaluations should be based on performance criteria and personal targets established by the individual employee, and reviewed by the supervisor for the period under review prior to the evaluation.

Staff Training and Incentive Programs

The Project Paper's key indicators for measuring institutional development were that "staff training is institutionalized in MIDAS, and . . . a staff incentive plan" would be in place by project end.[14] The Project Paper further assumed that given MIDAS staff's relatively high level of expertise and experience, most staff training would be on-the-job training, which is, in fact, the way that it occurs. New employees are oriented to the organization by the director or a program officer from the department they are recruited for. Very little formal training takes place and, consequently, 77 percent of the budget allocation for staff training in the Cooperative Agreement remains undisbursed. The Project Paper left the initiative to request training to MIDAS — it was expected that MIDAS would define its training needs and request USAID/B to contract for it. This responsibility was not clear to MIDAS; the department directors had not seen the Project Paper or the Cooperative Agreement to know what the project entailed until 1989. MIDAS staff, although highly qualified, could have benefitted from more formal training and exposure to other SME programs to carry out the complex tasks and activities under the Agreement.

MIDAS does not have a staff incentive program, and does not consider this a feasible option, because "the organization promotes a team approach." The existing incentive program refers to a bonus awarded to one or more staff per year based on performance evaluations. MIDAS should explore the feasibility of installing a monetary incentive program, particularly since it loses staff to organizations that provide better compensation packages. A monetary incentive program does not preclude a team approach — many institutions engaged in similar activities have successfully instituted such incentive programs, and reaped directly measurable benefits. More importantly, as institutions become less dependent on donor funds, as is the case of MIDAS, staff productivity becomes more critical for the survival and expansion of the institution.

Monetary incentive schemes are most commonly based on portfolio size, delinquency, repayment rates, and number of borrowers. They do not have to be individual-based — ACTUAR in Colombia has designed a monetary incentive staff system that extends to all staff. Rewards are based on a combination of overall institutional accomplishments, individually established performance targets, and evaluations of an individual's performance by co-workers. Since instituting this system, staff salaries increased by 48 percent in one year. The incentive program used by the Alexandria Businessmen's Association in Egypt, which started lending to microentrepreneurs in 1990, rewards loan officers on the basis of number of loans disbursed and repayment rates. In addition to the loan officers, the incentive scheme includes all office staff, and is based on the number of loans processed. Both institutions feel that the monetary benefits far exceed the costs, because the rewards are based on financial targets. Each institution has to determine its own efficiency criteria upon which to design a monetary incentive scheme appropriate to its activities.[15]

---

[14]Project Paper, pp. 62-63.

[15]For more detailed information on incentive schemes, see Katherine Stearns, GEMINI Technical Note: "Monetary Incentive Schemes for Staff," April 1993.

Cost-Effectiveness and Efficiency

Has MIDAS demonstrated increased efficiency in curtailing costs and increasing revenues? The adjacent table shows increased staff efficiency in revenue generated by staff member. This efficiency has been steadily increasing since 1989. Revenue per staff has been increasing in greater proportion than expenses per staff, resulting in a positive contribution in 1993. While gross revenues have almost tripled from 1990 to 1993, staff numbers have only increased by 4 percent over the same period.

REVENUE/EXPENDITURES PER STAFF BY YEAR (Tk. 000)

	1988	1989	1990	1991	1992	1993
Revenue	95	86	104	176	190	263
Expend	234	172	201	309	274	256
%	40	50	52	57	69	103

The Commercial Department has been the largest contributor to overall income, accounting for 58 percent of total income in 1993. This figure has been steadily increasing since 1990. The Development Department's contribution has fluctuated from 39 percent in 1990 to 33 percent in 1993; this reflects the volatility of the consulting industry. As to be expected, the Offices of the Executive Director and Finance & Administration are typically not revenue generators. Revenue earned by F&A reflects interest income from sources other than loans.

DEPT. CONTRIBUTION TO REVENUE (%)

	1990	1991	1992	1993
Comm	50	51	54	58
Devl	39	46	43	33
EED	0	0	0	0
F&A	11	3	3	9
TOTAL	100	100	100	100

DEPT. REVENUE/EXP. PER STAFF (Tk. 000)

	1990	1991	1992
COMM			
Income	160	261	282
Exp	225	217	198
DEVL			
Income	101	235	261
Exp	190	293	259
EED			
Income	0	0	0
Exp	317	364	346
F&A			
Income	53	20	27
Exp	155	149	140

In terms of staff efficiencies by department, the two revenue centers, commercial and development, show increased efficiencies in increased revenue per staff and proportionately decreased expenditures per staff from 1990 to 1992 (the period for which accounting information by cost center was available). In addition, staff numbers have stayed relatively even over the period assessed — staff increased by 18 percent while revenues increased by 108 percent in the Commercial Department; staff levels declined by 18 percent in the Development Department, while revenues increased by 112 percent.

Although revenue by staff is not an appropriate efficiency measure for the EEDS and F&A departments, because they are not intended to be revenue centers, expenditures by staff for F&A are substantially lower than staff in the revenue centers, which is appropriate. Although staff levels have increased from 1990 to 1992 by 22 percent in the F&A

department, the expenditure per staff is on the decline, a positive trend. Expenditures per staff in the EEDS is disproportionately high compared with the other departments.

The trend of increased revenue and proportionately slower expenditure rate indicates that MIDAS is a progressively efficient institution, as evidenced by revenues having surpassed expenses for the first time in the institution's history in 1993.

Measures of cost-effectiveness can best be applied to MIDAS loan activities. These ratios assume all Commercial Department staff are involved in lending activities. The ratios reflect trends of increased staff efficiency and productivity in loan principle recoveries, and per net loans outstanding, but reduced efficiency in the value of loans disbursed.

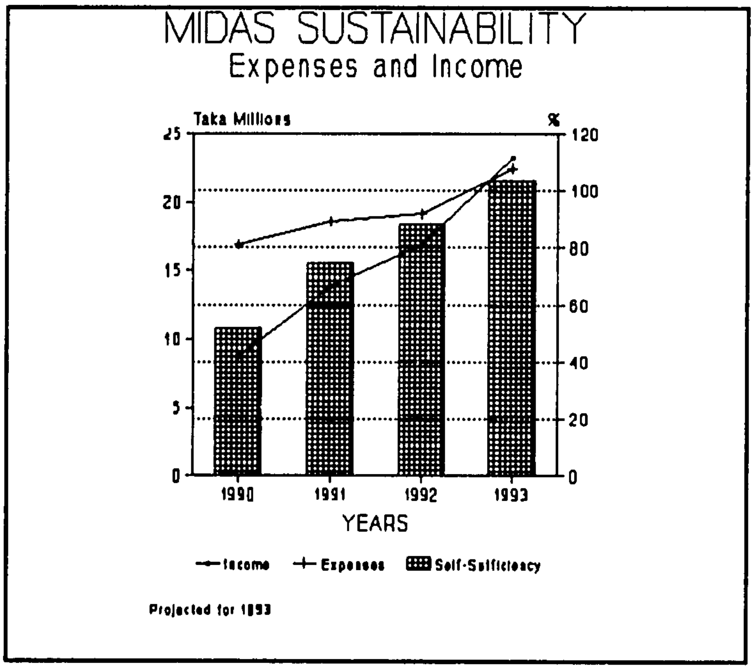
LOAN/STAFF RATIOS – COMM. DEPT.
(Tk. 000)

	1989	1990	1991	1992
Value of Loans Disbursed	2273	1240	1010	667
Net Loans Outstding	3354	4327	5691	6998
Loan Principle Recovered	73	112	485	1062

FINANCIAL SUSTAINABILITY

MIDAS's long-term success depends on its ability to manage its current resources effectively and capture new business and revenues. As the USAID/B project ends this year, MIDAS needs to increase revenues to ensure the sustainability and growth of the institution and its program. The following analysis is based on MIDAS's current portfolio of loans and activities, and does not take possible continued assistance by other donors into account. That prospect is treated separately in a later section of the paper.

Financial Status



In the three years since the 1990 evaluation MIDAS has made significant progress toward achieving financial self-sufficiency, and can cover operating expenses without external support after

September 1993.[16] This movement toward self-sufficiency is the result of both a slowing in the growth of MIDAS expenditures (through 1992, at least), and a rapid increase in self-generated service charges (interest income) and fees (income from the sale of services and publications). Self-generated income covered only 51 percent of expenses in 1990, but by 1992 covered 88.4 percent of operating expenses. During the first six months of the 1993 fiscal year (July through December), operating income exceeded operating expenditures, resulting in a projected positive operating margin for the first time since 1986 (the period considered in this evaluation).[17]

The growth in revenues in MIDAS's two major revenue sources can be seen below. Growth in service charge (interest) income between 1991 and 1993 is particularly impressive because the nominal value of the loan portfolio did not increase significantly during this period. Almost all of the increase is due to improved collections.

Service charge income has increased in relative as well as absolute terms. With a nominal interest rate of 18 percent, service charge income should have averaged 18 percent of the average outstanding portfolio. In 1989, for example, MIDAS should have been able to collect approximately Tk. 10.2 million in service charges. With actual receipts of only Tk. 2.1 million, the effective return on the portfolio was only 3.8 percent, indicating a high level of nonpayments — MIDAS was collecting only 21.1 percent of the service charges that it should have received. In 1992 this return had increased to 5.6 percent, an improvement of nearly 48 percent in the performance of the loan portfolio as MIDAS collected approximately 31.1 percent of the service charges due. At least some of the improvement is due to the growing recognition in MIDAS of the need to improve the performance of the portfolio, and in positive steps initiated by MIDAS professionals and the Board of Directors to improve collections.

INCOME RECEIVED
(in Tk. 000)

Year	Service Charges	Fees
1989	2,143.1	2,942.8
1990	4,190.2	3,574.7
1991	6,823.0	6,578.4
1992	8,638.9	7,673.5
1993*	13,379.9	7,614.1

* Based on receipts during the first six months

[16]The Project Paper described MIDAS as a self-sufficient organization that would not need budget subsidies. It estimated that funds for operating expenses would be needed until March/April 1987 (p. 22). The financial analysis placed MIDAS operating expenses at $72,000 [per year] compared to operating income of $93,000, noting that program increases would necessitate additional funding "in the short term" (p. 92). These operating subsidies were to be funded by the "contingency element" until such time as MIDAS was self-sufficient (p. 93). The "contingency element" contained $375,000, yet nearly $1.1 million was used to cover operating deficits during the life of the project.

[17]The positive margin projected for 1993 needs to be qualified: these figures do not include staff bonuses (which are paid during the second half of the fiscal year) and noncash expenditures for loan loss provisions. Also, collections in November and December were much higher than normal due to a special service charge reduction offered to firms that made payments on their loans. This rate might not continue through the remainder of the fiscal year.

Service fee income is net of USAID/B contributions for studies, action research, and consultancies, and reflects MIDAS's ability to capture business from non-A.I.D. sources. Some of this income has resulted from long-term projects with other donors, and could be at risk when these projects end, but much of it is from short-term contracts that MIDAS has successfully competed for, and represents an ability to generate income on a competitive basis.

Future Income Prospects

MIDAS's future income depends on several factors: the quality of the loan portfolio, the impact of recently adopted service charge reductions, continued improvement in collection of service charges and loan payments, and MIDAS's ability to generate fee income.

The quality of the loan portfolio is the most significant factor related to MIDAS's future income levels. At present, MIDAS is collecting income and installments on only about 31 percent of the portfolio; more than two-thirds of the loans outstanding are not performing. This undermines MIDAS's future revenue in that it prevents MIDAS from making new loans and establishing a steady income base. Improving the quality of the portfolio — collecting on arrearage — is the most important single action MIDAS needs to take to ensure its future financial viability.

MIDAS has recently reduced its service charges from 18 to 14 percent on most of the loans in its portfolio. Service charge income, therefore, will decline in absolute terms unless significant improvements are made in the rate of collection: if collections remain at the same relative efficiency, MIDAS can expect a 22 percent decline in service charge income (both actual and potential) because of the decrease in service charges.

As mentioned earlier, collections rose in both absolute and relative terms between 1989 and 1993. Continuing this trend is critical for sustaining and expanding the institution. If all loans bore a service charge of 14 percent, and if all loans were current, the portfolio would provide MIDAS with an annual income of approximately Tk. 21.4 million — enough to cover all operating expenses. The portfolio must perform at a level of 50 percent to maintain current service charge income levels. But if the portfolio continues to perform at the current rate of 31 percent, revenues will fall to Tk. 6.6 million, which would place MIDAS in serious financial trouble.

The future of fee income is less certain. Although income from services performed increased 258.7 percent between 1989 and 1992, it is difficult to conclude that this represents a trend that is likely to continue into the future. Most of these revenues were from donor-assisted activities, and this is a volatile market. The true test of MIDAS's ability to continue to generate significant revenue in this area will come when MIDAS's traditional donors do not feel an obligation to continue funding merely because of their historical ties to MIDAS. Only then can fees generated from this source be considered as a market test of MIDAS's ability to capture assignments and income.

Loan Portfolio

To a great extent, projections for the sustainability of MIDAS in the project design depended on service charge income generated by the loan portfolio. This, in turn, depended on MIDAS's ability to minimize loan losses, maintain the value of the fund in real terms, and collect service charges.

Portfolio Valuation

According to the Logical Framework indicators for end-of-project status, MIDAS's investment fund was to be decapitalized at a rate no greater than 13 percent per year in real terms. The table below shows the expected value of the MIDAS portfolio based on this limit; stating the portfolio in dollars effectively deflates the fund to real terms.

As can be seen in the table, MIDAS should have held a portfolio of Tk. 95,420,883 on September 30, 1992. The assumption that all USAID/B funds were disbursed on 10/1/87 works in MIDAS's favor, as funds disbursed later would have actually depreciated less.

EXPECTED STATUS OF THE PORTFOLIO
BASED ON PROJECT PAPER ASSUMPTIONS

Year	Value of $1000 Decapitalized at Rate of 13% per Year	Minimum Dollar Value of MIDAS Portfolio*	Nominal Taka Value of MIDAS Portfolio
9/87	1,000	4,921,500	-
9/88	870	4,281,705	-
9/89	757	3,725,083	-
9/90	659	3,240,822	-
9/91	573	2,819,516	-
9/92	498	2,452,979	95,420,883

* Assuming all USAID/B funds disbursed to date were disbursed on 10/1/87.

MIDAS's audited statements for June 30, 1992, showed a total portfolio that would appear to be well in excess of the portfolio projected in the Project Paper.[18] This statement, however, presents an unrealistic view of MIDAS's portfolio because the estimates of delinquency and risk in the portfolio are based on optimistic loan rescheduling and projections of repayments.

Several other indicators provide a much more negative picture of the status of the portfolio. For example, MIDAS's estimate of delinquency (as of June 30, 1992) showed 56 delinquent loans with payments overdue of Tk. 50 million.[19] The report did not detail the remaining Tk. 130 million in the portfolio, but that presumably included the non-due portion of the 56 loans listed above and performing loans that do not have arrearage. MIDAS only considers loans as delinquent when they are 90 days overdue, which is a fairly liberal definition of delinquency. At any rate, using this definition shows that Tk. 50 million (27.6 percent) of the total loan portfolio of Tk. 181.2 million is made up of overdue installments.

---

[18]This includes funds disbursed by USAID/B prior to the start of the EDP project, as well as funds provided by Swiss Development Cooperation and the Ford Foundation. These amounts are small, however, when compared to the funds disbursed through the EDP, and do not significantly affect the analysis.

[19]MIDAS, "Provision for Bad and Doubtful Debts, as on June 30, 1992." MIDAS does not count the entire loan as due when a payment is missed.

Another negative indicator was a significant increase in both loan installments and service charges receivable between 1991 and 1992, which indicates a deteriorating portfolio. Project loan installments receivable more than doubled during the year — from Tk. 10.2 million to Tk. 25.4 million, and service charges receivable nearly doubled — from Tk. 13.1 million to Tk. 23.4 million.

MIDAS PORTFOLIO
(June 30, 1992)

Gross Loans Outstanding	
Non due	134,231,877
Receivable	25,416,537
Total	159,648,414
Less Provision for Bad Debts	5,675,250
Net Loan Portfolio	153,973,164
Cash in Bank	27,200,819
Total Portfolio	181,173,983

DELINQUENCY PROFILE
(in Taka)

Delinquency Status	Amount
Current within 90 days	3,814,615
Past due more than 90 days	14,509,022
Litigated	13,166,913
Sick	1,875,807
Doubtful	20,400,720
Total payments past due	49,952,462

Data collected during the evaluation also present a negative picture of the status of the portfolio. Using original loan schedules (as opposed to the rescheduling that had been granted by MIDAS), 80 of 88 "active" loans currently have installments that are overdue. Total installments due through 1/31/93 on these loans amounted to Tk. 114.5 million, of which Tk. 17 million had actually been paid, and Tk. 97.5 million was overdue. This represents a recovery rate of less than 10 percent on the portfolio, and the current portfolio would be worth about 45 percent of its original value.

Using a standard definition of delinquency yields an even more negative valuation of the portfolio.[20] The outstanding balance of delinquent loans is Tk. 146.9 million, which means that 81 percent of the MIDAS portfolio is at risk. Under this assumption, the current performing portfolio is about 19 percent of the original value, or about Tk. 34.4 million.

This is supported by an aging analysis of the overdue installments, which produces the breakdown of the overdue payments outlined in the box below. In this analysis nearly Tk. 70 million (70 percent of the overdue loans) would have to be considered as unrecoverable, with another Tk. 15.9 million (16 percent) as doubtful. Applying a standard of 100 percent of the loans over 360 days, and 50 percent of the loans between 181 and 360 days as unrecoverable, the current net portfolio of Tk. 153 million would have an estimated value of Tk. 34.7 million.

[20]Normal banking convention considers the entire outstanding balance of a loan as delinquent when a payment is missed. The purpose of classifying delinquency this way is that it produces a more accurate description of credit risk.

An analysis of interest earned provides further support for a more conservative view of the status of the portfolio. In 1992, for example, MIDAS earned Tk. 8.6 million on an average portfolio of Tk. 153.8 million. This is an effective rate of return of only 5.6 percent on the portfolio. With a nominal interest rate of 18 percent, this indicates that only 31.2 percent of the portfolio consisted of performing loans. At this rate, the portfolio would have a value of Tk. 47 million.

OVERDUE PAYMENTS

Period Outstanding	Amount
Less than 90 days	7.2 million
91-180 days	8.5 million
181-360 days	15.9 million
More than 360 days	69.1 million

Finally, loan installment recoveries further attest to the weakness of the portfolio. MIDAS's outstanding portfolio has a weighted average repayment period of 60 months. This means that loan recoveries should average 20 percent of the outstanding portfolio each year. With a nominal outstanding portfolio of Tk. 151 million, therefore, recoveries should average about Tk. 30.2 million per year. Until 1992, recoveries averaged around Tk. 5 million per year. In 1992 loan principal recovered jumped to Tk. 11.5 million, or 38 percent of expected recoveries. The increase is certainly encouraging, but indicates a need for continued improvement.

Considering the indicators of loan performance, it appears that the current value of MIDAS's portfolio is between Tk. 34.4 and 47 million, with a reasonable estimate of the performing portfolio of around Tk. 40 million, or 26 percent of the value stated on MIDAS's audited financial statements. This is considerably below the Tk. 95.4 million projected in the Project Paper.

Decapitalization under Various Scenarios

Assuming a current valuation of Tk. 40 million for the MIDAS portfolio, the actual rate of decapitalization over the past five years has been about 27 percent per year, a little more than twice the rate forecast in the Project Paper. The primary reason for this decapitalization has been the high rate of delinquency in the portfolio rather than the effects of inflation. Service charges have been set high enough to cover inflation effects — if the loans were collected.

IMPACT OF DIFFERENT ASSUMED RATES OF DECAPITALIZATION ON PORTFOLIO VALUE AND INCOME
(amounts in Tk. millions)

Year	ESTIMATED ANNUAL DECAPITALIZATION RATE							
	5 Percent		10 Percent		15 Percent		20 Percent	
	Value	Income	Value	Income	Value	Income	Value	Income
1993	40.0	5.6	40.0	5.6	40.0	5.6	40.0	5.6
1994	38.0	5.3	36.0	5.0	34.0	4.8	32.0	4.5
1995	36.1	5.1	32.4	4.5	28.9	4.0	25.6	3.6
1996	34.3	4.8	29.2	4.1	24.6	3.4	20.5	2.9
1997	32.6	4.6	26.2	3.7	20.9	2.9	16.4	2.3
1998	31.0	4.3	23.6	3.3	17.7	2.5	13.1	1.8

Any projection of the future value and earning power of the portfolio must begin with this estimate of the portfolio's current value. Radical changes in the performance of the portfolio, resulting from improvements in MIDAS collection procedures, would require a revaluation of the projections.

As can be seen in the table, further erosion of the portfolio would have a disastrous impact on MIDAS. Even under the most optimistic projections, the portfolio would have a nominal value of Tk. 31 million by 1998. And, with a nominal interest rate of 14 percent, in line with current MIDAS policies, income on this portfolio would be only about Tk. 4.1 million per year. In the most pessimistic scenario, the portfolio would have a value of only Tk. 13.1 million by 1998, with a capacity of generating only Tk. 1.8 million in annual revenues. This level of revenues would severely jeopardize the long-term financial sustainability of the institution.

Financial Management and Policies

MIDAS has a well-developed accounting system that is capable of maintaining accurate accounts on a cost-center basis. It does not have the capability of job costing, which is essential for an enterprise that is operating as a consultant business. This makes it difficult to price individual products and services.

The two major financial policy issues are that the budgets, projections, and income figures are not routinely shared by top management with the departmental managers and, as a consequence, cannot be used as an effective planning tool for the institution. Developing a job costing module and using financial statements to plan strategies and evaluate performance should be a major priority for MIDAS, and are essential for the performance-based incentive system recommended elsewhere in this report.

Write-Off Policies

MIDAS does have a policy for establishing loan-loss provisions based on aging analysis. This policy considers loans as current up to 90 days past the due date for the installment, and contains three categories of delinquency: 91-180 days, 181-360 days, and more than 360 days. Loan loss provisions are expended according to an established rate: 5 percent for installments due between 91 and 180 days, 10 percent for installments delinquent between 181 and 360 days, and 15 percent for installments delinquent more than 360 days. The policy is undermined by three practices: rescheduling (which removes badly overdue loans from the aging schedule and reports them as current); treating only the overdue installments as delinquent, which underestimates the risk of loss; and underestimating the amount needed to offset expected losses.

Most, if not all, of MIDAS's loans have been rescheduled. Although rescheduling, if done selectively, can help struggling firms re-establish payments, far too often it merely disguises the level of nonpayment and overstates the financial strength of the institution. The practice of treating only installments past due as delinquent also understates the rate of delinquency from the standpoint of standard U.S. banking experience. Using total amounts outstanding as the delinquency measure may appear overly restrictive for a development institution such as MIDAS, but the objective of delinquency analysis is to reveal the degree of risk in the portfolio.

Also, most financial institutions would be providing significantly higher loss provisions than those applied by MIDAS — at a recent conference on credit unions that was held in Guatemala, project personnel were using a rate of 100 percent of the outstanding balance on loans due more than 360 days and 35 percent on the outstanding balance of loans due more than one month as the required level of reserving. MIDAS's bad debt provision is woefully inadequate to cover probable losses.

To date, MIDAS has written off only six loans, for a total of Tk. 1.7 million. Additional loans, totalling Tk. 20.4 million, are classified by MIDAS staff as doubtful. Although the amounts actually written off and loans classified as doubtful represent only a fraction of what a bank supervisory agency would consider as uncollectible, MIDAS believes, based on knowledge of the individual businesses, that many of the loans that would normally be written off will, in fact, become collectible. Furthermore, there is a belief that writing off loans amounts to an acceptance of their uncollectibility.

What must be recognized, however, is that the purpose of writing off loans is to maintain a realistic perspective on the true financial situation of the institution. Maintaining nonperforming loans on the books gives a false sense of complacency and disguises weaknesses that undermine financial viability. MIDAS may, in fact, be able to recover some of the overdue loans, but, for the purposes of prudent financial management, they should not be listed as performing assets.

LOAN WRITE-OFFS
(Taka)

	Initial Loan Amount	Amount Written Off
Ayesha Printing & Dying	139,000	97,100
Ayesha Screen Printing	60,000	60,000
Banani Bakers	200,000	76,000
Bhairab Shoe Makers Assoc.	279,000	263,500
Bogora D.K.S.	1,378,300	1,143,065
Paduka Sramik Sangha	113,000	63,000
	2,169,300	1,708,665

Operating Subsidies and Reserving

Internal financial statements show that MIDAS is reaching a reasonable degree of self-sufficiency. For the 1992 fiscal year -- which ended on June 30, 1992 -- self-generated (non-USAID/B) income was Tk. 16.9 million, while operating expenses for the entire organization were Tk. 19.1 million. Earned income was sufficient to cover 88.4 percent of the operating expenses of the organization, and the average monthly operating deficit was Tk. 184,898, or $4,753. USAID/B, on the other hand, disbursed an average of $17,800 per month during the same period to subsidize operating "losses" on the basis of financial statements presented by MIDAS that applied much of its own earned income to building bad debt and "maintenance-of-value" reserves.[21]

Income and expense statements for the first six months of the 1993 fiscal year (July to December 1992) showed a positive net margin of Tk. 362,618 ($9,322). During the same period, however, USAID/B contributed Tk. 4,002,146 ($102,883) to cover "operating losses." The difference in the two figures is due to the application of self-generated service charge income to bad debt provisions before applying it to operating expenses involved in administering the loan fund.

[21]We do not have the exact data on disbursements, and it is not clear from the data we do have if this amount is "net" of reimbursements for services performed.

MIDAS has, at some time in the past, begun to divide its self-generated income among operating expenses, bad debt reserves, and reserves for maintaining the value of the portfolio. This was apparently not questioned at the time, but after several months of funding this practice, the USAID/B controller's office raised an objection because it increases USAID's contribution to budget support for MIDAS.

MIDAS's rationale for the practice is based on conditions in the Cooperative Agreement that require it to maintain the value of the portfolio. The only way to do this, MIDAS argues, is to build reserves. Since building reserves is required, allocations to reserves are an operating expense to which MIDAS can apply its self-generated income. The position of the USAID/B controller's office is that reserving is not required, because MIDAS has no liability for the funds. Unlike a depository financial institution, which must be prepared to satisfy the claims of depositors and creditors, MIDAS has no such fiduciary responsibility. All it has to do is write off its bad debt. By diverting funds to the bad debt and maintenance of value reserves, MIDAS's financial statements exaggerate the institution's budget shortfalls, increasing USAID/B's monthly budget support to offset operating losses.

According to the Project Paper, interest income was expected to exceed "projected administrative costs associated with managing the fund" in the first year, with surplus interest revenues used "first, to create a reserve for bad debts, then either to augment the Capital Fund or to offset fixed costs associated with other MIDAS activities."[22] The Conditions and Covenants section of the Project Paper required MIDAS to establish a loan loss reserve account according to generally accepted accounting principles. The Cooperative Agreement with MIDAS is even more explicit:[23]

> 2. *Loan interest payments and service charges will be used:*
>
> *FIRST - to meet all duly authorized expenditures that can be attributed to managing the loan equity fund.*
>
> *SECONDLY - to establish a loan loss reserve, the amount to be determined by A.I.D. and MIDAS in bi-annual negotiations.*
>
> *THIRDLY - to compensate the loan/equity fund for the erosion of its purchasing power due to inflation.*
>
> *FOURTHLY - any other duly authorized program or project expenditure.*

The emphasis placed on creating reserves in both the Project Paper and the Cooperative Agreement is confusing. As USAID/B's controller office correctly reports, there is no reason whatsoever for a grant-funded institution to create reserves for maintenance-of-value and bad debts. Reserves are needed when a financial institution has liabilities to depositors or creditors that must be secured in the event of losses in the portfolio. MIDAS has neither; reserving is not necessary. Furthermore, reserving is not a mechanism for maintaining the value of funds in an inflationary environment. Charging interest rates that cover the cost of funds, inflation factor, administrative costs and losses is the mechanism for maintaining fund values.

---

[22]Project Paper, p. 30.

[23]*Cooperative Agreement 388-0066-A-00-0603-00: Attachment 1*, p. 2.

The form of reserving practiced by MIDAS merely serves to shift funds from USAID/B's "Action Research/Small Enterprise Development" cost line item[24] to the capital fund line item. This, of course, is something that USAID/B has a right to do, but it should not be carried out under the guise of providing budget support to cover operating losses.

SUMMARY RECOMMENDATIONS

Institutional Sustainability

- Clearly define distinct roles for the functions of strategic planning to the board, and of operational management to the MIDAS management staff. The board should establish the performance standards and measurable targets for MIDAS, and MIDAS should be accountable to the board for achieving performance targets.

- Decentralize the MIDAS management structure. Increase accountability and decision-making capacity at the department levels and throughout the institution. Provide financial performance information routinely to department directors and staff to be used for strategic planning and performance-based evaluations.

- Use strategic planning as a tool for exploring new markets, clients, and directions. Use it to be more pro-active and less Cooperative Agreement-prescribed.

MIS

- Plan the MIS from a database and systems perspective.

- Build it on the basis of a local area network, so that information can be programmed and shared among the departments and the management levels within MIDAS. This will require additional equipment.

- Provide adequate resources to carry out the design, programming, testing, installation, training, and operations.

- Plan three to four months of external assistance to help plan the functions and external design of the system, at least six months of systems analyst assistance to develop the internal design of the system, and several months of intensive programming assistance.

- Hire a full-time MIS director, at the level of Chief Project Officer, to oversee and direct the planning, design, and implementation of MIS functions.

- Invest in new equipment and software, including the installation of a local area network, to link the functions of the Commercial, Development, and Financial Departments.

---

[24]Which was, in fact, used to finance operating expenses.

Personnel Management

- Develop a written personnel policy with job descriptions and performance evaluation criteria for the different ranks in the institution.

- Install a participatory personnel evaluation system, where individuals develop their professional goals and targets for a specified time frame, and set performance evaluation criteria in agreement with their supervisor. Permit employees to review their personnel evaluations to allow for improved performance.

- Assess the feasibility of a monetary incentive program, based on successful systems developed by other organizations implementing similar activities to MIDAS's.

Financial Management

- Improve the quality of the portfolio by maintaining the increased collection on loans. This is the most important single action that MIDAS needs to take to ensure its future financial viability.

- Improve the loan-loss provisioning policy which is currently undermined by three practices: rescheduling (which removes badly overdue loans from the aging schedule and reports them as current); treating only the overdue installments as delinquent, which underestimates the risk of loss; and underestimating the amount needed to offset expected losses.

- Use standard definitions of delinquency.

- Develop a more realistic and larger bad debt provision to cover probable losses.

- Do not create reserves for maintenance-of-value and bad debts since as a grant-funded institution MIDAS does not have liabilities to depositors or creditors. Instead, charge interest rates and increase efficiency to cover the cost of funds, inflation factor, administrative costs and losses to maintain fund values.

- Develop a job costing module to price individual products and services more realistically.

CHAPTER THREE

ACCOMPLISHMENT OF PROJECT OBJECTIVES: EDP PROJECT COMPONENTS

The EDP Project Paper envisioned MIDAS as a full-service, small business development organization that would provide "a range of financial and non-financial, small enterprise development services" to benefit small entrepreneurs and the entire small and medium enterprise sector. MIDAS would distinguish itself from other organizations by providing these services in a business-like, cost-effective manner. The EDP project became the impetus for converting MIDAS from a relatively small NGO to a large, full-service organization with in-house professional staff to provide training, information, and technical services, in addition to credit services. Another important objective was to conduct market research and subsector studies that would improve MIDAS's knowledge of and ability to serve small business development.

This chapter assesses the achievements and performance of the EDP project components implemented by MIDAS: Small Enterprise Development (consulting, subsector studies),[1] Action Research, and Credit Services. In July 1990, USAID/B contracted MIDAS to initiate the development of BASC. Thus this section also analyzes the addition of this more recent component to MIDAS's portfolio of activities.

SMALL ENTERPRISE DEVELOPMENT SERVICES

Whereas the Commercial Department manages all loan activities, the Development Department is responsible for implementing the nonfinancial service components under EDP. These nonfinancial services, broadly referred to as small enterprise development services in the Project Paper, include consulting, subsector research, training, feasibility studies for bank referral services, and information services. The matrix below summarizes the range of activities conducted by the Development Department. In 1992, MIDAS achieved profitability in small enterprise development activities of Tk. 29,348.

Consultancies

The cooperative agreement stated that MIDAS would "offer expert advice to other institutions willing to purchase its services. It will try to ensure that these activities are closely connected with its purpose of enterprise and job creation, and promotion."[2] The 1990 evaluation noted that consulting fees

---

[1] "Small Enterprise Development Services" is referred to as the nonfinancial component of the EDP project in the Project Paper.

[2] *MIDAS Cooperative Agreement: Attachment 2: Project Description*: p. 6 of 14.

were an important revenue source for MIDAS, and that MIDAS should continue to "examine ways to charge market rates for activities conducted under the Development Department."[3]

MATRIX OF CLIENTS AND STUDIES CONDUCTED BY THE DEVELOPMENT DEPARTMENT[a]						
	Services Provided by Type of Client (10/1987-9/1992)					
Type of Service	Public Sector Organizations	Private Sector Firms	NGOs	Donors	Financial Institutions	Total
Feasibility Studies	1	119	17[b]	35	7	179
Market Studies	1	4	7	2	7	16
Development Consultancies	0	2	2	2	0	6
Socio-economic Studies	1	0	2	7	0	10
Training Courses[c]	6	1	3	24	0	34
Total	9	126	31	70	9	245

[a]Donor clients include USAID, UNDP, DANIDA, Ford Foundation, ILO, Technonet Asia-ZDH, UNICEF, and the World Bank, among others.
[b]Includes three studies carried out for MIDAS.
[c]MIDAS statistics show that 512 people, including 129 women, were trained during training courses.

MIDAS conducted 42 consultancies between 1982 and the time of EDP's inception in 1987.[4] During the EDP project, consulting activities for both private and public sector clients increased significantly to 245. Consulting revenues have become an important source of income for MIDAS. The Development Department recovers about 88 percent of its operating costs from revenues generated by consulting services. Consulting revenues contributed 43 percent to MIDAS's total revenues in 1992. MIDAS's continued competitiveness in consulting will depend on its ability to charge market rates and to maintain services of high quality. Consulting services include feasibility studies, market research,

[3]Mid-Term Evaluation of the Enterprise Development Project, p. 65.

[4]MIDAS conducted 350 feasibility studies for the Sonali Bank in 1984-1985, which are not counted as individual consultancies.

training, subsector studies, and other technical assistance. MIDAS competes with many other consulting houses for contracts to provide these services.[5]

Consulting services are provided to USAID/B under EDP in the specific areas of subsector studies and action research, discussed later in this chapter. Under EDP, these activities do not have to be competed for, but consulting services for non-USAID/B clients do have to be competed for.

Consulting Services for Non-USAID Clients

MIDAS has demonstrated the ability to compete against other consulting houses for short-term consulting business.[6] MIDAS clients include private firms, international and local NGOs, financial institutions, and government and donor agencies. Annual total revenues fluctuate considerably and there is no consistent relationship between the number of proposals won by MIDAS and the revenues generated. Such fluctuations are common in a volatile and competitive business. More significantly, the data in the box below indicate a sharp decline in MIDAS's competitiveness in winning proposals. The submission-to-award ratio for small proposals (up to $5,000) shows a steady decline from 67 percent in 1989 to 33 percent in 1992. Several factors contribute to this decline in competitiveness and performance:

COMPETITIVENESS OF MIDAS IN WINNING PROPOSALS, 1987-1992

Fiscal Year	Small (up to $5,000)			Medium ($5,000-25,000)			Large (Above $25,000)		Total Revenue (US $)
	Bid	Won	Win %	Bid	Won	Win %	Bid	Won	
1987-88	14	8	57%	6	3	50%	0	0	$23,000
1988-89	15	10	67%	7	4	57%	0	0	$68,062
1989-90	22	12	55%	9	4	44%	0	0	$33,557
1990-91	22	10	45%	7	3	43%	1	0	$59,140
1991-92	27	9	33%	5	4	80%	2	0	$37,501
Total	100	49	49%	34	18	53%	3	0	$221,260

High Staff Turnover. This has reduced the technical skills necessary for continuity and delivery of quality services. Since 1990, at least six professional staff, including the Director of the Development Department, left MIDAS for other organizations, some of which compete against MIDAS. The former director is now an independent consultant and competes with MIDAS, taking away valuable MIDAS

---

[5]Estimates range from 47 to 200 consulting houses in Bangladesh. The business directory list 17 development consulting firms. MIDAS says that it has five principal competitors: Eusuf Associates; House of Consultants, Ltd.; Development Planners and Consultants; Bangladesh Consultants, Ltd; and The Institute of Business Administration at Dhaka University.

[6]Under the terms of the cooperative agreement with USAID, MIDAS did not compete with other local organizations for consultancies and studies conducted for USAID. See section on Subsector Studies below.

clients.[7] Five other staff members departed MIDAS to work for NORAD's Small Enterprise Development Project for salaries reported to be twice as high as MIDAS salaries.

BASC Involvement. MIDAS's involvement with BASC has reduced staff strength. The Development Department has five staff members in BASC under the Cooperative Agreement with USAID, and the director of the department works 50 percent of the time on BASC.

Staff Shortages. The department has not filled two senior professional positions, Chief Program Officers, because management believes that consulting services have maintained relatively consistent income levels despite reduced staff. The demands on staff have increased even though staff capacity has diminished.

Over-Reliance on In-House Staff. About 90 percent of all consulting is conducted by MIDAS staff. MIDAS cannot expect to maintain the same high quality of service with reduced staff and increasing consultancies. Although staff involvement is important to maintain quality, consulting firms typically contract out work during peak periods of activity to deliver services effectively without straining staff resources or overhead budgets. MIDAS has developed a roster of industry specialists, but rarely draws on consultants.

Pricing of Services. MIDAS consulting fees appear not to be competitive or accurately priced. MIDAS charges 50 percent overhead on staff salaries. Industry data suggest that most firms' overhead ranges from 10 percent to a maximum of 45 percent.[8] Competitors gain substantial advantage over MIDAS by charging lower overhead rates through greater utilization of nonstaff consultants.

Although the Director of the Development Department pointed out that MIDAS loses proposals for reasons of high cost rather than technical weakness, several of MIDAS's donor clients expressed concern with declining quality of service on existing contracts. This is a serious issue for MIDAS to address, since its reputation for quality services is the backbone of its second largest revenue source.

Subprograms Financed by Non-USAID Donors

In addition to consulting activities, MIDAS has established a number of subprograms financed by donors that provide technical assistance to small entrepreneurs. These subprograms provide MIDAS with financial stability and opportunities to extend services to clients not reached through consulting and loan activities. MIDAS has been selected by donors to implement these programs based on its reputation

---

[7]The former director has conducted several consulting jobs with MIDAS clients, including DANIDA, the Asian Development Bank, and private firms. Personal contacts and professional competence are the key factors in consulting, and loss of a key person affects repeat business.

[8]A few firms apply overhead to all costs, but the majority of consulting houses only apply overhead against salaries. Information on industry charges for consulting services was provided by USAID's Office of Procurement and several local consulting firms.

as a leader in small enterprise development in Bangladesh, and a provider of professional-quality services and managerial capacity.

During the cooperative agreement, MIDAS has established the following subprograms financed by donors other than USAID:

Small Enterprise Development Project (SEDP). With funding from NORAD, MIDAS is providing financial feasibility studies and technical guidance for the review and implementation of loans to small businesses under the Innovative Industries Credit Line (IICL) assisted by the Bangladesh Bank.

Local Rural Poor Employment Promotion Program (LOREPP). Through an agreement with DANIDA, MIDAS provided feasibility studies, implementation, and monitoring and evaluation services in the Noakhali region. This was a five-year project which finished operations on September 30, 1992.

Textile Development Program (TDP). In collaboration with the Ford Foundation, MIDAS has assisted textile and handloom weaving projects. The project pilot tests models of entrepreneurship development in these subsectors.

Human Resources Development Program. MIDAS is concluding an agreement with Humber College of Toronto, Canada, to provide training and human resources development services for small enterprise development funded by CIDA.

MIDAS also works through subprograms with the Canadian Executive Service Organization (CESO) and Technology for the People (TFTP).

As with the consulting practice, MIDAS faces the challenge of maintaining services of high quality with the addition of more clients and subprograms. There are some indications that MIDAS may be stretching its resources too thin at times, or taking on more responsibilities than it can reasonably handle. For example, a recent evaluation of NORAD's SEDP indicated that MIDAS should not continue to be a permanent part of the technical assistance component. The evaluation recommended that SEDP contract with MIDAS or other consulting houses on an ad hoc basis.[9] The report stated:

> The management and supervision of the IICL by MIDAS has been disrupted by management problems and changes in staff deployed. The priority given and the dedication to the scheme has varied. The quality of the feasibility studies is questionable, and their reporting system has not at all functioned in a timely manner (the last fortnightly report was submitted August 1991). When reports are received they are not consistent with the facts. (Loan Report which the Review Team received from MIDAS included a number of businesses that had been dropped or turned down by the Committee).[10]

---

[9]*Report on Midterm Review of Small Enterprises Development Project (SEDP)*, December 10, 1992, BDG-041.

[10]*Ibid*, p. 19.

Although in this particular case, as pointed out by both the Director of the Development Department at MIDAS and the SEDP Project Manager, the contract agreement between MIDAS and SEDP was unrealistic in its demands on MIDAS and should never have been accepted by MIDAS; and the contractual obligations were poorly defined — this type of assessment was voiced by several of MIDAS's donor clients. To maintain its reputation as a successful small enterprise development institution, MIDAS must accurately assess potential clients and contract agreements, and negotiate terms that are both financially and technically realistic.

Subsector Studies

The Cooperative Agreement called for MIDAS to complete 32 subsector studies over the life of the project. To date, 21 subsector studies have been completed, USAID/B has approved an additional 7, and 4 others are under consideration to complete the cooperative agreement goal of 32 studies by the PACD.

The Project Paper suggested that subsector studies "will feed into other MIDAS activities and can be compared to market research conducted by commercial enterprises seeking to identify new products or markets to exploit."[11]

EDP SUBSECTOR STUDIES

Year	No. Subsector Studies
1987	3
1988	4
1989	2
1990	3
1991	5
1992	4
Total	21

The direct benefits of the subsector studies to MIDAS's loan activities have been minimal. MIDAS cites seven projects related specifically to subsector studies that were reviewed by the Commercial Department. Four of the seven projects received MIDAS loans: Mahbub Cycle Industries, Ltd.; Green Star Leather Complex Ltd.; Metex Cotton Ltd.; and Superior Footwear.

The subsector studies did not achieve their full value for the following reasons:

- The EDP design did not define clearly the purpose of subsector studies, or who was responsible for setting the research agenda;
- EDP viewed subsector studies as an output rather than an input, overemphasizing quantity rather than quality;
- MIDAS did not receive sufficient technical guidance on how to conduct the studies;
- The studies were theoretical because they were not conducted for the explicit purpose of identifying and funding new clients, or identifying and changing regu. ions and policies that constrain enterprise development;
- The activities of the Development Department and the Commercial Department have been managed almost entirely independently of each other, reducing the possibility of the intended synergies;

[11]EDP Project Document, p. 13.

- The commercial activities and loan portfolio management received the greatest priority from both MIDAS and USAID; minutes of board meetings indicate only a cursory review of subsector studies, while laborious discussions were held on portfolio management, loan approvals, loan recovery, and reporting requirements to USAID; and

- Market research was not seen as an investment to generate new commercial activities for MIDAS.

Under the cooperative agreement, USAID was responsible for setting the agenda for research and feasibility studies. "Funds for small enterprise development and action research will be disbursed to MIDAS on a cost reimbursement basis. As A.I.D. determines what research or feasibility studies it wishes prepared, it will request MIDAS to develop a cost budget and projected time frame for implementing the activity. After the budget and proposal have been approved, MIDAS will implement the activity and seek reimbursement from A.I.D."[12] Without substantive feedback or technical guidance from USAID, MIDAS was limited in how far it could take these studies.

Furthermore, USAID/B had a delayed response to MIDAS's proposals for subsector studies that included draft terms of references and budgets. The only technical guidance provided was information on restrictions imposed on USAID/B by the Bumpers and Lautenberg Amendments, which would disallow MIDAS from conducting subsector studies with USAID financing.[13] MIDAS also did not invest sufficiently in human resources development and training to prepare staff to conduct effective subsector studies.[14]

The quality and value of subsector studies could have been improved greatly by emphasis on the quality rather than quantity of studies conducted; improvement of MIDAS staff capabilities in subsector analysis; and an action-oriented approach, which would have viewed the studies as diagnostic tools to be followed up with programs for assistance, rather than research pieces. For instance, study findings should have been disseminated to relevant trade associations, chambers of commerce and industry, donor agencies, and key government agencies. Key bottlenecks in the subsector, caused by policy and regulatory constraints, technology limitations, and linkages between producers could have been addressed to reduce entry and investment barriers. Subsector studies ideally could have been used to identify investment and venture capital opportunities that could be pursued by MIDAS's commercial department.

---

[12]The Cooperative Agreement 388-0066-A-00-6063-00, Attachment 1, p. 5.

[13]See USAID letters by William Duncan dated June 2, 1991 in response to the MIDAS proposal to conduct five subsector studies, including four exportable commodities (fruits and vegetables; tortoise, turtles, and crabs; live parrots; and lizard skins) and garments accessory production. The letter questioned studies on the exportable agricultural commodities that might conflict with the restrictions imposed by the Bumpers amendment, and the garment industry restrictions imposed by the Lautenberg amendment. USAID requested and received technical clarifications from MIDAS. The fruits and vegetables and garments studies were not approved. MIDAS staff opined that USAID should have outlined these restrictions more clearly up front in the cooperative agreement or as needed later when new legislation (such as Section 599) becomes effective so MIDAS staff would not have wasted valuable time conducting preliminary research to identify and prepare proposals on these subsectors.

[14] The project paper stated that USAID would issue PIO/Ts and contract with the firm or individual **at the request of MIDAS.**"[emphasis added] The Cooperative Agreement made clear that training was available to MIDAS. MIDAS has hardly tapped the budget line item for training MIDAS staff.

Referral Services

This mechanism was intended to leverage the loan fund. It was intended that MIDAS would enter into arrangements with banks, where it would qualify potential borrowers whose activities it would co-finance with a bank. Interest on the loan would be shared by MIDAS and the bank.

MIDAS participated in a referral program with the Sonali Bank in 1984, prior to EDP. Under this arrangement, MIDAS conducted feasibility studies for 350 potential loanees, and referred them to the bank for loans. Given the poor performance of the portfolio under this arrangement, the program was stopped. The project design overlooked a basic conflict of interest — that MIDAS would conduct feasibility studies to refer creditworthy clients to banks instead of referring them to its own Commercial Department. Banks interviewed by the evaluation team indicated that they would mistrust the results of feasibility studies or of referrals from outsiders with little stake in the bank's performance — accordingly, most banks conduct this activity in-house.

Several banks currently participate in referral programs with small enterprise programs, but these are arrangements with institutions that reach a much poorer clientele than MIDAS, such as Swarnirwar, and that do not manage their own loan funds.[15] The private commercial banks are more willing to view these other institutions as "social collaborators," unlike MIDAS, which they view as a "competitor with a sweet deal."

Information Services

MIDAS has developed an extensive collection of literature and resources on small enterprise development. MIDAS is the exclusive distributor of World Bank publications in Bangladesh. Sales of MIDAS and World Bank publications have wide distribution. MIDAS also produces a monthly newsletter, distributing 3,500 copies to advertise recent studies, investment opportunities, buyer interests, relevant seminars, and upcoming events.

The library services are relatively well used. During a five-week period in early 1993, 128 visitors used the library services.

MIDAS INFORMATION SERVICES

Library Resources

Books	4,500
Journals	291
Microfiche Titles	1,200
Consultant Roster	160
SME Subject Files	139
Project Profiles	967

Sale of Reports, 1987-1993

World Bank Reports	4,515
MIDAS Reports	956

ACTION RESEARCH

USAID originally intended for the action research component of EDP to explore "conceptual models of enterprise assistance, or pre-tested models employed successfully elsewhere."[16] The assumption was that

---

[15]Swarnirwar is an NGO that supports microentrepreneurs in Bangladesh.

[16]Project Paper, p. 17.

MIDAS would develop "new ways to channel resources to the small industry sector."[17] Donors would then turn to MIDAS to implement small enterprise development projects through these new replicable models, bringing new sources of revenue.

Three areas were highlighted for action research: subcontracting, franchising, and venture capital financing. These areas were not clearly defined. For example, franchising, which usually refers to replication of business units, was described in the project paper as a way for MIDAS "to market product lines and management systems in much the same way a franchiser does." MIDAS never understood or was fully apprised of the intention of this concept. Key reasons for the low achievements of this component are:

- The budget line item for action research and subsector studies was not fully used for its original purpose; instead, the line item budget was diverted to fund MIDAS's operational deficits;

- USAID/B provided virtually no technical direction and supervision for this component. In addition, there was no follow-up to initiatives proposed by MIDAS with the departure of the project officer from USAID/B in, for example, the proposal to explore subcontracting linkages;[18] and

- The action research models should have been explored systematically through each subsector study.

Through ad hoc efforts, MIDAS did provide loans to several clients that implemented new models. Some notable examples include Continental Baskets, which has piece rate contracts with about 350 families to produce baskets; Bandbox, with five franchises for dry cleaning; and Femme Industries, in which MIDAS holds an equity position and sits on its Board of Directors.

FINANCIAL SERVICES

The Project Paper provided for a capital grant of $5.45 million to expand MIDAS's loan portfolio, but did not provide detailed information about the capital fund. Eventually, $5.8 million was obligated in the Cooperative Agreement for this line item. The only End-of-Project Status (EOPS) indicator in the Logical Framework calls for the fund to decapitalize at a rate "no greater than 13 percent per year in real terms."[19] The Project Paper also asserted that MIDAS would ". . . be able to make 25 to 35 loans per year for at least 20 years because of the reflows,"[20] and that it would be able to "operate

---

[17] *Ibid.*

[18] See "Sub-Contract Linkage Development in Bangladesh: Formulation of a Programme for Midas Intervention," June 1986.

[19] Project Paper, p. 108.

[20] *Ibid.*, p. 30.

at planned levels for 10 to 15 years after project PACD."[21] As of December 1992, the total amount authorized for the capital fund was $5.8 million, of which $4.9 million had actually been disbursed.[22]

In addition to USAID/B, three other donors contributed to MIDAS's loan fund. Swiss Development Cooperation (SDC) contributed a small capital grant of Tk. 783,100 (approximately $25,000) to provide assistance to silk weavers in rural areas. Only four projects were actually funded, of which only one was in operation at the time of the 1990 evaluation. The Asia Foundation contributed a capital grant of Tk. 1.55 million (approximately $50,000). And the Ford Foundation made a loan to MIDAS of Tk. 2.6 million (approximately $80,000) for a low-technology handloom weaving project. Because these two programs were quite small — the SDC project made only four loans, while the Ford Foundation project spawned six loans[23] — these data are included in the statistics on MIDAS's lending program presented below. This section assesses performance of the financial services, including MIDAS compliance with the environmental impact assessment requirements of the EDP project.

Credit Services

At the time of the 1990 evaluation, there was little reason to question whether MIDAS would reach performance targets for annual loan numbers and volumes, as MIDAS's overall loan portfolio exhibited a rapid rate of growth.[24] The number of loans made each year increased from 12 at the beginning of the EDP project to 25 in 1989; total loan volume increased from Tk. 21.7 million per year to Tk. 50 million per year; and the average loan size from Tk. 1.8 million to Tk. 1.9 million. Since the projections appeared to be on track, the 1990 evaluation did not delve into the targets, but concentrated on the managerial issues that caused problems in managing the portfolio and inhibited recoveries.[25]

LOANS DISBURSED
(in Taka millions)

Year	Number	Total Amount	Avg. Amt.
1982	1	.5	.5
1983	6	4.2	.7
1984	7	2.8	.4
1985	5	5.3	1.1
1986	4	6.8	1.7
1987	12	21.7	1.8
1988	22	38.3	1.7
1989	25	49.9	1.9

The situation has changed considerably since 1989, however, as both the number and volume of loans disbursed has decreased rapidly. From a high of 25 loans made in 1989, only 7 were made in 1992. From a high of Tk. 50

[21] *Ibid.*, p. 31.

[22] USAID/B Controller's Office, "Statement of Unliquidated Balance Against MIDAS Cooperative Agreement No. 388-0066-A-00-60063-00 as of February 1, 1993."

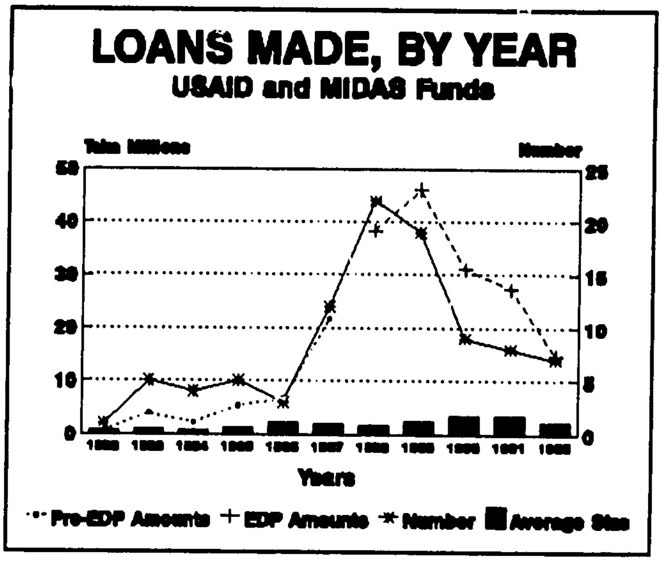
[23] Loans made with funds provided by the Asia Foundation are not identified separately in MIDAS reports.

[24] Including loans made with reflow funds and funds donated by the Ford Foundation and SDC.

[25] *Mid-Term Evaluation*, pp. 13-29 and 61-63.

million disbursed in 1989, only Tk. 14.7 million was disbursed in 1992. Even these numbers are misleading. Of the 7 loans made in 1992, 4 were repeat loans to clients who had been severely damaged by the 1991 cyclone. Of the 3 new loans, two had actually been approved in 1990, though not disbursed until 1992. No loans to any client, new or repeat, have had initial disbursements during the 1993 fiscal year, which began on July 1, 1992.

The decline in loan activity calls into serious question the achievement of intended project objectives, and perhaps the rationale for MIDAS itself. The basic assumption underlying USAID/B support of MIDAS was that there was a large pool of entrepreneurs who were willing to invest in new projects, but did not have access to needed financial resources through the formal financial sector. MIDAS now reports that current financial conditions have significantly reduced the demand for industrial credits, and that it is losing customers to the banks because of interest rate competition. Both of these challenge the project's underlying assumptions.



At the same time, however, MIDAS has turned away clients who have sought services without even conducting feasibility studies, and acknowledges that it is discouraging applicants because of uncertainty about the future availability of funding due to the end of the EDP project. At the present time MIDAS has Tk. 69 million on deposit in banks, including nearly Tk. 20 million in USAID/B capital fund grants that were disbursed in July-August 1992 and that could be used to fund pending loan requests.[26] Equally important, the capital grant line item in the Cooperative Agreement contains nearly $900,000 in undisbursed funds.

Venture Capital Performance

MIDAS has equity participation in seven firms. Most of these equity investments were made between 1986 and 1989. The most recent was VACPAC, which was made in March 1990.

MIDAS EQUITY PARTICIPATION

Silicon Village	1,000,000
Superior Footwear	500,000
Bandbox Ltd.	1,000,000
Femme Industries, Ltd.	500,000
Bengal Marbles	3,100,000
VACPAC Services Ltd.	2,477,500
Agro Industries and Services	1,872,454
Total	Tk. 10,449,954

Of the seven firms MIDAS has invested in, only Bandbox is performing well. Bengal Marbles has still not entered into production, three years after the investment; the production equipment has been sitting uninstalled for more than two years. VACPAC Services, which appears to be a good business idea that

[26]The evaluation team was informed that seven loans are due to be funded within the next few weeks.

has had difficulty finding a market, has few customers. Femme Industries has not become profitable. Agro Industries is listed as "slow moving," and both Silicon Village and Superior Footwear are "dormant."

MIDAS is quickly finding that minority equity positions in closely held firms is not a good investment.[27] It is unable to obtain access to financial records, and has not earned any dividends from its investments.

Loan Appraisal Procedures

MIDAS has developed a lending policy and set of procedures for identifying and approving projects and for managing collections. These procedures were well described in the 1990 evaluation.[28]

The important thing to note in this evaluation is that the principal purpose of loan appraisal is to improve recovery rates (reduce credit risk). The loan appraisal process used by MIDAS, however, has not significantly reduced this risk, as the high delinquency rate illustrates. Preliminary data from another USAID/B-funded consultancy with the Dhaka University Institute of Business Administration indicate that projects showing higher expected rates of return in the feasibility studies do not experience higher repayment rates.[29] Neither do the feasibility studies performed appear to be related to the survival of the assisted businesses. Because the appraisal process is apparently not improving either the odds of business survival or of loan repayments, MIDAS needs to explore other appraisal options.

Environmental Impact Assessment

USAID/B required environmental impact assessments of MIDAS projects because it is funding projects in the industrial sector. The rationale for including this section under the broad heading of Financial Services is that each loan approval and disbursement had to ensure compliance with environmental regulations. The Project Paper assumed that a project-wide environmental impact assessment was not necessary because:[30]

> Loan applications will be initially reviewed by MIDAS and forwarded to USAID. USAID will have the opportunity at that time to assess any environmental impact. In addition, MIDAS has agreed to include in their standard loan application review process an examination of the impact the activity may have on the environment.

---

[27]For a discussion of the problems of foundation equity investments in local businesses, see David Hughes and John Magill, *Some Aspects of Equity Financing and Self-Sufficiency in the FUSADES Program: An Appraisal*, prepared for USAID/El Salvador, 1988.

[28]*Mid-Term Evaluation*, pp. 15-18.

[29]Interview with Dr. M. Shamsul Haque, Mohammad Mamdudur Rashid, and Mohammad Abdul Hamid, of Dhaka University.

[30]Project Paper, p. 78.

Since the project will primarily support an intermediate credit institution, and USAID retains the right to approve all loans, the project meets the categorical exclusions criteria under 22 CFR 216.2(c)(2)(x) and is exempt from an environmental impact analysis.

In practice, USAID assessment of environmental impact proved to be time-consuming and unworkable. Preliminary threshold determinations drafted by the Mission were transmitted to the EPA in Washington for approval. This process delayed USAID approvals considerably — as much as 18 months; in fact, because the projects were so small and of such low priority, the Mission received only one determination from the EPA for more than 40 projects submitted for approval. In switching to a performance-based disbursal system, in which USAID/B no longer approved individual loan applications, MIDAS was assigned responsibility for conducting the preliminary environmental assessment. One officer received training in Bangkok, and MIDAS developed an environmental checklist that is routinely applied to all projects.

A preliminary environmental assessment is made on each potential project during development of a concept paper. Once the concept paper is approved, a more extensive review of the environmental implications is conducted, using the standard checklist. In the few instances in which a major environmental issue has been encountered, MIDAS has contracted one of four firms — Productivity Services, Ltd.; Metropolitan Chamber of Commerce and Industry; ENVIROCARE; or RCC — to conduct an environmental assessment. The fee is sometimes charged to the sponsor, sometimes to USAID/B. Even though no USAID/B budget line item existed for this purpose, USAID/B authorized use of funds from the technical assistance line item in the amount of TK. 5,000 to 10,000 per study.[31] Since 1992, MIDAS has a general policy of requiring a Department of Environment "clearance certificate" for all questionable projects.

It is difficult to assess the quality of the environmental reviews conducted by MIDAS. The threshold statements in several project concept papers and proposals were not in the opinion of the evaluator, particularly rigorous or discriminating.

Perhaps a more important question, however, is just how exhaustive such reviews should be. There are few guidelines for such assessments that would be practical in the context of the MIDAS program. A.I.D., World Bank, and other institutional requirements and methodologies are oriented toward much larger projects, and not particularly relevant to the size of the MIDAS program or the scale of enterprise served by MIDAS. And while small industries frequently violate developed-country environmental standards, it is difficult to argue that holding 80 to 100 small firms to rather strict environmental criteria will have any effect at all on environmental conditions in Bangladesh. If A.I.D. is to insist on environmental assessments for projects of this scale and nature, it should develop and offer practical approaches to carrying out such assessments that are consistent with the level of investment and prevailing local norms and standards.

[31]This is a very small amount for environmental assessments ($130 to $260 per study), and MIDAS has had difficulty obtaining services from these firms at this rate. At present MIDAS is attempting to reach an agreement with ENVIROCARE for four studies that were carried out. ENVIROCARE charged Tk. 45,000 ($1,170) per study instead of the Tk. 5,000 MIDAS thought would be charged.

BUSINESS ADVISORY SERVICES CENTER

Introduction

BASC is one of three components of USAID's Industrial Promotion Project (IPP).[32] Although IPP was authorized in August 1989, it has experienced many bureaucratic delays and hurdles that have delayed implementation. Thus, to reduce delays on the start-up of BASC, USAID/B amended MIDAS's Cooperative Agreement in July 1990, contracting MIDAS to initiate and establish BASC until it became a legal entity. Once legally constituted, USAID could work through a Cooperative Agreement directly with BASC. After two and a half years, MIDAS estimates that BASC will gain legal status in October 1993.

A key assumption made in designing the concept of BASC was that promotion and delivery of quality services will increase private sector demand for consulting services. BASC, as a broker of services, would help to stimulate competition and capabilities of service providers, and match the needs of service users and service providers. BASC would also provide techno-market information and some training.

USAID is currently reassessing BASC and its institutional status. Two major issues need to be considered in reassessing BASC. First, what is the market demand for training and technical services, and how realistic is BASC's planned sustainability through fee-based service provision? Second, what is the best institutional arrangement for implementing BASC?

The Market for Consulting and Training Services

BASC was not designed on the basis of a thorough assessment of the market demand for consulting and training services. The market study conducted in 1989 upon which BASC was designed was based on 50 interviews with private individuals and organizations, and concluded that firms would buy services if they are practical and at reasonable cost.

An updated study should be conducted to explore further the preliminary findings of the evaluation team, which indicate low willingness to pay for consulting and training services.

- Quality services are not highly valued. Most local firms tend to choose service providers based on personal relationships and price. Consulting firms hire former government officials who have contacts in the GOB and multilateral and bilateral donors and can bring in new business.

- There is limited ability of private firms to compare prices of technical services based on quality, so firms tend to select services primarily on cost.

- The concept of brokering services for a commission — thereby increasing the cost to the buyer — may not be realistic in a price sensitive market.

---

[32]The other components include Policy Implementation and Analysis Group (PIAG) under the Ministry of Industry; and the Small Industry Credit Insurance Scheme (SICIS) supported by A.I.D.'s Loan Portfolio Guarantee in Washington, D.C.

- Donor-financed programs for subsidized or free training and consulting services will crowd out competitive services, and will make it difficult to change attitudes about willingness to pay for services.

- The recognition of a need for technical assistance is not always followed by willingness to purchase services. This same DAI team discovered a similar finding in a private sector training needs assessment in Nepal. Almost every firm and private organization interviewed said it would like training services, but few firms would actually pay for these services. Easy access to donor-funded training crowded out market-driven training services.

- Case studies of 16 MIDAS clients who received loans indicate that 38 percent probably needed technical assistance, but only 19 percent sought and received it. However the Dhaka Chamber of Commerce and Industry (DCCI) has established, to a limited degree, the ability to attract private firms and potential entrepreneurs to training courses on entrepreneur development and technical courses at subsidized fees. DCCI says that many of its 5,000 members are willing to pay for quality services.

An Institutional Home for BASC

MIDAS

In contracting with MIDAS to nurture BASC, USAID/B asked MIDAS to incubate a perceived competitor. MIDAS has a vested interest in maintaining BASC within its portfolio of activities. USAID has sent signals to MIDAS on several occasions that contradict the original intention that BASC would remain an autonomous institution. As a result, MIDAS retains expectations that BASC may still become a permanent part of MIDAS. MIDAS and USAID have different views on the roles of BASC and MIDAS:

- USAID views the roles of BASC and MIDAS as mutually reinforcing and completely distinct from each other. It sees BASC as a broker of services to extend the outreach of services into rural and other urban areas, and MIDAS as the provider of services. Theoretically, rather than compete with MIDAS, BASC will identify and refer new clients and business opportunities to MIDAS for a fee.

- MIDAS is skeptical that BASC will expand the market and bring new clients to MIDAS. In the absence of market expansion, MIDAS believes that BASC will attract existing or potential MIDAS clients and directly compete with MIDAS.

MIDAS would like to absorb BASC into its portfolio of activities. Although MIDAS has demonstrated professionalism and competence in implementing EDP, despite the shortcomings in project design and implementation, several considerations should be weighed in determining whether BASC should be managed by MIDAS.

- Staff turnover severely constrains the ability of MIDAS to expand its market for delivery of quality consulting services.

- MIDAS tends to work more through donors than directly with private firms. The trend over the last five years is that MIDAS's client mix has shifted from 52 percent donor clients and

48 percent private clients in 1987 to 74 percent donor clients and 26 percent private clients during the EDP project.

- MIDAS's outreach activities to the private sector do not necessarily target the clientele that would most value brokering services. MIDAS does not advertise its services widely for fear of an overwhelming response.

- MIDAS's and BASC's location in Dhanmondi is too exclusive for small-scale entrepreneurs. Ideally services should be located in the commercial district of Motijheel.

- Most importantly, MIDAS has not demonstrated the wide outreach capacity to reach large numbers of entrepreneurs.

Dhaka Chamber of Commerce and Industry[33]

Founded in 1958, DCCI has recently created a new Small Business Development Center (SBDC) located in its central offices in Motijheel. The Chamber has a membership of 5,000 firms, of which 45 percent are small, 45 percent are medium, and 10 percent are large f. ms.

DCCI also has created the Small Scale Enterprises Development Cell that provides training with the financial support of ZDH (German Assistance). A Private Entrepreneurial Center currently under construction in DCCI's building will provide technical and financial assistance to private firms.

The Chamber has approached USAID for funding to assist in the creation of the Center. DCCI realizes that the new Center will provide many of the services available through BASC. DCCI is interested in collaborating with USAID and would allow a legally independent BASC to operate in DCCI.

Under DCCI's currently programmed activities, the following services will be available to private firms on a fee basis:

- Basic support for marketing, including audio and video equipment to view new products, and facsimile and photocopying services;

- Various conference rooms for firms to meet with foreign buyers and representatives;

- Entrepreneurship development and technical training courses subsidized at 70 percent by ZDH and Technonet Asia; and

- Brokering of consulting services for a commission, through binding agreements with independent consultants.

DCCI offers training courses that it advertises through two local newspapers, its monthly newsletter published in English and Bangla, and weekly circulars. Training courses are designed from formal training needs assessments, questionnaires to Chamber members, and through discussions with

---

[33]Please note that information and impressions of DCCI are drawn from one interview with the Senior Vice President, and from the opinions of several entrepreneurs. It should thus be interpreted with caution. The information provided here is intended as a platform for further exploration.

firms. DCCI also interviews its trainees to refine and improve on training courses through a special committee that manages the training program. Trainers are paid professional rates (Tk. 1,000 per training session) and are usually entrepreneurs or bankers.

DCCI has demonstrated initiative in approaching USAID/B and other donors with quality proposals to support private sector support activities. It appears to be sensitive and responsive to member needs, and has developed wide membership outreach capacity. Although it is difficult and unwise to draw strong conclusions and recommendations based on one interview with a board member on DCCI's institutional capability and commitment to achieve its stated objectives, USAID/B should explore further the feasibility of an institutional arrangement with DCCI for BASC.

Three Options for Implementation of BASC

The evaluation team proposes three options for USAID/B to consider for BASC: terminate it, implement BASC through an existing private sector organization, or implement BASC as an independent legal entity. Each option has advantages and disadvantages that must be weighed.

Option 1: Terminate the BASC Project

This decision could be taken in conjunction with or independently of any decisions about other components of the IPP.

Advantages:

- The private sector will work out the most efficient market mechanisms to satisfy real demand.
- USAID should allow the private sector to serve private firms, and not attempt to manipulate market forces.

Disadvantages:

- Without USAID assistance, private initiatives may not be able to promote or develop high-quality services.
- USAID may face some embarrassment in terminating BASC.

Option 2: Implement BASC through an Existing Organization

Advantages:

- BASC takes on immediate institutional ownership and credibility through an established organization, catalyzing existing private initiatives.
- BASC is more likely to be implemented quickly.

- The project is more likely to be adjusted according to actual market demand.

- There is less chance for donor-driven support for private sector demand if USAID supports an organization that already has an established brokering and outreach program.

- USAID would not have to create a possible donor-identified white elephant, but could concentrate on coordinating BASC services with other components of IPP.

Disadvantages:

- Housing the activities of BASC within an existing organization that provides consulting or training services may limit honest brokering of services as envisioned by the project design.

- BASC takes on any negative institutional characteristics of the implementing organization.

Option 3: Implement BASC as a Separate Legal Entity

Advantages:

- USAID/B would have flexibility to implement BASC as a fully autonomous organization, or to contract out management support for implementation to another local organization.

- The creation of a separate organization would allow for honest brokering of services to competing organizations.

Disadvantages:

- USAID/B would have to create another private sector institution, requiring greater USAID/B management and resources.

- There is a much greater chance for a donor-driven white elephant that is not sensitive to market forces.

SUMMARY RECOMMENDATIONS

Small Enterprise Development Services

Consulting Services

- Better integrate the activities of the Commercial and Development Departments to maximize financial gains and achieve better service delivery and greater efficiencies.

- Assess the market to better define MIDAS's target markets for small enterprise development services based on demand and MIDAS's competitive advantages.

- Increase the capacity to provide services and improve the quality of services by:

    - Promoting in-house staff or recruiting new staff to fill at least two positions at the Chief Project Officer level in the Development Department, to increase MIDAS's technical expertise and ability to manage the growing consulting practice;

    - Using qualified external consultants to a greater degree while maintaining quality control;

    - Identifying joint venture opportunities with local and international organizations and consulting firms to increase opportunities and chances for winning multilateral and bilateral donor contracts; and

    - Continuing to refine the quality management system in place, emphasizing management of existing projects and follow-up with clients to ensure satisfaction and generate repeat business.

- Use financial performance information on a monthly basis to track costs and revenues by project to measure profitability.

Training Services

- Advertise fee-based training services publicly to attract a wider audience.

- Price the entrepreneurship development training courses at market or partially subsidized rates to attract only those individuals who seriously want to become entrepreneurs.

- Design the training courses so that trainees have the opportunity to develop their own business ideas; financial projections; and technical, credit, and resource requirements.

- Use the training programs as a mechanism for screening or cultivating potential clients for MIDAS's commercial (loan) activities.

- Conduct a pilot test of this approach to refine the methodologies suggested above.

Subsector Studies

- Only conduct subsector studies with the explicit purpose of identifying and finding new clients, assessing bottlenecks to the development of a potentially competitive subsector, or identifying and changing regulations and policies that constrain enterprise development.

- Use an action-oriented approach, which views the studies as diagnostic tools with a follow-up intervention strategy and program.

- Increase outreach efforts to disseminate study findings to relevant actors: trade associations, chambers of commerce and industry, donor agencies, and key government agencies.

- USAID support of any further studies should include technical assistance to develop MIDAS staff capabilities in subsector analysis such as that developed by the GEMINI project.

- USAID should not finance these studies entirely, but only partially, so that MIDAS has a stake in carrying out the study for its own purposes and benefit.

Information Services

- Expand library space to include more desks and comfortable facilities to reading.

- Consider relocation of some of these services to Motijheel, the commercial district where entrepreneurs would have easier access.

Action Research

- Assess whether this component should be continued post-EDP — based on whether there are clear gains to both MIDAS and the small enterprise sector.

Financial Services

- Assess venture capital financing, in light of the dismal performance of this activity.

- Explore other loan appraisal procedures because the feasibility studies are costly, time-consuming, and bear little correlation with performance of the loan or the assisted enterprise.

Business Advisory Services Center

Recommendations to USAID:

- Reassess the market and the assumptions underlying the BASC project design.

- Examine existing private sector initiatives and capabilities to implement the project.

- Avoid the creation of a donor-driven private sector institution that may distort market demand.

- Decide on how to proceed with BASC, and communicate a detailed plan of action to MIDAS as soon as possible.

- Ensure that the BASC component and the IPP overall have realistic assumptions, indicators for success, and USAID management capability and oversight.

- Provide long-term technical assistance at project start-up.

CHAPTER FOUR

ACCOMPLISHMENT OF PROJECT OBJECTIVES: BENEFICIARY IMPACT

The evaluation terms of reference instructed the evaluation team to "consider the impact of USAID/B's assistance to MIDAS on the broader project goal of contributing to the development of a sound and rapidly growing small and medium Bangladesh business sector able to absorb a significant number of new entrants to the labor force each year."[1]

Unfortunately, neither the baseline nor systematic time series data necessary to produce such an analysis were available. Baseline statistics were not included in the project documentation. Although the Project Paper planned for MIDAS to "establish a data base for economic impact analysis,"[2] and MIDAS did establish a standardized initial borrower contract form and loan application form, there was no systematic loan monitoring data that might permit time series analysis of the development of assisted enterprises available in MIDAS files.[3] The absence of data necessary to carry out an analysis of impact limits the extent to which the evaluation could perform this task.

The evaluation team did visit 16 small businesses that had received MIDAS assistance. These cannot be considered a random or representative sample of firms: they were selected for the practical reason of being located in and close to Dhaka and hence accessible within the time constraints of the evaluation, and because they reflect a variety of MIDAS's experiences. Because the cases were not randomly selected, statistical inferences or projections cannot be made for the entire sample of MIDAS-assisted businesses. The examples do, however, provide valid anecdotal insights and examples of the impact of EDP on individual businesses. However, any changes in the enterprises cannot be attributed to the EDP project intervention alone. MIDAS assistance under EDP to the enterprises cannot be isolated from extraneous factors that affected enterprise performance, such as changes in the macroeconomic environment, investment climate, markets, and other factors.

EXPANSION OF INVESTMENT IN SMALL AND MEDIUM ENTERPRISES

The goal of EDP was to contribute to the development of a sound and rapidly growing small and medium business sector in Bangladesh. The key indicator selected to measure the achievement of this goal was that the "level of investment in sanctioned and unsanctioned small-scale industries continues to grow at 10 percent per year."

The EDP project's impact on the level of investment cannot be measured. Project documentation did not provide data on levels of investment at the initiation of the project, reliable data do not exist on

---

[1]See Annex A.

[2]Project Paper, p. 26. Brackets were inserted for clarity.

[3]This was a problem identified in the 1990 evaluation (see pp. 50-53).

levels of investment in sanctioned small-scale businesses, and no data exist at all on levels of investment in unsanctioned businesses. Nevertheless, it is safe to say that the EDP project's impact on overall investment levels has been minimal. During the past five years, MIDAS has made loans to a total of 48 separate enterprises using USAID funds and reflows — an average of 9 loans per year. Loans made during this period totaled $4.2 million, an average of $832,000 per year. This is a very small amount in the context of the Bangladeshi economy and the thousands of sanctioned and unsanctioned small businesses that exist in the country.

Neither is it possible to assess the project's impact on stimulating "new" businesses. Although nearly all of the businesses supported were new businesses, some care must be taken in interpreting this situation. In Bangladesh, small businesses of the type assisted by MIDAS tend to be created by established business families that create new businesses to take advantage of tax provisions, or to provide a business opportunity for other members of the family. The Project Paper clearly recognized that this type of client would likely constitute MIDAS's major client group. Most of the 16 businesses visited during the course of the evaluation fell into this category. In all cases these were businesses that probably would have been started, even without MIDAS's assistance. The entrepreneurs found MIDAS a positive alternative to other sources of funding, and in several cases the businesses would have been delayed, or started smaller. Thus, MIDAS assistance was important and valuable to the entrepreneurs, but not necessarily essential for the establishment of the businesses.

It was unrealistic for USAID/B to assume that a project that would provide additional investment of less than $1 million per year would have a direct or measurable impact on the level of investment in sanctioned and unsanctioned businesses in a country the size of Bangladesh.[4] MIDAS's loan program helped several businesses become established, but the impact of this activity has been, and could only have been, small in comparison to the overall situation of small business start-ups in the country.

SUSTAINABLE SME DEVELOPMENT

The Project Paper estimated that 80 percent of MIDAS-assisted new businesses would become successful.[5] This is an amazing target, given the fact that the same Project Paper pointed out that 70 percent of small businesses in the United States fail within the first few years.[6]

Most MIDAS-assisted businesses have survived, though it is still too short a period to assess survival rates. According to MIDAS loan monitors, only 8 of the businesses assisted have actually failed. However, another 9 are classified as "sick," 11 as "slow moving," and 19 as "dormant." If these trends continue, the survival rate would be less than 50 percent — resembling more closely the experience of small businesses in the United States than the rosy projections in the Project Paper.

Once again, this is something that USAID/B should have anticipated and been more realistic about in the initial project design. Small business start-ups are inherently a high-risk investment undertaking.

---

[4]The question of "additionality" is difficult to prove in any case; in many of these projects the owners clearly had the option of obtaining funds from alternative sources.

[5]Project Paper, p. 108.

[6] Project Paper, p. 14.

That is why few start-up businesses receive loans — most are financed from personal savings and debt, and from venture or risk capital sources. Bangladesh is particularly vulnerable to other factors that increase the risk of failure: natural disasters, in particular cyclones and flooding, regularly ravage large areas of the country, destroying local businesses. MIDAS has experienced two such calamities during the past five years — the massive floods in 1988 and 1991 and the cyclone in 1991. In both cases MIDAS had clients who were severely affected, which resulted in repayment difficulties and increased the level of delinquencies in the portfolio.

The Project Paper should have been more realistic in assessing the potential risks involved in lending to start-up businesses in the Bangladeshi environment, and more creative and rigorous in exploring mechanisms for dealing with those risks.

EMPLOYMENT CREATION

Little data exist in MIDAS that can be used to determine the employment impact of the investments. Loan feasibility studies usually indicated the estimated employment impact of each investment, but no data were available from monitoring or supervision reports to confirm actual employment levels. Therefore, the limited data available to the evaluation team on employment generation came from the site visits to the 16 small businesses. The lack of data is unfortunate, because both the ARIES and 1990 evaluations pointed to the need to build impact data collection into MIDAS's normal management information system.

EMPLOYMENT GENERATION
(Planned versus Actual)

Company	New Jobs Planned	New Jobs Actual	Percentage Achieved
Bangladesh Export I	117	350	299.1
Continental Basket I	51	220	431.4
Subtotal	168	570	339.3
Bandbox	77	70	90.9
Bangladesh Ent.	71	25	35.2
Bengal Marbles	77	0	0
Femme Industries I	21	22	104.8
International Glove	75	0	0
Jantrik Tools	62	9	14.5
Mahbub Cycle I	63	10	15.9
Marshall Rubber	107	42	39.3
Micro Devices	27	4	14.8
Remo Chemicals	63	24	38.1
Sky Room	61	21	34.4
Superior Footwear I	42	15	36.9
Uttera Tyre	107	15	14.0
Vacpac Services	34	20	58.8
Subtotal	887	277	31.3
Overall Sample	1,055	847	80.3

According to data contained in MIDAS's MIS system, the businesses assisted since 1987 (the beginning of EDP) were to have created 2,597 new jobs, an average of 520 new jobs per year. Given the population of Bangladesh, internal migration rates toward urban areas, and the annual number of entrants to the work force, this projection could hardly have been taken as indicative of an ability to "absorb a significant number of new entrants to the labor force each year," as asserted in the Project Paper.[7] The project itself was too small to have a measurable impact on the stated goal.

Comparing projected to actual employment provides one way to ascertain the employment impact of MIDAS-assisted enterprises. The sample of 16 firms achieved 80 percent of the projected employment targets. But there was great variation in the performance of the individual firms, and the results are highly skewed by 2 businesses that had greatly exceeded original projections. In the remaining 14 firms, the employment effect was considerably less, averaging between 0 and 40 percent of the projected employment levels. Only 3 of those firms — Bandbox, Femme Industries, and Vacpac — had reached employment levels exceeding 50 percent of the projections. The 2 firms that had greatly exceeded projections — Bangladesh Exports and Continental Baskets — were older firms, and had received loans from MIDAS in 1985 and 1986 respectively, prior to the start of the EDP project. It may be that employment levels in the other firms will also increase as they mature.

Because of the unrepresentative nature of the sample, we cannot use the data from the 16 firms visited to project the employment levels achieved in all businesses assisted by MIDAS. And in any event, the overall numbers are small in comparison to the societal need to create employment opportunities.

Examining the cost per job created provides another measure of the effectiveness of a program in generating employment opportunities. For the 16 firms visited, the average cost per job created was $4,050, compared with an expected average of $3,261 in the feasibility studies.[8] Once again, however, the results are highly distorted by the two firms Bangladesh Exports and Continental Baskets, which were clearly exceptions. These firms had an average investment of only $232 per job created, while the remaining 14 firms had an average of $11,920 per job created.[9]

Most of the employment created was net new employment to the economy. In the 16 businesses visited, 80 percent of the employees were unemployed prior to their current jobs.

These results are consistent with the trend in employment creation projects in other countries and regions. The cost per job created is relatively high for MIDAS-assisted businesses compared with microenterprise projects, though similar to those of World Bank and other donor-assisted small and medium industry projects. Microenterprises use little capital, and have low cost-per-job-created ratios.

[7]See Annex A.

[8]Estimates of investment are based solely on the total investment planned for the projects as recorded in MIDAS's MIS system. The evaluation team had no way of verifying if this was, in fact, the total investment actually made in the project by the owners.

[9]The evaluation team was unable to obtain estimates of additional investments that might have been made by these firms. The investments were converted into dollars at an exchange rate of 38.9 to 1, which *understates* the amount of investment per job in earlier years.

Projects in Bolivia, Ecuador, and the Dominican Republic have consistently maintained a cost of about $1,500 per job created, while SME programs of the World Bank typically report investments in the range of $5,000 to $10,000 per job created.

APPROXIMATE CAPITAL INVESTMENT PER JOB
(in U.S. dollars)

Company	Planned	Actual
Bangladesh Export I	540	181
Continental Basket I	1,365	316
Subset Average	$790	$232
Bandbox	2,882	3,171
Bangladesh Ent.	789	2,242
Bengal Marbles	5,003	*
Femme Industries I	5,612	5,357
International Glove	2,282	*
Jantrik Tools	2,485	17,121
Mahbub Cycle I	6,398	40,310
Marshall Rubber	3,899	9,934
Micro Devices	4,029	27,193
Remo Chemicals	1,540	4,043
Sky Room	1,646	4,780
Superior Footwear I	5,806	15,732
Uttara Tyre	3,802	27,121
Vacpac Services	12,481	21,217
Subset Average	$3,729	$11,920
Overall Cost per Job	$3,261	$4,050

* = Company not functioning

OPPORTUNITIES FOR WOMEN

The Project Paper projected that 20 percent of MIDAS loans will be to clients operating in sectors where women producers figure prominently, and will make loans to individual women entrepreneurs.[10] Actual results have fallen far short of those targets. Of the 65 enterprises assisted with USAID funds and MIDAS reflows during the 1988 to 1992 period, only 9 (13.8 percent) were to firms listed as having women general managers. In several of these, however, the general manager was not an active participant in the operations of the business. In some cases the woman did not participate in the business at all; in one case visited by the evaluation team, a woman had been listed as receiving the loan, but the husband and wife ran the business together.

Employment opportunities for women have fallen significantly below expected results: 7 of the 16 firms visited by the evaluation had no female employees at all. And, with the exception of 3 firms, achievement of projected employment levels for females was significantly below achievement of projected employment levels for men.

It must be recognized that women entrepreneurs and managers are rare in certain types of industries — particularly in the size firm that MIDAS targets. This was clearly recognized in the 1990 evaluation:

> MIDAS, in effect, has diverged further from working directly with women, or in sectors in which women work, at least in its USAID portfolio. . . . collateral requirements . . preclude most small entrepreneurs, and particularly women from getting a loan.

[10]Project Paper, p. 15.

Women are often listed as the managing director of the project in the feasibility study, but often do not share an appropriate degree of management responsibility.[11]

JOB CREATION, PLANNED VERSUS ACTUAL
(by gender)

Company	Males			Females		
	Planned	Actual	Percentage	Planned	Actual	Percentage
Bandbox	60	40	66.7	17	30	176.5
Bangladesh Ent.	51	12	24.5	20	12	62.5
Bangladesh Export I	70	200	285.7	47	150	319.1
Bengal Marbles	77	0	0	0	0	*
Continental Basket I	31	20	64.5	20	200	1000
Femme Industries I	1	7	700	20	15	75
International Glove	50	0	0	*	0	*
Jantrik Tools	40	5	12.5	22	4	18.2
Mahbub Cycle I	60	10	16.7	3	0	0
Marshall Rubber	80	42	52.5	27	0	0
Micro Devices	27	4	14.8	0	0	-
Remo Chemicals	43	24	55.8	20	0	0
Sky Room	27	19	70.4	34	2	5.9
Superior Footwear I	30	15	51.7	12	0	0
Uttara Tyre	107	15	14	0	0	-
Vacpac Services	31	20	64.5	3	0	0
Total	785	434	55.3	270	413	153

* = company not in operation

Assertions that projects will have a positive impact on women should not be inserted in projects that have little prospect of doing so, regardless of the project designers' desire to show compliance with congressional and other mandates.

SECTORAL GROWTH AND LINKAGES CREATED

Five of the 16 businesses visited by the team have developed forward and backward linkages — Mahbub Cycle subcontracts component parts for its bicycles; Bangladesh Exports purchases inputs and materials, 100 percent of which are locally produced, for the shoes that it makes from some 16 suppliers; Continental Baskets purchases inputs, all of which are locally sourced, from suppliers of rattan for the baskets and handicrafts it produces; Superior Footwear, which produces military boots, purchases leather from local tanneries; and Remo Chemicals increased purchases of chemical inputs, 50 percent of which are locally sourced, because sales quadrupled since 1987. The remaining 11 enterprises imported 100 percent of inputs. Nine of the 16 produced exclusively for the domestic market.

[11]*Mid-Term Evaluation,* pp. 19-20.

CHAPTER FIVE

THE FUTURE OF MIDAS: POSTPROJECT OPTIONS

MIDAS's market niche, service mix, and activities to date have in large part been determined by the Cooperative Agreement arrangement with USAID/B under the EDP project. As the EDP project comes to an end, MIDAS faces several postproject options with regard to future directions.

This chapter discusses three principal options MIDAS can consider in choosing the best market niche for its services. The options include SMEs; microenterprises; and a two-pronged strategy to serve both microenterprises and SMEs. In discussing each option, we explore the advantages and disadvantages and the implications for MIDAS. MIDAS's prospects for future funding from donor and commercial sources are also discussed.

MARKET NICHE

As MIDAS graduates from its status as a USAID/B grantee to a mature institution, one of the critical issues is to reassess the organization's market niche(s), and to strategically position itself in the market. The market niche MIDAS currently serves — SMEs — was identified by USAID through the EDP design, which did not fully assess the size of this market or its demand for services offered by the project.

MIDAS is currently competing with banks. It is increasingly serving a price-sensitive clientele that has access to alternative, cheaper sources of finance than MIDAS. Of the sample of 16 businesses visited by the evaluation team, only 3 said that they lacked alternative sources of credit to MIDAS. Its comparative advantage vis-a-vis the banks has traditionally been its reputation for agility and professional management of loans.

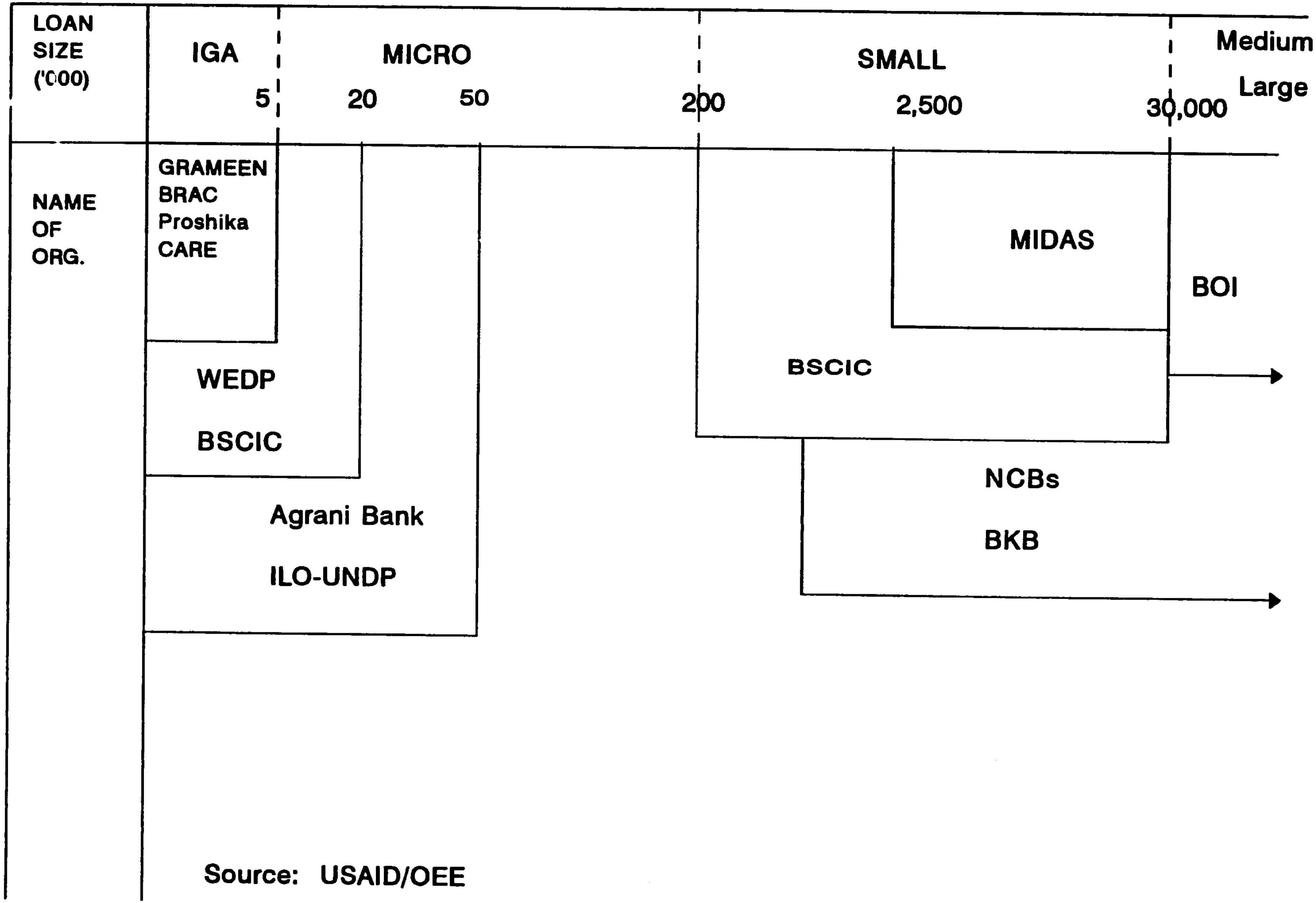
The financial sector reforms may soon dilute this comparative advantage, as banks begin to compete under a liberalized and more competitive financial sector. The revised definition of small industry, in concert with liberalized interest rate policies and the 3 percent interest rate rebate from the Bangladesh Bank to commercial banks for lending to this "priority sector," makes the SME sector more attractive to banks.

By increasing the loan ceiling from Tk. 10 million to Tk. 30 million, and the current average loan size from Tk. 3.2 million to Tk. 3.4 million for micro and Tk. 8 million for small enterprises, MIDAS is moving further away from serving the rural and micro sector that the 1992-1997 Business Plan identifies as a target market.

As Chart 2 demonstrates, the needs of entrepreneurs seeking loans up to Tk. 50,000 are being met by a variety of financial institutions such as Grameen and BRAC. Loan demand in excess of Tk. 200,000 is served by MIDAS, BSCIC, and the nationalized commercial banks, among others. The single unserved niche is in the loan size range of Tk. 50,000 to Tk. 200,000. MIDAS should consider assessing the viability of this market.

CHART 2

TARGET MARKETS FOR ENTERPISE DEVELOPMENT



56

THE OPTIONS FOR MIDAS: WHAT TO TARGET

MIDAS has three key options in terms of which market segment(s) to target:

- Option 1: Current market segment of SMEs;
- Option 2: Microenterprises; and
- Option 3: A two-pronged strategy to serve both market segments.

Option 1. SMEs

Advantages

- This market segment is a known quantity to MIDAS. MIDAS has gained considerable experience over the last five years in serving this niche.
- The long-term and large loans demanded by SMEs could be a steady and secure stream of income provided they are sound loans.
- The transactions costs of disbursing relatively large loans to an existing clientele are lower than making large numbers of small, short-term working capital loans that microenterprises require.
- MIDAS's existing institutional structure and staff composition is in place to manage lending activities to the current target audience of SMEs.
- It is less costly to service SMEs than having to reach the critical mass necessary for a sustainable ME program, provided the quality of the current portfolio of SME loans improves.
- MIDAS faces less perceived risk in continuing business as usual with SMEs than investing in a new, high-risk and untested market during this financially insecure period.

Disadvantages

- MIDAS's current market position is being eroded by new institutional entrants and increased competition from banks.
- MIDAS delinquency rate on the existing SME loan portfolio is high and MIDAS has limited leverage to influence loan repayments, since the current SME clients have other financing options to MIDAS.
- A few bad eggs can and do severely affect overall performance of the portfolio because risk is more concentrated when the overall volume of loans is small.

- Overall demand may be low since there are a limited number of existing enterprises in this market segment. Concentrating on SMEs implies lending to start-up businesses, which is extremely risky.

- MIDAS's credibility with development agencies and donors may be affected since several donors already perceive MIDAS as serving a clientele that is "too elite and upscale" for development funding.

Option 2. Microenterprises

Advantages

- There are indications of large and unsatiated market demand for financial services in this market niche.

- There are relatively few competitors meeting this demand.

- There are large numbers of existing enterprises in this segment, and thus unlimited market growth potential.

- MIDAS could perhaps cultivate more loyal clients than its current ones who have other financing options and thus shop around.

- Entrepreneurs of this scale are less price-sensitive and perhaps financially more disciplined than larger borrowers given their lack of alternative financing sources.

- This sector can be viable and profitable with the appropriate methodology, as demonstrated by the performance of other such programs in Bangladesh (Grameen, BRAC, Proshika).

- MIDAS's reputation and credibility as a development institution would be enhanced with donors and clients — assisting this segment is perceived to have wider and more equitable development impacts and benefits for the poor.

- Several donors would be willing to assist MIDAS in testing credit delivery methodologies to serve microenterprises effectively.

Disadvantages

- MIDAS would require institutional retooling and training to undertake this new initiative.

- MIDAS may be viewed as a laggard in serving this niche — coming in on the tail end of innovative efforts initiated by others who have established reputations for developing proved methodologies for serving this sector.

- The transaction costs of serving this market are high, and have to be offset by an adequate volume of loans and by lowered arrears and defaults.

- As with any new venture, serving microenterprises is risky if done without adequate training and understanding of the market.

Option 3: Assisting Both Market Segments

Advantages

In addition to the advantages identified for Options 1 and 2,

- MIDAS would diversify risk by serving both SMEs and microenterprises.

- MIDAS would earn credibility with borrowers and donors as a full-service financial institution serving the needs of a wide range of entrepreneurs.

- If successful, MIDAS will have identified new revenue sources, reducing its dependency on donor funds.

Disadvantages

In addition to the disadvantages listed for Options 1 and 2,

- The costs to run two different programs aimed at different market segments may be high.

- MIDAS may spread itself too thinly over too many activities, diluting the effect of any single effort.

- MIDAS may apply the same lending and portfolio management principles that have undermined its current lending activities to a new initiative in ME lending, and attribute poor performance to the unviability of this market segment.

METHODOLOGIES FOR REACHING MICROENTERPRISES

Although often grossly lumped together under the general rubric of "small enterprise," microenterprises and SMEs constitute very different market segments along the spectrum of enterprise size.[1] As such, there are very different methodologies for reaching these two distinct market segments. The needs and demand for financial and other services differ, as do the methodologies for reaching each group. The technology to disburse and collect a one-month working capital loan of Tk. 50,000 differs

---

[1] For further discussion of the size and heterogeneity of micro and small enterprises, see Boomgard, *A.I.D. Microenterprise Stock-Taking: Synthesis Report*, 1989.

from that required for a Tk. 10 million venture capital loan with a five-year term to an industrial enterprise.

Much literature exists on ME support methodologies.[2] Some principles for *profitable* microenterprise lending based on successful examples from around the world, including Bangladesh, are:

- Understanding the target group and its current sources and mechanisms for accessing finance. Many programs are based on mimicking informal financial loan disbursement and collection techniques, and pricing strategies;[3]

- Lending to solidarity groups to minimize loan monitoring and supervision costs. Solidarity groups are usually made up of five individuals, each of whom is responsible for repayment of the loan. One defaulter in the group ruins other group members' chances of additional loans;

- Relying on character in place of collateral with the group lending methodology, or using a flexible collateral policy where nontraditional collateral likely to be owned by the target group is acceptable (for example, telephone lines are used as collateral in rural Bolivia);

- Making borrower access to additional loans conditional upon timely repayment of previous loans;

- Rewarding timely loan repayment by increasing access to larger and longer-term loans; and

- Use of mobile loan officers who conduct loan transactions on-site in the area, or use community services to reduce nonfinancial transaction costs to borrowers.

MIDAS should review the current literature and experience on ME support methodologies to devise an approach best suited to MIDAS and the intended target group's needs.

IMPLICATIONS FOR MIDAS OF THE VARIOUS OPTIONS

Option 1 alone is not a sound option, based on MIDAS experience to date in targeting this market segment. Option 2 is too risky and MIDAS should fully assess the market for ME finance prior to committing major resources to this effort.

The evaluation team recommends that MIDAS choose Option 3. This option allows MIDAS to capitalize on its experience in SME promotion, while allowing it to explore a new market segment cautiously.

---

[2] For more discussion, see Jacob Levitsky, *Microenterprises in Developing Countries, Papers and Proceedings of an International Conference*, 1989.

[3] Informal financial market interest rates on consumption loans are estimated to be as high as 225 percent per annum. Rates average 10 percent a month. See Atiq Rahman, *The Informal Financial Sector in Bangladesh: An Appraisal of its role in Development*, 1992.

In choosing Option 3, MIDAS should:

- Begin the ME initiative with an assessment of market demand for financial services;

- If this market segment appears viable, launch the initiative as a pilot project in or around Dhaka, to be expanded only after indications of success;

- Dedicate at least two senior staff members on a full-time basis to the pilot effort;

- Seek technical assistance during the assessment and pilot project to maximize opportunities for application of proved methodologies and success;

- Keep the ME loan activities separate from the current SME loan activities. Maintain separate cost-center accounting information to monitor financial performance of this activity, and separate loan monitoring records to detect the need for changes in the methodology; and

- Invest in equipment (perhaps motorcycles) for borrower visits.

If this pilot effort proves successful, MIDAS is likely to attract donor funds for an expanded effort, given interest in this development strategy.

FUNDING MIDAS OPERATIONS

Prospects for Continued Donor Assistance

MIDAS appears well positioned to receive donor funds. It has earned a reputation for quality services and integrity, although MIDAS needs to be wary of the fragility of its reputation. MIDAS needs to do a careful assessment of the donor market and priorities, and market MIDAS's abilities based on its institutional capabilities.

Under its changed charter, it can receive credit lines directly from the multilateral banks, such as the World Bank and the Asian Development Bank. Both of these institutions are developing programs that may involve MIDAS as an implementing institution.

MIDAS is likely to increase its prospects for continued donor assistance if the organization embarks seriously on an ME development effort and demonstrates successful results. This view on the prospects for donor funding is based on interviews with 10 donor agencies, 5 of which are either currently involved or are planning to become involved in ME development in the near future. The World Bank and Asian Development Bank are interested in credit facilities for SMEs. Bilateral donors tend to be more interested in microenterprise programs.

Gaining Access to Commercial Credit Lines

Although MIDAS's changed status from an NGO to a nonbanking financial institution permits it to gain access to commercial credit lines, there is no need for MIDAS to have to borrow funds when it can attract free or cheap money from donors. The eight banks interviewed by the DAI evaluation team were not particularly interested in lending either to MIDAS or through MIDAS, mainly because the banks viewed MIDAS as a competitor.

CHAPTER SIX

PROJECT DESIGN AND IMPLEMENTATION: USAID/B's ROLE IN THE EDP PROJECT

The evaluation of a USAID-funded project must also include an assessment of the role of USAID itself. USAID plays the major role in project design, supervision, and performance monitoring, and in many cases in implementation of the project. The success of any USAID-supported project is highly dependent upon these factors.

An honest appraisal of the accomplishments of EDP, therefore, must consider the role of USAID/B. A secondary, but nonetheless important, reason for assessing USAID's role is to identify lessons learned that can be applied to future projects.

This chapter examines three key elements of USAID/B's involvement in EDP that have had a negative impact on the success of the project: deficiencies in the design of the project itself, weaknesses in project implementation, and shortcomings in project monitoring and supervision. Many of the problems or issues associated with EDP are the result of key assumptions, implicit or explicit, that turned out to be flawed.

DESIGN OF EDP

The EDP design had some inherent weaknesses. It assumed that the clientele to be served under the project would have the same basic characteristics as the groups that MIDAS had previously served. The project design also underestimated the degree of risk in starting new industrial enterprises, and was overly sanguine about probable repayment rates. USAID overestimated MIDAS's capabilities for managing and implementing a large and complex project, and underestimated the technical assistance required to make the project successful.

The project design did not correctly assess the budget implications of expanding the MIDAS program, and did not provide a budget line item to cover operating costs in the budget. Indicators used in the Project Paper and Logical Framework were weak, and failed to provide a useful mechanism for monitoring progress and impact.

The Clientele

The EDP project was designed without sufficient baseline information on and knowledge of the characteristics, needs, and demands of SMEs — the EDP target group. The designers stated that it was not necessary to conduct studies to demonstrate the demand for MIDAS services because of MIDAS's previous experience in assisting this target group. In fact, MIDAS had been serving a sector of much smaller and more vulnerable microenterprises prior to EDP, rather than the medium- scale enterprise sector targeted by EDP. Although the Project Paper acknowledged that "very little is known about these enterprises," it relied on "limited and scattered evidence"[1] on small and cottage industries to draw assumptions about the services needed by SMEs — a very different segment of the market. MIDAS's original clientele was made up of small-scale businesses that did not have access to alternative sources of financing; however, MIDAS's clientele under EDP consisted of more affluent individuals who did have access to credit. The new clientele was much more interest-rate sensitive than MIDAS's traditional clientele.

Risk

Although the Project Paper recognized the inherent risk of lending to business start-ups, it underestimated and failed to account sufficiently for that risk. The Project Paper stated that 80 percent of MIDAS-assisted new businesses would survive, and that MIDAS would have a recovery rate of 85 percent on its portfolio. Neither of these assumptions turned out to be true and, in retrospect, it is difficult to understand why they were even made. New small businesses in the United States have a much higher failure rate; why would the project designers assume that new small businesses in Bangladesh would be more successful?

Equally important, most credit programs in Bangladesh — especially those with medium-scale industries and businesses — have experienced high delinquency rates. Bangladesh has often been referred to as a "defaulter" culture. Repayment rates of 15 to 30 percent have been the norm in the development finance institutions and commercial lending programs of the national banks. The project designers should not have assumed that MIDAS would have a significantly different experience without adequate justification.

The project design should have anticipated a much higher loss rate, and should have made provisions for the impact these losses would have on the eventual performance and sustainability of the program.

Technical Assistance Requirements

The project design assumed that MIDAS, a small NGO with limited experience, could absorb and manage effectively a large expansion in its credit and technical services with minimal technical assistance and little oversight. MIDAS's operations until 1986 involved managing a loan fund that did not exceed $341,000 and that granted 5 to 7 loans a year. The EDP project significantly expanded the operations and functions of MIDAS — to $4.3 million in outstanding loans and a projected volume of 35 to 50 loans per year — without careful assessment of its institutional capacity to successfully execute all of the demands placed on the organization.

USAID/B underestimated the technical assistance needs of a small NGO taking on a large and complex project. A maximum of 25 person-months of technical assistance was programmed primarily for short-term assistance in loan appraisal and supervision. As discussed below, even this minimal level of assistance was not provided.

---

[1]Project Paper, p. 3.

Budget Impact

The project budget did not include a line item to cover operating expenses. Operating deficits were expected to be minimal and short term, and were to be covered in the brief transition period through a line item called "contingency," until income from the loan fund was sufficient to cover all operating costs. Unfortunately, the new program created important new expenses, and operating deficits increased significantly in the early years of EDP. The line item for contingencies was deleted from the approved project budget. Consequently, operating costs were covered by funds planned originally to implement the action research/small enterprise development component. Even though this practice continued throughout the life of the project, the budget was never amended to reflect the changed use of funds.

Project Indicators

Indicators established in the Project Paper were weak, and failed to provide a framework for monitoring and supervising the project. Goal-level indicators were unmeasurable, and bore little relevance to the project's impact on small enterprise growth and on employment generation. Although the achievement of "goals," as used in Logical Framework terminology, is beyond the control of project management, goal-level indicators should at least demonstrate the project's contribution toward some higher objective.

EOPS indicators did not describe the conditions — self-sufficiency or performance — that would have measured whether or not the project had succeeded in developing a sustainable institutional capacity to provide services to small-scale businesses after the project ended. Instead, the EOPS focused on intermediary outputs — such as a MIS developed and installed, staff hired, and an incentive program developed — that are more appropriately output-level indicators.[2] In addition, the Project Paper, Logical Framework, and Cooperative Agreement used different indicators, and there was no attempt to make these consistent among the documents.

Finally, the Project Paper listed a series of "illustrative" indicators, and stated that these should be further developed to clarify the project design. These indicators were never developed.

PROJECT IMPLEMENTATION

Implementation problems were primarily in providing planned support and exercising project leadership.

The Project Paper planned for MIDAS to receive 25 person-months of technical assistance, of which 17 person-months were scheduled during the first two years of the project. This initial technical assistance was to:

- Help develop a five-year strategy for organizational growth and define further technical assistance requirements;

- Redesign the cost accounting system;

[2]For a list of EOPS indicators and summary of current status, see Annex G.

- Develop and install a computer-based MIS and train staff in the use of that system; and
- Design a performance-based integrated personnel system.

In addition, MIDAS was to have received technical assistance in loan appraisal and collections, loan monitoring systems, and bad debt write-off procedures in the first 18 months of project. The first Cooperative Agreement amendment was supposed to define the role of a six-month advisor in the first year of the project. This assistance was expected to facilitate MIDAS's transition from a small NGO to the EDP project implementor.

Most of this technical assistance was never realized, as evidenced by the fact that $479,000, of a total of $560,000 that was budgeted, remained undisbursed in February 1993 — four months after the scheduled PACD. The technical assistance provided, including development of the business plan and MIS design, did not address the most critical area of loan management. Given the infusion of more than $5 million for the capital fund under EDP, the failure to plan and provide adequate technical assistance in loan appraisal, supervision, and collections was probably a major factor in the large delinquencies plaguing MIDAS at this time.

The evaluation team recognizes that this project was implemented as a Cooperative Agreement rather than as a contract. As such, MIDAS had the responsibility of requesting technical assistance. It did not do so. Nevertheless, USAID/B should have recognized the managerial problems that MIDAS was facing in trying to implement the project. A more directive leadership of the project by USAID/B could have ensured the provision of the technical assistance needed to achieve the project's objectives.

In retrospect, the EDP project should have had a full-time project officer, as is customary for USAID projects of this size. There was a major gap in USAID/B project management after the departure of the project officer in 1989. He was not replaced until the recent appointment of the current project officer in August 1992 — one month before the scheduled PACD. During this time gap, responsibility for management of EDP was assigned to several short-term individuals, including an intern. The private sector office was seriously understaffed, with just two professionals during much of the project period, which made management and supervision of the project difficult. In the opinion of the evaluation team, the EDP project should have been directed by a long-term advisor with experience in banking and business development who could have provided direction and vision to this complex project.

Finally, USAID/B overestimated its own ability to respond to project needs on a timely basis. Performance suffered from USAID's inability to act quickly. Prior to September 1991, delays in granting loans of 75 to 225 days were routinely experienced because of USAID/B's role in the loan approval process.[3] The Mission also routinely deferred decisions on contentious issues such as reserving, concurrent versus sequential application of earned income, environmental threshold determinations, and notifying MIDAS of USAID/B intentions on extending or terminating the project.

[3]USAID/B switched to a performance-based disbursement mechanism in lieu of approving individual loans in September 1991.

PROJECT MONITORING AND SUPERVISION

Many of the problems noted with the project design and implementation could have been overcome with adequate monitoring and supervision. The Logical Framework, used properly, is a powerful tool for tracking project implementation and replanning activities based on actual performance. Unfortunately, the regular review meetings for the project never used the discrepancy between planned targets and actual accomplishments (especially in the use of funds) as a tool for identifying weaknesses in the program and for replanning activities. None of the project's objectives, targets, or assumptions were revised during the entire life of the project, even when it was clear that targets such as numbers of loans per year and repayment rates were not being achieved. Even near the end of the project, USAID/B was pursuing targets for numbers of subsector studies completed that had been contained in the original project documentation, even though there was no practical or rational justification for doing so.

Similarly, USAID/B did not modify the budget to reflect changed budget priorities. At the time of the originally scheduled PACD, 25 percent of the budget remained undisbursed. Line items for technical assistance and staff training, for example, remained virtually untouched at the scheduled end of project. Operational expenses were funded out of a budget line item intended for action research and small enterprise development services, while the targets for the action research component were not revised to take into account the reduction in funding. These variances in targeted and actual expenditure levels must have been apparent to USAID/B officers during the course of implementing the project, but no attempt was made to revise the budget to reflect the changes or to assess the implication of the changes on achieving the project's stated objectives and targets.

Although the Project Paper envisioned an impact evaluation, and planned for the development of a management information system that would collect baseline and periodic impact data, this was not realized. MIDAS did not seek, and did not receive, technical assistance in information system design that would have ensured the availability of data necessary for the impact evaluation.

Finally, USAID did not react in a timely fashion to many of the issues identified during project implementation. As an example, actions to follow up on the recommendations for technical assistance made by the 1990 evaluation were implemented only recently, with the result that many of the weaknesses identified in 1990 persisted at the time of this evaluation.

SUMMARY

Most of the problems encountered in EDP could have been avoided if the underlying assumptions — explicit and implicit — of the project had been examined more carefully.[4] The project design was predicated on a number of key assumptions, most of which were never addressed in the Project Paper:[5]

- That MIDAS, as a small NGO implementing a small loan program, had the capacity to operate a significantly expanded program with little or no external assistance or direction;

[4]For a list of project design assumptions, planned versus actual, see Annex H.

[5]Annex H analyses the assumptions made in the project design.

- That future MIDAS clients would be similar to previous MIDAS clients;
- That success rates for new businesses would be much higher than has been experienced anywhere else in the world;
- That repayment rates would be significantly higher than the experience in other programs serving a similar clientele in Bangladesh; and
- That USAID/B would respond in an effective and timely manner to the responsibilities it had reserved for itself in project implementation.

In one way or another most of these assumptions were flawed. Adequate information existed during the course of project implementation to reassess these assumptions in light of the project's performance. There was never a reassessment of or a change in the assumptions of EDP.

CHAPTER SEVEN

MAJOR CONCLUSIONS AND RECOMMENDATIONS

This report is an evaluation of the Enterprise Development Project rather than of MIDAS itself. As such, it has concentrated on four key issues:

- How successful the project has been in helping establish MIDAS as a largely self-sufficient provider of high-quality financial and nonfinancial services to small-scale entrepreneurs in Bangladesh;
- How significant the project has been in contributing to the establishment and growth of SMEs in the country;
- The major factors that have influenced the project's success and impact; and
- What lessons have been learned from the project that should be kept in mind in planning, designing, and implementing similar projects in the future.

Because the project is scheduled to end in the near future, recommendations have been limited to short-term strategies designed to solidify gains and accomplishments that can be implemented in the short time remaining for the project.

DEVELOPING MIDAS AS A SUSTAINABLE PROVIDER OF SERVICES TO SMALL-SCALE BUSINESSES

The main purpose of EDP has been to improve the capabilities of MIDAS to provide needed, high-quality services to newly formed SMEs in Bangladesh. There have been notable successes in this respect. In a relatively short time, MIDAS grew from a small NGO that made 4 loans totaling Tk. 6.8 million the year before the EDP began to a high of 25 loans totaling Tk. 50 million during the most active loan year under the project, and from a portfolio of Tk. 10 million in 1986 to a portfolio of Tk. 153 million in 1992. MIDAS also greatly expanded its nonfinancial services under the project, and was successful in attracting and competing for contracts awarded by a variety of donors and private companies.

Perhaps most impressive, MIDAS's level of operating self-sufficiency rose from a low of 51 percent in 1990 (the first year for which the evaluation team had complete financial records) to 88.4 percent in 1992. Projections for 1993 — even considering that many expenses occur during the second half of the fiscal year and that revenues may have been accelerated during the first six months of the year — show that MIDAS is, as targeted in the Project Paper, largely self-sufficient.

However, these accomplishments are at risk. High delinquency rates and a reduction in nominal interest rates charged to borrowers jeopardize MIDAS's future self-sufficiency. Some weaknesses in the quality of nonfinancial services provided to other donor agencies, and the lack of a clear market direction, could undermine MIDAS's competitiveness in this arena as well.

MIDAS stands at a critical juncture. The EDP project, which has provided operational and capital grants to MIDAS since 1987, is scheduled to end in September 1993. After 11 years of USAID/B assistance, MIDAS will have the right to select its own clients, tailor services as it sees fit, and conduct its operations free from the interference and supervision of USAID/B. Three inseparable, overarching factors will determine MIDAS's future success and sustainability:

- Its ability to establish clear strategic objectives and select and cultivate a unique market niche among the providers and purchasers of services to entrepreneurs;
- Its ability to improve the performance of its loan portfolio and other income sources;
- Its ability to provide quality services that maintain a high reputation and credibility among donors and the business community of Bangladesh; and
- Its ability to improve internal management and procedures.

Strategic Objectives and Market Niche

As MIDAS graduates from the status of a USAID/B grantee to a mature institution, one of the critical issues facing MIDAS is to reassess its market niche(s), and to strategically position itself in the market. Since the inception of EDP, MIDAS's primary client group has shifted from microenterprises and very small firms that lack access to formal sector financial resources to a larger-scale, more affluent client group. This has two significant implications for MIDAS's long-term sustainability. First, MIDAS is increasingly serving a price-sensitive clientele, with access to alternative and often cheaper sources of finance than MIDAS can provide. This has led MIDAS to lower interest rates, which will have a negative impact on future revenues. Second, the client group that MIDAS now serves is not a priority for many of the donor agencies; there is a high risk that the donor community will simply conclude that MIDAS is not an appropriate institution to support or collaborate with.

Recommendations

- MIDAS must position itself strategically: MIDAS should select and cultivate the market niche(s) it aims to serve, based on rational criteria of the effective demand for services, competition, donor priorities, institutional capability, and profitability.
- In the short run, MIDAS needs to determine its strategic objectives in light of donor priorities and interests, and identify those donors whose initiatives parallel MIDAS's own objectives. Donor funding is the most realistic way to expand the loan portfolio, develop new initiatives, and build a sound basis for long-term financial sustainability. In the long run, MIDAS should concentrate on achieving self-sufficiency through income from lending to creditworthy borrowers, and offering quality consulting services at full market rates.
- The evaluation team recommends strongly that MIDAS target its loan portfolio toward smaller firms than it currently serves — especially microenterprises that would receive loan sizes of Tk. 50,000 to Tk. 200,000. This market is less interest-rate sensitive, has typically better repayment rates than larger firms, and is more consistent with donor priorities in the country.

- USAID/B should help MIDAS during the final months of the program to (1) assess the viability of reorienting its services toward smaller firms, (2) determine the income implications of targeting smaller firms, and (3) identify administrative and procedural changes that would be required to serve smaller firms.

MIDAS's Financial Sustainability

MIDAS's long-term success depends on its ability to manage its current resources effectively and capture new business and revenues. In the three years since the 1990 evaluation, MIDAS has made significant progress toward achieving financial self-sufficiency, and can cover operating expenses without external support after September 1993. This movement toward self-sufficiency is the result of both a slowing in the growth of MIDAS expenditures (through 1992, at least), and a rapid increase in interest income and service fees.

However, high delinquency rates and financial management practices threaten to undermine these gains. As much as 81 percent of the portfolio is at risk, and delinquent payments alone represent 64 percent of the outstanding portfolio. Furthermore, the practice of refinancing loans gives the incorrect impression that MIDAS has a strong portfolio, because reported delinquency rates are low. Most of the refinancing has occurred without payments of any kind, however, and the new refinancing schedules have quickly fallen into arrears.

Using original loan schedules (as opposed to the rescheduling that had been granted by MIDAS), MIDAS has a recovery rate of less than 10 percent on the portfolio, and the current portfolio would be worth between 35 and 40 percent of its original value. The rate of decapitalization of the loan portfolio over the past five years has been about 27 percent per year in real terms, a little more than twice the rate forecast in the Project Paper. The primary reason for this decapitalization has been the high rate of delinquency in the portfolio rather than the effects of inflation. This is corroborated by the rate of return on the portfolio. At the present time, MIDAS is collecting income and installments on only about 31 percent of the portfolio; more than two-thirds of the loans outstanding are not performing.

Recoveries on outstanding loans have improved during the past three years, due to improved loan monitoring practices in effect since the 1990 evaluation. This is reflected most vividly in the rapid increase in interest income (from Tk. 4,190,200 in 1990 to Tk. 8,638,900 in 1992. Based on performance in the first six months, interest income in 1993 could reach Tk. 13.4 million. It is important to note, however, that if MIDAS were collecting interest on schedule, annual interest income would exceed Tk. 28 million, which would be more than sufficient to sustain the institution.

Recommendations

- MIDAS must continue to make improvements in loan collections and delinquency control. This is the most important single action that MIDAS needs to take to ensure its future financial viability.

- MIDAS should use standard definitions of delinquency, and develop a more realistic and larger bad debt provision to cover probable losses.

- MIDAS needs to charge interest rates that cover the cost of funds, inflation factor, administrative costs, and losses to maintain fund values.

- MIDAS should reassess its role in venture capital financing, in light of the dismal performance of this activity.

- In the short time remaining in the project, USAID/B should consider providing MIDAS with short-term technical assistance in loan appraisals, collections, and delinquency controls.

- Disbursement of the remaining funds earmarked for the credit component should only be made if (1) MIDAS has a backlog of qualified loans that will absorb the credit; (2) MIDAS initiates reforms in delinquency control and reporting; (3) improvements in collections initiated prior to the evaluation are continued; and (4) MIDAS requests and accepts technical assistance in appraisals, collections, and delinquency control.

Credibility as a Provider of Quality Services

MIDAS's credibility is critical to the institution's long-term sustainability. MIDAS is operating in an environment in which perceptions about the organization's objectives, market niche, and performance will determine MIDAS's ability to mobilize resources and support for its programs.

MIDAS has demonstrated the ability to compete against other consulting houses for short-term consulting business. Consulting revenues have become an important source of income for MIDAS. The Development Department recovers about 88 percent of its operating costs from revenues generated by consulting services, and consulting revenues were 43 percent of MIDAS's total revenue in 1992. MIDAS's competitiveness in winning proposals, however, has declined from 67 percent in 1989 to 33 percent in 1992.[1] This decline is attributed to high staff turnover, reduced staff levels based on staff consigned to BASC, over-reliance on permanent staff and underutilization of external consultants to perform consulting jobs, and uncompetitive pricing of services, all of which are affecting the quality of services provided.

MIDAS was asked to provide a wide range of services under EDP such as subsector studies and action research services. MIDAS's ability to provide practical, quality services was diluted by the heterogeneous and poorly defined set of activities.

MIDAS has earned a reputation for quality. However, reputation is a fragile commodity, and it is based largely on perceptions. At the present time, MIDAS faces a strong perception in the local, governmental, and donor communities that could adversely impact its long-term sustainability. MIDAS is increasingly perceived as an institution that gives loans to affluent individuals and persons with connections to board members or staff. The perception that the clients MIDAS serves neither need nor deserve development assistance hurts MIDAS's image.

Recommendations for Services

- Assess the market to better define MIDAS's targets for small enterprise development services based on demand and MIDAS's competitive advantages.

---

[1]Based on a submission-to-award ratio for small proposals (up to $5,000).

- Better integrate the activities of the Commercial and Development Departments to maximize financial gains, service delivery, and efficiencies.

- Increase the capacity to provide services and improve the quality of consulting services by:

  - Promoting in-house staff or recruiting new staff to fill at least two new CPO positions in the Development Department to increase MIDAS's technical expertise and ability to manage the growing consulting practice;

  - Using qualified external consultants to a greater degree while maintaining quality control;

  - Identifying joint venture opportunities with local and international organizations and consulting firms to increase opportunities and chances for winning multilateral and bilateral donor contracts; and

  - Continuing to refine the quality management system in place, emphasizing management of existing projects and follow up with clients to ensure satisfaction and generate repeat business.

Recommendations for Subsector Studies

- Only conduct subsector studies with the explicit purpose of identifying and finding new clients, assessing bottlenecks to the development of a potentially competitive subsector, or identifying and changing regulations and policies that constrain enterprise development.

- Increase outreach efforts to disseminate study findings to relevant actors: trade associations, chambers of commerce and industry, donor agencies, and key government agencies.

- USAID/B support of any further studies should include technical assistance to develop MIDAS staff capabilities in subsector analysis such as that developed by the GEMINI project.

Recommendations for Action Research

- Assess whether this component should be continued post-EDP, based on whether there are clear gains to both MIDAS and the small enterprise sector.

Internal Management Issues

MIDAS has matured and made impressive strides in becoming a more systematized institution since the 1990 evaluation. It has:

- Systematized its procedures and operations, and streamlined operations to minimize the duplication of functions across departments that was noted three years ago;

- Made progress in developing specific computer-based information functions in MIDAS, although these do not necessarily represent progress toward a "management information system"; and

- Improved cost-effectiveness and efficiency in revenue generated by staff member.

At the same time, there are still weaknesses in the organization. Among the specific weaknesses noted:

- MIDAS has not progressed towards the "decentralized management structure" that it aims for. With the addition of a new level of hierarchy created through the new position of Deputy Executive Director, the structure appears more, rather than less, centralized, and decision making continues to be centralized within the board and the office of the Executive Director;

- Financial information is not routinely shared by top management with the department managers.

- MIDAS's board plays too great a role in operational management, diverting its attention from the far more important strategic role of defining MIDAS's market niche and objectives, establishing performance goals and targets, and holding MIDAS management accountable for achieving these targets.

- Many, if not most, of the MIS problems mentioned in the 1990 evaluation continue to plague MIDAS. These include incompatibility between the accounting software and the dBase MIS package; absence of a complete listing of projects or assignments (or of consultancies bid, won, and performed); lack of a roster of consultants and organizations capable of providing assistance in various aspects of enterprise development; and lack of systematic loan monitoring data that might permit time series analysis of the development of assisted enterprises. Most important, the system is not providing management, at either the departmental or executive level, with the information needed to run the organization efficiently.

- MIDAS continues to be plagued by high staff turnover, and lacks a monetary staff incentive system and adequate performance evaluations.

Recommendations

- MIDAS needs to separate the functions of the board and management. The board should concentrate on strategic planning, establish performance standards and measurable targets, and monitor performance. Management should focus on executing the activities of the organization.

- MIDAS's management structure should be decentralized, with increased accountability and decision-making capacity at the department levels. Financial performance information should be provided routinely to department directors and staff for strategic planning and performance-based evaluations.

- MIDAS should undertake a major effort to develop a functioning MIS system, and should hire a full-time MIS director, at the level of Chief Project Officer, to oversee and direct the planning, design, and implementation of MIS functions.

- MIDAS should develop a written personnel policy with job descriptions and performance evaluation criteria for the different ranks in the institution, and should install a participatory personnel evaluation system, where individuals develop their professional goals and targets for a specified time frame, and set performance evaluation criteria in agreement with their supervisor.

- MIDAS should assess the feasibility of a monetary incentive program, based on successful systems developed by other organizations that are implementing similar programs.

CONTRIBUTION OF THE PROJECT TO SMALL ENTERPRISE DEVELOPMENT

A major objective of EDP was to contribute to the development of a sound and rapidly growing small and medium Bangladesh business sector able to absorb a significant number of new entrants to the labor force each year. The key indicator selected to measure the achievement of this goal was that the "level of investment in sanctioned and unsanctioned small-scale industries continues to grow at 10% per year." Unfortunately, neither the baseline nor systematic time series data necessary to produce such an analysis were available. Nevertheless, it is safe to say that the EDP project's impact on overall investment levels has been minimal, because the number of businesses assisted and the amount of assistance provided have been very small in the context of the Bangladeshi economy and the thousands of sanctioned and unsanctioned small businesses that exist in the country.

There were other objectives and targets for the EDP — some implicit in the narratives and arguments, others explicit; some measurable, others worded vaguely — that should also be considered in an examination of project impact. As pointed out in Chapters Three and Four, the project fell short of many of these projected objectives and targets.

As one example, MIDAS was expected to be making an average of 30-50 loans each year by the end of the project.[2] But volumes peaked in 1989 and 1990, and the number has declined to only 7 loans granted in 1992 for a total of Tk. 14.7 million. The project appears unlikely to achieve the loan volumes and activity projected in the Project Paper. Moreover, most of the businesses assisted by the project could have received funding from other sources, and chose to obtain loans from MIDAS because of simplified loan-granting procedures. It is, therefore, difficult to argue that the project has resulted in a net increase in capital available to small-scale enterprises in the country.

The Project Paper also estimated that 80 percent of MIDAS-assisted new businesses would become successful — a success ratio far exceeding the norm for small business start-ups in the rest of the world. Although most MIDAS-assisted businesses are still in existence, the incidence of "slow-moving," "dormant," and "doubtful" projects would suggest that the long-term survival rate will be closer to that experienced in other countries.

---

[2]Project Paper, p. 12.

According to data contained in MIDAS's MIS system, the businesses assisted since 1987 (the beginning of EDP) were to have created 2,597 new jobs, an average of approximately 520 new jobs per year. Given the population of Bangladesh, internal migration rates to urban areas, and the annual number of entrants to the work force, this projection could hardly have been taken as indicative of an ability to "absorb a significant number of new entrants to the labor force each year" as asserted in the Project Paper. The project itself was too small to have a measurable impact on the stated goal. Furthermore, the projections themselves were not achieved. With only a few exceptions, employment generated by the projects fell short of project plans. However, it is important to note that the employment generated by the project was **additive** rather than **substitutive**. The jobs created were new ones, employing previously unemployed people, rather than drawing people away from other jobs.

The Project Paper projected that 20 percent of MIDAS loans would be to clients operating in sectors in which women producers figure prominently, and that MIDAS would make loans to individual women entrepreneurs. Actual results have fallen far short of those targets. Of the 65 enterprises assisted with USAID/B funds and MIDAS reflows during 1988 to 1992, only 9 (13.8 percent) were to firms listed as having women general managers. In several of these firms, moreover, the general manager was not an active participant in the operations of the business. Employment opportunities for women have fallen significantly below expected results: 7 of the 16 firms visited by the evaluation team had no female employees at all. And, with the exception of three firms, achievement of projected employment levels for females was significantly below achievement of projected employment levels for men.

Although not quantifiable, indications were that businesses supported by the project were creating backward linkages to small firms in the country, as envisioned by the Project Paper. For example, Continental Baskets was purchasing split bamboo from rural suppliers; Mahbub Cycle obtained components manufactured by other small companies; Bangladesh Exports, the manufacturer of Espadrille shoes, purchased materials and components from 16 other local firms; and Superior Footwear was purchasing leather from local tanneries for shoe production.

In conclusion, the project has had a limited impact on the growth of the small enterprise sector in Bangladesh. At the same time, it was unreasonable to assume that a small project like this would have a significant or measurable impact in this area

FACTORS INFLUENCING PROJECT PERFORMANCE

Many factors have influenced the project's performance and impact. The following, rather than an exhaustive list, focus on the most important.

The skill, quality and commitment of MIDAS personnel have certainly contributed to developing MIDAS's services and reputation to the stage that it is at today. That the Board has taken an active and committed role in promoting and finding business for MIDAS has also had a positive impact on the organization.

On the negative side, the absence of a financial system that has maintained high repayment standards has led to an expectation that loans do not have to be repaid, a problem that has affected MIDAS as well. Equally important, MIDAS was not fully prepared to take on the task of managing a significantly expanded program. It did not have the administrative procedures and information systems in place at the time the expanded project began. And, lacking experience with programs requiring these, did not assign the required priority and importance to developing these systems. Similarly, MIDAS did not understand the problems that delinquency control and collections would cause, and did not develop effective procedures for managing them.

The most important factors influencing project success and impact have been the problems with project design, implementation, and supervision, which were the responsibility of USAID/Bangladesh. The project design incorrectly assumed that MIDAS was prepared to take on the task of implementing a significantly expanded project, and failed to provide for the long-term technical assistance that could have made the project more successful. Many of the other design targets and assumptions were equally flawed. During project implementation, USAID/B participation in the project was neither decisive nor timely. The project monitoring and supervision process certainly offered ample opportunity to identify and rectify these problems, but was not used effectively.

This project was not a failure — it simply failed to achieve what was expected of it, and what could have been achieved had it been designed, implemented, and supervised properly.

LESSONS LEARNED

It is always easy to have 20-20 vision in hindsight. The lessons learned from EDP are relevant to general issues pertaining to project design, monitoring, supervision, and implementation. They also have particular relevance to future assistance for private sector development.

Project Design

- Project design must be based on sound assumptions, and must incorporate the flexibility to revise both the design and the assumptions if they prove untenable.
- "Well-designed" projects often fail because they forget to assess the intended clients' demand for the services provided; projects should be designed on the basis of firm knowledge of the target market, gained through baseline surveys, rapid reconnaissance, or other methods.
- Indicators and targets need to be explicit and objectively verifiable; they should also provide a relevant measure of the project's performance and objectives.
- Technical assistance is an important component of any long-term project, particularly one of such complexity; MIDAS should have been provided technical support, particularly considering its size and experience at the beginning of the project.
- Assertions that projects will have a positive impact on women should not be inserted in projects that have little prospect of doing so, regardless of the project designers' desires to show compliance with congressional and other mandates.

Project Elements

- The most successful applications of the subsector model are those that view this as market research — to be followed up with possible investment and viable commercial opportunities; they should only be carried out if there is a concrete investment plan and resources available to implement the findings.

- New business development is an inherently risky activity, and programs that aim to assist start-up businesses have a high risk of failure themselves. These risks need to be recognized, and realistic mechanisms for managing the risk — acceptance of higher loss rates or extraordinary measures to minimize loss — must be built into the project projections and planning.

- Developmental objectives and the goal of financial self-sustainability are not mutually exclusive. An institution can, in fact, marry these seemingly contradictory goals by following sound financial management practices, and pricing its services in a market that will bear the cost.

Project Implementation

- A project is only as good as its implementation. In this case, a particularly unclear Project Paper, which mixed many new concepts (the majority of them just emerging in 1986), required keen technical oversight to discard the less important concepts and focus on the more important ones as the project unfolded.

- USAID/B must invest the staff resources to manage its projects effectively. This project should have had a long-term project advisor, and a USAID/B officer to supervise, guide, and help implement the project.

Monitoring and Evaluation

- The Logical Framework should be used as a re-planning tool — to check performance against projections and thus to validate the veracity of both explicit and implicit assumptions and to identify needs for revised planning or remedial actions — and revised periodically in light of reality.

- If USAID/B wants to be able to determine impact from its interventions, it must invest the resources and time at project start-up to develop an information system that would allow this analysis to be conducted. Although the project design and subsequent evaluations pointed out the complexity of information system development, the absence of adequate external assistance and resources to actually develop the system undermined its fulfillment.

- Active project monitoring and supervision is important to ensure the success of complicated projects.

FINAL RECOMMENDATIONS TO USAID/B

USAID/B and MIDAS should negotiate an agreement about the EDP phaseout schedule. A decision about whether to extend the PACD or shift undisbursed budget line items into the capital fund should be based on MIDAS's (1) ability to disburse quality loans within a specific, negotiated time-frame;

(2) desire to obtain technical assistance or training; and (3) USAID/B's ability to extend the human resources required for additional effort.

Technical assistance and training should be provided in the following areas, contingent on MIDAS wishing to receive such assistance:

- Strategic planning (1 month).

- Loan portfolio management — loan appraisal, monitoring and collections (2 months).

- MIS planning and external design that lead to an integrated MIS system covering loans, clients, constituents, consultancy, and technical assistance contracts, personnel, and accounting (3 to 4 months of external assistance). A systems analyst should be contracted to work with the MIS designer to develop the internal design of the system (6 months of local assistance), and a programmer should be contracted for intensive programming (3 months of local assistance).

- Training Commercial and Development Department staff in small enterprise development techniques and methodologies, perhaps through a study tour of successful programs, such as ADEMI in the Dominican Republic.

USAID/B need not provide further direct operational subsidies to MIDAS, even though financial statements will indicate deficits based on noncash expenditures to cover loan losses. MIDAS has a loan portfolio that would, if collections were increased, fully cover all operating expenses. Future USAID/B support to MIDAS should be in the form of funding for specific programs or activities that are mutually agreed to by MIDAS and USAID/B.

Any further disbursement of the funds allocated to the credit line should be conditioned upon the presentation of a pending portfolio of qualified loans, and upon continued improvements in principal recoveries and interest income receipts.

ANNEX A

SCOPE OF WORK

PROGRESS EVALUATION
ENTERPRISE DEVELOPMENT PROJECT - MIDAS

80

I. ACTIVITY IDENTIFICATION

The activity to be evaluated is the Enterprise Development Project (388-0066) which is implemented under a Cooperative Agreement (CA) between USAID/Bangladesh and the Micro-Industries Development Assistance Society. The evaluation team will carry out an interim evaluation which will assess the progress and impact of the project.

II. BACKGROUND

The goal of the Enterprise Development Project (EDP) is to contribute to the development of a sound and rapidly growing small and medium business sector in Bangladesh. The 1986 EDP Project Paper states that the purpose is to enhance the capabilities of an institution which can, on a largely self-sustaining basis, 1) identify exceptionally promising small and medium-scale industrial opportunities, 2) provide financial, managerial, and/or technical assistance to entrepreneurs prepared to exploit those opportunities, and 3) serve as a dynamic force for growth of small and medium industry. The institution supported by the EDP through a Cooperative Agreement with USAID is known as MIDAS (Micro-Industries Development Assistance Society).

The EDP builds upon previous collaboration between MIDAS and USAID dating back to 1980 with support under the Rural Industries I and II Projects. Prior to 1980 MIDAS was supported under a PVO Co-Financing Grant. The EDP, which began in 1986, was originally scheduled to end on September 30, 1992. However, the project has been given an unfunded extension through September 30, 1993. Approximately 25% of the total fund obligation remains for use in achieving project outputs during FY93.

MIDAS, a private non-profit society, provides financial and technical assistance to small and medium sized enterprises. It is staffed by over 52 professionals located in Dhaka, Chittagong, and Khulna. Its services include feasibility study preparation, term finance, working capital, technical assistance, project monitoring, information services and counseling. MIDAS also conducts sub-sector studies, action research projects, and fee-based consultancies for private and public institutional clients.

MIDAS was evaluated in April, 1986 by Robert Nathan & Associates under the ARIES Project. A mid-term evaluation was carried out in April 1990 by a three-person team under the Employment and Enterprise Development IQC, a joint venture of Development Alternatives, Inc. (DAI) and Nathan Associates.

In July 1990 MIDAS assumed responsibility for the start up of the Business Advisory Services Center (BASC). BASC, a sub-component of USAID/Dhaka's Industrial Promotion Project (388-0076), is designed to function as a broker for assisting enterprises in efficiently obtaining services such as consulting, training and technical/market information. It is intended to be a separate legal entity, but responsibility for its initial two-year start up was assigned to MIDAS through an amendment to the MIDAS Cooperative Agreement and obligation of IPP funds to MIDAS for this purpose.

III. PURPOSE OF THE EVALUATION

The purpose of this evaluation is two-fold. First, it is intended to assess the project's progress and achievements to date in meeting its planned outputs and its purpose-level objectives. In doing so, the evaluation should consider the impact of USAID's assistance to MIDAS on the broader project goal of contributing to the development of a sound and rapidly growing small and medium Bangladesh business sector able to absorb a significant number of new entrants to the labor force each year. Secondly, the evaluation should assess the prospects for MIDAS's long-term financial and institutional sustainability.

Specifically, this activity will:

- Assess overall project progress to date in relation to planned outputs, purpose achievement and goal-related impact.

- Identify factors which may have constrained project implementation, and recommend corrective strategies and/or actions which may be practicably employed by MIDAS within the remaining project period.

- Assess prospects for MIDAS' post-project financial and institutional sustainability. Evaluate current MIDAS policies (lending, investment, management, etc.), and recommend changes for the long-term as well as relevant actions for short-term implementation.

- Advise MIDAS and USAID staff on strategies for successful implementation and operation of the Business Advisory Services Center (BASC).

It is intended that the results of this interim evaluation will enable USAID/Dhaka and MIDAS to target project activities which will ensure that the project's relevant purpose and outputs are achieved during its remaining life, and to determine what continued assistance, if any, USAID might provide to developing the small and medium scale business sector in Bangladesh.

IV. STATEMENT OF WORK

The evaluation report should provide empirical findings. Conclusions (interpretations and judgements) should be based on the findings, and recommendations should be based on analysis of the results of the evaluation exercise. The evaluation shall examine not only past project performance, but prospects for the post-project success of MIDAS. The effect of changes over time in USAID requirements which have affected project implementation by MIDAS should be noted where applicable.

A. Project Achievements and Impact

1. Evaluate the benefits and effects of the activities undertaken by MIDAS in accordance with the following project <u>elements</u> as described in the Project Paper and related Project/Program Description documentation pertaining to the MIDAS Cooperative Agreement:

   <u>Small Enterprise Development Services</u>
   Activity Areas:

--Consultancies - Studies and Research
--Referral Services
--Information Services

Financial Services
Activity Areas:
--Fixed and Working Capital Loans
--Venture Capital

Action Research
Activity Areas:
--Subcontracting Program
--Franchising Success
--Venture Capital Financing

Business Advisory Services Center (BASC) (Refer to Cooperative Agreement Amendment No. 5)
Activity Areas:
--Technical and Market Information
--Training/Seminars/Workshops
--Consultancies

For each of the activity areas of these elements, conduct the following analysis:

a. Assess the extent to which the indicated activities have been carried out in relation to pertinent logframe outputs and/or expected achievements.

b. Assess the impact the activities may have had on their respective target group/sector; note specifically impact on women's development. Evaluate the benefits and effects (if any) of each activity, and comment on the prospective sustainability of any such benefits and effects resulting from the particular intervention. Comment on the availability of impact-related data, MIDAS' ability to easily access it and whether such data is used routinely by MIDAS for its own management purposes.

c. Comment on implementation constraints (if any) experienced by MIDAS for each activity area, and the accuracy/applicability of pertinent assumptions and objectively verifiable indicators.

d. Make recommendations concerning continued and future implementation of the activity/project element based on whether:
   i) Increased effort in this area is warranted.
   ii) The desired benefits/effects will be realized by PACD and no significant change (or increased effort) in the level of effort for this activity area is needed.
   iii) The intended benefits and effects have already been realized or can be achieved with decreased emphasis/effort in the activity area.
   iv) The program element/activity is irrelevant to current USAID-supported development strategies.

2. Evaluate and comment on MIDAS' performance since the beginning of the EDP in the following specific areas:

   a. Assisting in the development of commercially viable enterprises with the following non-mutually exclusive characteristics:
      -Women-owned and/or women-managed.

-Technologically-innovative.
-Import-substitutive.
-Export-oriented.
-Joint Venture.
-Replicable.

b. Publicizing successful innovations.
c. Conducting entrepreneurship development training.
d. Acting as a leader/catalyst/innovator for small and medium scale business growth in Bangladesh.

3. Compare the intended institutional characteristics for MIDAS listed in the section "End of Project Status" of the Project Paper (page 11) with the current organization.

4. Calculate the benefit/cost ratio of total USAID dollar investment in MIDAS through the EDP with respect to the following impacts:
   a. Sustainable employment; include jobs generated both directly and indirectly as a result of MIDAS activities since the beginning of the project.
   b. Growth of the small and medium business sector in Bangladesh; include businesses created both directly and indirectly as a result of MIDAS activities during the project period.

5. Evaluate MIDAS' contribution to overall progress toward achievement of the Mission program objective for which EDP was initiated. Comment on the relevance of this objective and MIDAS' developmental focus to current USAID/Dhaka country development strategy. In light of this strategy, comment on the appropriateness/desirability of continued USAID assistance to MIDAS and recommend what form such assistance, if any, should take.

B. Institutional Sustainability

Evaluate MIDAS' institutional development in terms of its prospects for self-sustainability.

1. Use the above impact-related data to determine the optimum programmatic mix of MIDAS' activities in terms of institutional sustainability.

2. Identify and describe MIDAS' system of processing management information (from data sources to key managers). Comment on periodicity, data processing and analysis requirements, data presentation and/or formats, actual use by managers, time constraints, and feedback practices. Evaluate its effectiveness and relevance vis a vis MIDAS' operational and strategic planning. Comment on problems encountered (if any) in collecting and analyzing the data needed for this evaluation and suggest how MIDAS' capabilities for self-evaluation and internal monitoring could be strengthened.

3. Evaluate appropriateness and use of MIDAS' organizational and institutional development policies with special emphasis on:
   -Strategic planning and organizational promotion.
   -Organizational structure and staff development.
   -Cost containment and organizational efficiency.

4. Evaluate MIDAS' financial management with special emphasis on cost accounting, product costing and goal/target-setting.

5. Evaluate capital investment and lending policy/practices with special emphasis on sector allocation, portfolio management, and criteria used for borrower selection and for equity investments.

6. Calculate MIDAS' approximate annual decapitalization rate using current indicators as the base case, and perform the same analysis under several alternative scenarios (per Appendix E of Project Paper).

7. Evaluate the administrative relationship between BASC and MIDAS, and indicate the existence and extent of any overlap in programmatic activities. Make recommendations about the future direction for BASC vis a vis activity programming and organizational structure.

8. Assess the adequacy of MIDAS' environmental analysis techniques with regard to the regulations of the Bangladesh Government and the programmatic requirements of USAID.

9. Assess the post-project prospects for continued donor assistance to MIDAS (e.g. the probability for other donor grants; the possible role of a USAID-led consortium of donors; the availability of credit guarantees; the possibility of co-financing projects with commercial banks/other institutions; the marketability of discrete developmental activities to donors for partial/full subsidy, etc.).

10. Assess the likelihood of MIDAS being able to gain access to and draw on commercial lines of credit.

C. Recommendations

Based on detailed findings and conclusions in each of the areas above, the team shall recommend short term actions to improve project performance, and a set of long-term recommended actions to strengthen MIDAS. The team shall also compile a list of lessons learned for future Mission programming for private sector development in Bangladesh.

V. METHODOLOGY AND DATA SOURCES

The Contractor shall be responsible for determining appropriate evaluation methodology of suitable analytic rigor. The Mission suggests that the study approach include the following:

- Review of project reports, past evaluations, internal AID memos made available by the Project Officer and other relevant documents. These should include: The Project Paper for the Enterprise Development Project; the Cooperative Agreement (as amended) with MIDAS; the 1986 ARIES Evaluation Report; the 1990 DAI/Nathan Evaluation Report; MIDAS Institutional Assessment of 1989; Dimpex Associates report on MIDAS MIS; Action Memoranda regarding performance-based disbursement mechanism (from 8/91); Monthly Activity Reports to the Board of Directors; Audit/Operational Review of February 1992; NFA Audit Report (C&L) of 1991; MIDAS Annual Reports; MIDAS Third Five Year Business Plan, 1992-1997 of April 30, 1992; USAID/Dhaka CDSS for FY91-95; USAID/Dhaka CDSS for FY1986; and the Project Grant Agreement and Project Paper for the Industrial Promotion Project (BASC-related passages only).

- Interviews with MIDAS/BASC management and staff and USAID project management staff. In addition, knowledgeable individuals should be contacted at donor organizations which have either supported MIDAS or utilized its services including the Ford Foundation, DANIDA, GTZ, SDC, CIDA, NORAD and the Asia Foundation. Interviews should be conducted with knowledgeable Government officials, including staff of BSCIC and MOI. Other individuals to be contacted include members of the banking community, the Chambers of Commerce and the FSRP team.

- Selected case studies of MIDAS-assisted enterprises. The Contractor will select 5 to 10 enterprises for study. The enterprises selected will have the following characteristics:
  - Two of the enterprises will have been implemented since January 1992.
  - Selections will include a venture capital enterprise, an export-oriented enterprise, an import-substitute enterprise and an enterprise managed/owned by women.

VI. TEAM COMPOSITION

The Contractor shall be responsible for selecting a team with the skills appropriate to the tasks described above. The final distribution of responsibilities shall depend on the skills possessed by the team. USAID suggests a team composed of three expatriate and one Bangladeshi professional.

Based on the nature of the task described, and the team skill-mix, the Contractor will propose one of the expatriate team members with significant evaluation experience to be Team Leader. The Team Leader will be responsible for overall team management and coordination, and for final report writing. In addition to the skills described below, one member must have strong skills and extensive background in loan/credit analysis. Finally, at least one team member should have experience in Women in Development issues sufficient to assist in the analysis of MIDAS' WID performance.

The team members and their skills are:

Expatriate Organizational/Institutional Analyst: Should have extensive experience in organizational and institutional analysis of entities similar to MIDAS in developing countries. Should possess strong skills and experience in the development and use of Management Information Systems (MIS). Must have substantial previous experience in evaluations and excellent writing skills.

Expatriate Development Financing/Banking Expert: Should possess experience in development financing and banking in third world countries, and prior experience in evaluations, and excellent writing skills.

Expatriate Business Development Expert: Should have extensive experience in management/ownership of a private enterprise, a graduate degree (MBA, MIM or similar field), and related development experience in a third world country. Should have excellent writing skills.

Bangladeshi Economist/Financial Expert: Should have background and extensive experience in banking and/or development financing in Bangladesh. Some background in enterprise development would be an advantage. Should have evaluation experience and good writing skills.

VII. PERFORMANCE PERIOD AND LEVEL OF EFFORT

The evaluation should begin in Bangladesh in early January and be completed by mid-March. All team members will be required in Bangladesh for four weeks based on a six-day work week. The Team Leader will have up to two weeks in the U.S. for evaluation report completion.

Level of Effort:	Institutional Expert:	24 work days
	DFI/Banking Expert:	24 work days
	Business Development Expert	24 work days
	Economist	24 work days
	Team Leader (in U.S.)	10 work days

VIII. REPORTING REQUIREMENTS

The Evaluation Report shall be submitted to USAID in 30 copies within two weeks of the team's receipt of USAID's comments on the final draft as provided by USAID before the departure of the team from Bangladesh. Draft reports shall be submitted per Section IX below. The report shall contain the following:

- Executive Summary: Approximately 3 pages single-spaced.

- Statement of Findings, Conclusions and Recommendations: Findings and Conclusions should be succinct, with the topic identified by a short sub-heading related to the areas of investigation identified in the statement of work. Recommendations shall correspond to major findings, be prioritized, and specify who or which agency should take recommended action. (The Statement of Findings, Conclusions and Recommendations may be included as part of the Executive Summary.)

- Body of the Report: The report shall provide the evidence and analysis to support the findings and conclusions. All data presented in the report will be gender-disaggregated to the maximum extent possible. The report should not exceed 40 pages, single-spaced, unless otherwise agreed by USAID in advance.

- Annexes: Shall include <u>at least</u> the following:
  Evaluation Scope of Work
  Resumes of Team Members
  Description of Evaluation Methodology
  Bibliography of documents consulted
  List of people/agency representatives interviewed
  Presentation of brief case studies

AID Evaluation Summary: The Contractor shall complete section H, "Evaluation Abstract" and Section J of the AID Evaluation Summary, and submit these to USAID/Dhaka with the Evaluation Report.

IX. TEAM MEETINGS AND DEBRIEFINGS

A. The evaluation team shall meet upon arrival with the Director of the Office of Economics and Enterprise, the Project Officer(s) and the Mission Evaluation Specialist. Within one working day following this meeting, the team shall meet with the MIDAS Executive Director, (Acting) Directors of the three operational departments, and the Project Officer.

B. The team will present a workplan and outline of the final report to the Project Officer four working days after arrival of the team leader. The team leader shall meet on a weekly basis thereafter with the Project Officer and the Mission Evaluation Specialist to provide a verbal report on the progress of the evaluation.

C. A draft report shall be submitted to USAID for comments by COB the last day of the team's third calendar week in-country.

D. The team shall conduct a formal debriefing for MIDAS Management on the twenty-first working day in Bangladesh.

E. The team leader shall submit a draft final report to USAID on the twenty-second working day in Bangladesh and conduct a formal debriefing for the Project Committee one working day later.

X. LOGISTICS

The Contractor is responsible for organizing the logistics of the evaluation. This includes accommodation, office space, computer rental, secretarial and other support services, transportation, and interview scheduling. USAID staff will provide advice and assistance wherever possible to facilitate logistics.

UPDATE TO THE SCOPE OF WORK

In addition to the scope of work presented above the evaluation team was requested to perform the following tasks, which were presented in a draft memorandum upon the team's arrival in Bangladesh. Many of these tasks overlapped with those already specified in the scope of work.

MOST SIGNIFICANT IMMEDIATE CONCERN TO BE ADDRESSED

Re-allocation of funds among project budget line items. This will require a Cooperative Agreement Amendment, and is of immediate concern because the line item which supports MIDAS' operational subsidy--which has been averaging nearly $20,000 a month--has been exhausted. MIDAS has requested that funds be transferred from other line items to this one, and there are important project implementation implications in determining the amounts to be shifted around and the justifications for doing so.

OTHER SPECIFIC CONCERNS

There are other areas of concern which may not be clearly identifiable from the wording of the SOW, but may be pertinent to the evaluation, and are topics which the team should be aware of.

Loan Portfolio Mgmt.

- Are accounts being systematically transferred to the Bad Debt list according to Ageing Analysis? Are loan write-off policies being followed routinely or are they being compromised by excessive case-by-case considerations and/or exceptions?

- The question of sequentiality versus concurrence in applying program income to 1) loan fu management expenses, 2) loan loss reserves, 3) compensating for inflation, and 4) ot expenditures. (See Section III. D. 2. of the Cooperative Agreement.) The wording of t Cooperative Agreement does not clearly indicate whether MIDAS should be meeting t expenses of the Commercial Department before making contributions to other loan loss reser and erosion protection accounts, i.e. should all expenses under 1) be met before applyi income to 2) and 3), or should income be distributed among all the intended uses concurrentl MIDAS' policy is to distribute the income concurrently. The USAID Controller's Office h indicated that such income should be applied sequentially. The answer to this question h implications for the amount of funds needed to be set aside for operational subsidy for the re of the project period. MIDAS has been asked to justify their policy of concurrent distributi as part of their next performance review report.

Other Policies

- There is concern that policies which have been adopted are not routinely followed. For example, the Mission Environmental specialist wonders whether projects are actually being screened for environmental soundness in accordance with Bangladesh Government requirements. (This concern is pertinent to Task No. 8, Part B of the SOW.)

"Ownership"

- The lack of a proprietary stake in MIDAS by parties other than a donor brings up the question of "ownership". What incentive does MIDAS management have to make the organization self-sustainable once the project funding comes to an end? Does this situation weaken resolve to make difficult cost-containment decisions? Who is tasked with "assessing the market" and how does this process influence management?

Follow-on TA

- Time constraints demand that follow-on TA (if necessary) be arranged quickly in order to assist MIDAS in carrying out activities related to the team's recommendations. We intend to do this via buy-in or IQC immediately following receipt of the Evaluation Report and review of it with MIDAS. Any input from the team about the recommended makeup of a follow-on team (qualifications, scope of work, timing, etc.) will be appreciated.

89

ANNEX B

EVALUATION TEAM RESUMES

90

MOHINI MALHOTRA

Mohini Malhotra, a member of the Enterprise Development and Financial Services Group of Development Alternatives, Inc. (DAI), and Deputy Director of the GEMINI (Growth and Equity Through Microenterprise Investments and Institutions) Project is an enterprise development and financial expert with experience in Asia, Latin America, and the Caribbean. She has consulted in the areas of program strategy, design and evaluation for A.I.D., the World Bank, the International Fund for Agricultural Development, and the Asian Development Bank. She holds an M.B.A. degree in international business and speaks Spanish, Nepali, Hindi, and Italian.

PROFESSIONAL EXPERIENCE

Development Alternatives, Inc. (November 1991-present)
Enterprise Development and Financial Services Group
Senior staff member of the Enterprise Development and Financial Services Group and Deputy Director of the GEMINI Project. Conducts program designs, evaluations, assessments, and financial analyses of small enterprise development programs.

Bangladesh February-March 1993)
Team Leader of a three person team to do an end-of-project evaluation of the USAID-funded Enterprise Development Project. This evaluation entailed an analysis of the implementing institution, MIDAS -- a financial institution disbursing loans to small and medium industries in Bangladesh.

Bolivia (November 1992-present)
Project manager of a pilot effort to induce formal sector financial institutions in rural financial intermediation. This 18 month effort aims to develop the financial technologies necessary to demonstrate to commercial banks and other financial institutions that rural banking can be profitable.

Kazakhstan (September-October 1992)
Policy/institutional analyst on a four-member team contracted through the GEMINI project to assess the small business environment in Kazakhstan and to design a strategy for A.I.D. interventions in the small enterprise arena.

Nepal (May-June 1992)
Private sector/gender specialist on a three-person team to conduct a private sector needs assessment in Nepal. Developed a strategy for USAID to more effectively address identified constraints through its training programs. Analyzed gender issues in the private sector and specified ways to address gender-specific concerns.

Swaziland, Indonesia (February, March 1992)
Presented a paper to the A.I.D. Eastern and Southern Africa Regional Conference and the A.I.D. Asian Regional Conference on Small and Microenterprise Development. Led group discussions on issues related to financial self-sufficiency. This paper explored different approaches to microenterprise development and assessed their ability to attain financial sustainability.

Microenterprise specialist to assess two programs implementing subsector approaches for microenterprise assistance: MBM and YDD in **Indonesia**. Author of a concept paper on "Non-

91

financial Assistance Strategies for Microenterprise Development," for the design of USAID's new microenterprise development project.

Japan (March 1992)
Conducted a seminar for the Japan International Cooperation Agency on Integrating Gender Issues in Development.

United States (January 1992)
Team leader to author a concept paper for A.I.D.'s Office of Women in Development on "The Use and Analysis of Gender Disaggregated Data and Indicators."

Microenterprise Specialist, Consultant
International Fund for Agricultural Development, Rome, Italy (May-October 1991)

Mexico (October 1991)
Credit and gender specialist on an eight-person team to conduct an impact evaluation of the IFAD/World Bank-supported Rural Integrated Development Project in Oaxaca. Assessed the project's impact on developing on- and off-farm linkages, and the agricultural credit component of the project.

Dominica (June-July 1991)
Sole enterprise specialist to conduct the midterm evaluation of the Integrated Rural Development Project, funded by IFAD and the Caribbean Development Bank. Analyzed the Agricultural Development Bank and the credit union system, and developed a strategy for incorporating rural microentrepreneurs in the project's target group and for addressing gender issues in accessing project resources.

Prepared a research proposal for IFAD to award a technical assistance grant to a regional Latin American organization to provide training in gender-disaggregated monitoring and evaluation of rural development projects.

Contributed to IFAD strategies on expanding its focus from assisting agricultural activities to including off-farm and non-farm activities.

Denmark (February-March 1991)
Explored the possibilities of setting up joint ventures between U.S. and Scandinavian firms for bids for development projects funded by multilateral and Scandinavian donor agencies for a private firm.

Staff Associate
Nathan Associates, Washington, D.C. (1987-1990)
Provided management and technical support to the firm's Small Enterprise and Financial Sector Development Division and, in particular, to the A.I.D.-funded ARIES project, designed to provide technical assistance and training to institutions implementing small- and micro-enterprise projects worldwide; to the Employment and Enterprise Development IQC; and to the Financial Sector Development Project. Also provided technical and management support to the Small Business Development Project, sponsored by USAID/Honduras.

Consulting Assignments:

Bolivia (September-October 1990)
Informal finance specialist on a USAID financial sector assessment team. Designed and conducted a survey of informal moneylenders and of small- and micro-entrepreneurs to assess the role of informal finance in urban areas and to assess what elements of efficiency could be 'mimicked' by microenterprise programs extending financial services.

United States (May 1990)
Analyzed the proposals of Sri Lankan credit institutions to receive funds from the World Bank under a poverty alleviation project. Conducted sensitivity analysis to determine the returns to the loan funds (if capitalized) under different scenarios, and forecast the credit needs and break-even points of the potential four implementing institutions.

Bangladesh (April 1990)
Credit specialist on a three-person team to evaluate the USAID-supported MIDAS project, which provides financial and technical assistance, including venture capital to small- and medium-scale industries in Bangladesh. Evaluated the credit policies, analyzed the loan portfolio of the implementing institutions (MIDAS), and assessed the project's impact on a sample of project clients. Recommended ways to improve the loan portfolio management systems.

United States (March 1990)
Conducted research on comparative models of microentrepreneur training under the ARIES project. This paper compared the training programs of the Carvajal Foundation, OEF International, the Indian Entrepreneurship Development Programs, the work of the International Labour Office, and the ACCION model. Presented the paper at the ARIES International Conference on Microenterprise development held in Washington in March 1990.

Bolivia (February 1990)
Researched and wrote two case studies focusing on critical issues in designing a microenterprise program strategy, and on integrating gender concerns in small- and micro-enterprise programming, using USAID/Bolivia's program as the basis for the cases. Both case studies were taught at the conference mentioned above.

Dominican Republic (1988-1989)
Designed, monitored, and evaluated a series of one-week workshops on strategic planning, institutional development, human resource management, and credit management. The training program was designed for the managers of six technical assistance centers supported under USAID's Small Industry Development Project.

Bolivia (October 1989)
Training specialist to conduct a training needs analysis of the National Federation of Credit Unions (FENACRE), the Bolivian Federation of Small Industrialists (FEBOPI), and the Foundation for the Promotion of Microenterprises (PRODEM), to determine their institutional training needs as they increase their microenterprise support activities; designed a four-year training plan, under the Small Industry Development Project, funded by USAID.

Nepal (September 1989)
Financial analyst on a study for the Asian Development Bank on irrigation cost-recovery, to determine adequate irrigation service fee rates to be charged to small farmers in order to finance the operations

93

and maintenance costs of government-operated irrigation schemes. Estimated the marginal returns to farmers from irrigation, using secondary data sources, and assessed government regulations and policies as they pertain to irrigation management and cost recovery.

Honduras (April 1989)
Evaluated USAID/Honduras' Small Business Development Project.

Nepal (February 1989)
Microenterprise specialist on a three-person team to assess the programming strategy of the Peace Corps in Nepal in microenterprise development, to assess the institutional needs of organizations working with the Peace Corps, to evaluate the existing training program and materials for volunteers in microenterprise activities, and to develop and identify training modules for Peace Corps volunteers in SME development.

United States (June 1988-February 1989)
Microenterprise specialist on a core team reviewing A.I.D.'s portfolio of micro-enterprise development projects, to take stock of the Agency's work and experience in the sector, to identify and determine factors that lead to successful project performance.

Dominican Republic (October 1988)
Microenterprise specialist on a three-person team to evaluate two microenterprise programs, ADEMI and PROAPE/FONDESA, as part of the A.I.D. microenterprise stock-taking effort. Assessed the credit portfolios and financial viability of the two implementing institutions.

United States (March 1988)
Evaluated the design of a small-enterprise workshop for Catholic Relief Services, and participated in a three-day workshop held for both headquarters and field staff.

Marketing Associate
The Research Counsel, Inc., Washington, D.C. (1986-1987)
Conducted market analyses and assessed market entry strategies and field staff of Catholic Relief Services.

Consultant
Abbott Diagnostics, S.P.A., Rome, Italy (April-September 1984)
As a member of a three-person team, conducted two extensive studies to assess the customer profile and sales and market penetration of this multinational's largest European subsidiary. Analyzed and projected future market growth trends, and identified specific locations of the country for an increased marketing effort. Developed pricing matrices to increase the volume as well as breadth of products sold within a product line. Analyses and recommendations presented to senior management met with approval and eventual implementation.

LANGUAGES

English, Hindi, Italian, Nepali, Spanish

COUNTRIES OF WORK EXPERIENCE

Bangladesh, Bolivia, Denmark, Dominica, Dominican Republic, Honduras, Indonesia, Italy, Kazakhstan, Mexico, Nepal, Swaziland

EDUCATION

M.B.A., International Business, IFAP/American University joint program, Rome, Italy, 1985
B.A., International Affairs/Economic Development, University of Minnesota, 1982

PUBLICATIONS/REPORTS/SEMINARS

(With Poyo, J., and Hoelscher, D.). "Microenterprise Stock-Taking: The Dominican Republic." Washington, D.C.: A.I.D., PPC/CDIE, March 1989.

(Co-author). "Taking Stock of A.I.D.'s Microenterprise Portfolio: Background and Conceptual Overview." Washington, D.C.: A.I.D., PPC/CDIE, March 1989.

"Loan Portfolio Management for SME (Small and Microenterprise) Programs." Washington, D.C.: Nathan Associates/A.I.D./S&T Bureau, September 1989.

"A Training Needs Assessment and Training Plan for the Micro and Small Enterprise Development Program." USAID/Bolivia, September 1989.

"USAID/Bolivia's Micro- and Small Enterprise Development Program: Case Study A: Intermediary Institutions: How Fast Can They Expand? When Should New Institutions Be Supported? How Can Women Best Be Assisted? Case Study B: Can You 'Graduate' Microentrepreneurs?" Washington, D.C.: A.I.D., 1991

(With De Santis, D. and Dukesberry, J.). Mid-Term Evaluation of the A.I.D.-Supported MIDAS Project." USAID/Bangladesh, April 1990.

Final commentator at an A.I.D./ARIES-sponsored seminar on the "State of the Art of Microenterprise Projects; A Review of World Bank, ILO/UNDP, UNCDF and A.I.D. Experience in the Sector." Washington, D.C., April 1989.

"A Comparative Analysis of Microentrepreneur Training Programs," a paper presented at the ARIES Conference on Microenterprise Development, Washington, D.C., March 1990.

The Consolidated Mid-Term Review of the Dominica Integrated Development Project, International Fund for Agricultural Development, 1991.

(With Caro, D. and Lambert, V.). A Concept Paper on: The Use and Analysis of Gender Disaggregated Data and Indicators (Draft), GENESYS Project, Development Alternatives, Inc., Washington, D.C., February 1992.

Strategies for Non-Financial Services for Microenterprises, USAID/Indonesia, March 31, 1992.

'Poverty Lending' and Microenterprise Development: A Clarification of the Issues (Draft), GEMINI, Development Alternatives Inc., Washington, DC. May 1992.

"Why Bother With That Gender Issue," *Developing Alternatives*, volume 2, issue 2, Spring/Summer 1992.

(With Magill, and J. Packard-Winkler, J., with assistance from Shyam Bhurtel and Bimal Wagle). "Nepal Private Sector Training: Needs Assessment and Strategy." USAID/Nepal, August 1992.

(With Boomgard, J., Angell, K., and Rodriguez, R.). "Improving the Prospects for Small Enterprise Development in Kazakhstan," DAI, October 1992.

JOHN H. MAGILL

John Magill, a staff member of Development Alternatives, Inc. (DAI), specializes in the evaluation, design, and implementation of microenterprise development projects. His background combines 7 years of overseas development work with the U.S. Agency for International Development, 7 years of experience with private cooperative financial institutions in the United States, and 10 years of international management consulting. He has lived and worked in Costa Rica, Bolivia, and Ecuador and has carried out numerous short-term assignments in Guatemala, Honduras, El Salvador, Panama, Paraguay, and the Caribbean. Dr. Magill has extensive experience in the design and evaluation of credit programs for rural and urban areas and rural cooperative institutions. He is also experienced in the analysis and strategic planning of financial self-sufficiency strategies for private financial institutions and programs. During the past two years, he has served as Team Leader for a major sector study of microenterprises in Ecuador, a small business advisory project in Poland and an assessment of microenterprises in Uzbekistan. He is currently advising credit unions on microenterprise lending in the Caribbean and Latin America. He holds an M.A. degree in Ibero-American studies and a Ph.D. in political science, with an emphasis on Latin American development. He is fluent in Spanish and has a working knowledge of Portuguese.

PROFESSIONAL EXPERIENCE

Development Alternatives, Inc.
Enterprise Development and Financial Services Group (January 1991-present)

Uzbekistan: Small Business Project Design (GEMINI) (September-October 1992)
Served as Team Leader for a study of small, private business prospects and needs in Uzbekistan. The study focused on the status and availability of financial services, institutional support programs, and policies related to small business development.

Swaziland: Small Enterprise Monitoring System (August 1992)
Designed an integrated management information system for the Swaziland Business Growth Trust. The system includes a module for managing the Trust's loan portfolio and a process for evaluating the impact of loan funds on participants.

Worldwide: Credit Union Small Business Program (GEMINI) (January-June 1992)
Directed a review of the status of microenterprise lending through credit unions, focusing on changes needed in the credit union system to increase the relevancy of these financial institutions in the area of small business lending. Is currently working with the credit unions to model and test alternative strategies for increasing financial services to microenterprises in the Caribbean and Latin America.

Poland: Small Business Advisory Project
Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project (September-December 1991)
Served as Team Leader during start-up phase for a project providing technical advisory services Poland's Ministry of Industry, Office of Small and Medium Enterprise. Advisory services focused on the identification of policy-related constraints to and opportunities for small enterprise development, including regulatory reforms related to the financial services for small enterprises, industry/subsector-specific constraints, service-specific concerns, and the macro-policy environment.

91

Dominican Republic (June-July 1991)
As a senior organizational development specialist, assessed credit demand for FondoMicro, an A.I.D.-financed program to finance microenterprise programs of this nongovernmental organization.

Bolivia (June 1991)
Participated in strategy session discussions on future USAID/Bolivia microenterprise program initiatives.

Worldwide (January-June 1991)
Conducted research on credit unions as financial intermediaries serving microenterprise clients in developing countries.

Indonesia (April-May 1991)
Researched and developed plan for monitoring the activities and impact of the Financial Institutions Development (FID) project.

Africa (February-March 1991)
Led three-person team to field test initial MEMS reporting system. Suggested and drafted proposed revisions in the report forms and procedures.

International Management Consultant

Small-Scale Enterprise Research, Evaluation and Planning

Development Alternatives, Inc., A.I.D. (July-December 1990)
Team leader of a 16-person team conducting a sector assessment of micro- and small-scale enterprises in Ecuador. Designed and supervised the study, which covered the policy environment and financial markets and their role in small-scale enterprise lending. The study also assessed institutions involved in supporting small-scale entrepreneurs and developed a statistical profile of the sector. Responsible for designing and analyzing a survey of microentrepreneurs and for consolidating, writing, and presenting the five-volume final report.

Development Alternatives, Inc. A.I.D. (February-April 1990)
Designed and performed statistical analysis work for a longitudinal study of microentrepreneur beneficiaries of the USAID/Honduras Small Business Project. The study involves repeated interviewing of a sample of 400 beneficiaries and nonbeneficiaries to determine the impact of project activities.

Development Alternatives, Inc., A.I.D. (February 1989)
Participated in a study of employment and income generating opportunities for women in Cape Verde. Responsible for assessing microenterprise opportunities and recommending appropriate project design strategies.

Development Alternatives, Inc., A.I.D. (October-November 1988)
Served as leader of a two-person team to evaluate A.I.D./Paraguay's support of local microenterprise institutions.

Development Alternatives, Inc., A.I.D. (April-May 1988)
Led a three-person team to conduct a review and analysis of a proposed micro-enterprise and small-scale enterprise development project in Bolivia. Drafted proposed project design, which included technical assistance, policy analysis, credit and monitoring.

Information System Design

AGRIDEC, A.I.D. (February 1990-present)
Designed and supervised the planning of a management information system to monitor the performance of the USAID/Guatemala Small Farmer Coffee Project.

Development Alternatives, Inc., FAO (October 1987)
Designed, developed, and installed a model project monitoring and evaluation system for the Malaysian Ministry of Agriculture.

Development Alternatives, Inc., A.I.D. (May-July 1986)
Developed a comprehensive information system plan to support field operations, internal financial management, personnel, administration, and inventory for the USAID/Ecuador Land Titling project.

U.S. Savings and Loan League, A.I.D. (February 1985 through August 1988)
Evaluated information system needs for the Bolivian national savings and loan system. Developed detailed specifications for an integrated management information system for the Central Housing Bank.

Development Alternatives, Inc., A.I.D. (May 1984)
Assisted in the analysis of hardware and software requirements for the Indonesia Education Policy Analysis and Planning Project.

Planning and Development Collaborative International, A.I.D. (November-December 1983)
Analyzed the information system problems and requirements of the Government of Jamaica's national housing program.

Portugal National Housing Authority, A.I.D. (September 1982-July 1983)
Led a two-person team to evaluate the information system requirements of the Government of Portugal's national housing program.

'rofessional Staff Member
:redit Union National Association, Inc. (1975-1982)

Vice President, Information Systems (1980-1982)
Managed the information systems division in coordinating the planning, design, development and implementation of an integrated, nation-wide management information and communication system for the U.S. credit union movement.

Director, Information and Statistics (1978-1980)
Managed the collection, processing, and analysis of statistical and managerial information on credit unions in the United States.

99

Director of Planning (1975-1978)
Managed the planning and evaluation program of CUNA and its two affiliated corporations. This included the development of a computer-assisted project monitoring system based on A.I.D.'s Logical Framework to evaluate the physical and financial implementation of projects and programs.

Professional Staff Member
U.S. Agency for International Development (1969-1975)

Evaluation Offices and Assistant Program Offices, A.I.D./Ecuador (1972-1974)
Managed evaluation program, which included the development of logical frameworks and project papers for all grant and capital development projects. Coordinated and managed special evaluation studies. Assisted in the design of the Population and Family Health Project.

International Development Intern (1969-1971)
Project manager for tropical colonization and agricultural marketing projects in Ecuador and regional project manager for Latin America Bureau cooperative projects.

EDUCATION

Dr. Magill holds a Ph.D. degree in political science from the University of Wisconsin (1972), an M.A. degree in Ibero-American Studies (political science, economics, and Portuguese) from the University of Wisconsin (1965), and a B.A. degree in international relations and Spanish from the University of Kansas (1964). He took additional course work in economics, statistics, and mathematics at the Foreign Service Institute (1975).

PUBLICATIONS

Credit Unions: a Formal Sector Alternative for Financing Microenterprise Development. 1991.

Demand for FondoMicro Services: A Preliminary Analysis of Credit Demand. Dominican Republic. Co-authored with Jean M. Gilson. 1991.

A Monitoring System for the Financial Institutions Development Project. Indonesia. 1991.

Sector Assessment: Micro- And Small-Scale Enterprises in Ecuador. Co-authored with Donald A. Swanson. 1990.

Evaluation of the Cooperative Improvement Component of the USAID/Guatemala Agribusiness Development Project. Co-authored with Percy Avram. 1989.

Mid-Term Evaluation of the Cooperative-Strengthening Project. Co-authored with Eric G. Nelson and Miguel Angel Rivarola. 1989.

Developing a Management Information System for the Master Plan and Environmental Control Department (MPECD). Karachi Development Authority. 1989.

Self-Sufficiency Projections for the Fundacion Salvadorena para el Desarrollo Economico y Social (FUSADES). Co-authored with Eric G. Nelson. 1989.

Employment and Income Impacts of Investments in Export-Oriented, Non-Traditional Agribusinesses: An Examination of Six Investments Financed by the Latin American Agribusiness Development Corporation de Centroamerica (LAAD-CA). Co-authored with William E. Bolton, Paul H. Dillon and Amalia M. Alberti. 1989.

Micro-Enterprise Stock Taking: Fundacion Paraguaya de Cooperacion y Desarrollo. Co-authored with Arelis Gomez Alfonso. 1989.

Cooperative Development and the U.S. Agency for International Development: An Evaluation. Co-authored with Robert C. Blayney, John M. Porges and Gary E. Neill. 1989

Some Aspects of Equity Financing and Self-Sufficiency in the FUSADES Program: An Appraisal. Co-authored with David R. Hughes. 1988.

USAID/Bolivia Small-Scale Enterprise Project: Proposed Design. Co-authored with Leni Berliner, Ivo Kraljevic and Miguel Angel Rivarola. 1988.

A Review of the Current Status of Monitoring and Evaluation in the Ministry of Agriculture [Malaysia] and Recommendations for a Comprehensive Program and Project Monitoring System. 1988.

Evaluation and Preliminary Project Design for the USAID/Bolivia Micro and Small Enterprise Development Program. Co-authored with Henry Jackelen and Robert Blayney. 1987.

Long-Range Self-Sufficiency Strategies for the African Confederation of Cooperative Savings and Credit Associations. 1986.

Ecuador Land Titling Project: Information System Design and Plan. 1986.

Evaluation of the Florida Association of Voluntary Agencies for Caribbean Action. 1985.

Credit Unions in the Caribbean: an Analysis of Financial, Operational and Attitudinal Data. 1985.

Credit Union Financial Positioning in Jamaica. 1985.

System Requirements and External Design for the CACEN Information System. 1985.

Review of Current Automated Support for the Caja Central and Bolivian Savings and Loan Associations. 1985.

Evaluation of the USAID/Honduras Development Administration Project, Number 522-0174. Co-authored with Mr. Jean-Claude Garcia-Zamor. 1985.

Developing Cooperatives Overseas: a Review of the Lessons Learned from U.S.-Supported Cooperative Development Projects. Volumes I and II. Washington, D.C.: Development Alternatives, Inc., 1984-1985.

Planning an Information System for the Housing Development Finance Corporation (HDFC), Colombo, Sri Lanka. September, 1984.

National Housing Sector Information System Analysis and Planning Program. Volume I. Needs Assessment Module. A guide for surveying the information system problems and needs of a national housing program. 1984.

Preliminary Review of the Information System Problems and Requirements of the Government of Jamaica's National Housing Program. 1983.

Automated Management Information Systems to Support Public Sector Housing Programs. Prepared for the Regional Housing and Urban Development Office, Tunis. 1983.

A Model Automated Project Management System to Support a National Housing Development Program. Prepared for USAID/Lisbon. 1982.

A Review of the Short- and Long-Range Information System Requirements of the Government of Portugal's National Social Housing Program. Co-authored with Mr. Lee E. Baker. 1982.

Hardware, Software and Telecommunications Requirements of the CUNA Information System. In-house systems requirements paper. Co-authored with Mr. James Kudlinski. 1981.

Business Systems Plan: Phase I. A preliminary evaluation of the information requirements of CUNA and its affiliated corporations. Co-authored with Mr. William Atkins. 1980.

Financial and Institutional Analysis: FENACRF and La Merced. An evaluation of the financial and operational capabilities of the credit union federation and a multipurpose cooperative for USAID/Bolivia. 1979.

Devaluation, Inflation and the Bolivian Credit Union Movement. An evaluation and assessment of exposed risk. Co-authored with William F. Hampel, Jr. 1979.

Issues facing U.S..Credit Unions: Program Implications for CUNA. A discussion paper prepared for the CUNA Planning Committee. 1978.

Labor Unions and Political Socialization: a Case Study of Bolivian Workers. New York: Praeger Special Studies, 1974.

JAMES PACKARD WINKLER

James Packard Winkler, Deputy Director of the Consulting Services Group of Development Alternatives, Inc. (DAI), is a private sector development specialist and policy analyst. As Deputy Director, he is responsible for all technical and administrative aspects of short-term consulting services. Over the past two years, he has managed 50 short-term technical assistance teams worldwide. Dr. Winkler has experience in private sector development through project analysis, management, and design with USAID in Ecuador, El Salvador, Somalia, Nepal, Uzbekistan, and Washington, and with the Peace Corps in Costa Rica. He was co-Team Leader of a four-person team that designed the Trade and Investment Sector Program for USAID/Ecuador. He has worked directly with small, medium, and large firms in Costa Rica, Somalia, and Nepal to increase productivity and efficiency. He has a Ph.D. degree in political economy and a Master's degree in international relations with specializations in international business, international security, and political and economic development. Dr. Winkler is fluent in Spanish.

PROFESSIONAL EXPERIENCE

Deputy Director, Consulting Services Group
Development Alternatives, Inc. (May 1990-present)
Manages the tracking, marketing, and technical proposal preparation of all short-term work orders and contracting mechanisms with A.I.D., World Bank, UNDP, FAO, regional development banks, and private clients. Also manages project team recruitment, work-order costing, and start-up and monitoring for all short-term assignments in agriculture, natural resources development, and enterprise and private sector development. The Consulting Services Group fields an average of 60 consulting teams each year.

Dr. Winkler has carried out the following consulting assignments:

Bangladesh: Business Development Expert (February-March 1993)
Under the final evaluation of USAID's Enterprise Development Project, assessed the business outreach and development activities, including consulting, information, and training services of the Micro Industries Development Assistance Society. Also assessed and recommended strategies for implementation of the Business Advisory Services Center under the Industrial Promotion Project. Conducted a market assessment and economic rationale for brokering consulting services and technomarket information on a fee basis for small and medium-sized enterprises.

Bulgaria: Market/Trade Analyst (January 1993)
Analyzed comparative and competitive advantage of processed fruit and vegetable products of two state-owned processing enterprises considered for privatization. Competitive analysis examined tariffs and duties in European Community and Middle Eastern markets and CIF prices to determine competitiveness of Bulgarian preserves against other producers.

103

Uzbekistan: Agribusiness Specialist (October 1992)
As agribusiness specialist on a four-person team, assessed opportunities for small business development in the agribusiness sector, focusing on producers, suppliers, distributors, and processors. Examined government policies in the planned economy, the business climate, production and technology capabilities, and models for small business growth through vertical integration and foreign investment strategies. Recommended policy reform, training, technical assistance and institution strengthening to increase privatization of small business development in the sector.

Nepal: Private Sector Development Specialist (May-June 1992)
Conducted a private sector training needs assessment for USAID, with particular responsibilities focusing on 52 small, medium, and large firms including the export sector, private sector associations, and financial institutions. The five-person team identified constraints to private sector development and opportunities to increase profitability, employment, and efficiency through training interventions. The team also presented recommendations for a five-year strategy to assist the private sector in adjusting to a more outward-oriented economic strategy.

Washington, D.C.: Project Manager/Palestinian-Israeli Cooperation Program (March-April 1992)
Managed a seven-person team that studied conflict resolution through functional cooperation between Palestinians and Israelis in the West Bank and Gaza. Conducted interviews with officials of A.I.D., State Department, and U.S. Information Agency, with experts on conflict resolution, and with staff of private voluntary organizations to identify prospects for substantive cooperation in health, environment, water and sanitation, and income generation. Designed and facilitated a workshop to promote interagency consensus on program parameters for cooperation to complement U.S. policy in the Middle East.

Ecuador: Co-Leader/Trade and Investment Development Specialist (April-May 1991)
Co-Leader of a four-person team to analyze the trade and investment climate and recommend program design options in Ecuador. Designed activities for the Trade and Investment Sector Program for USAID, including participation of government agencies and private sector groups, an innovative subsector approach to address bottlenecks in product areas with comparative trade advantages, firm-level technical assistance and training, and policy dialogue priorities. The design incorporated ongoing USAID and government initiatives to promote nontraditional exports and address policy constraints.

Washington, D.C.: Project Manager (January 1991)
Designed and implemented the methodology to undertake the technical review of 110 applications submitted to A.I.D. for Management Training and Market Economics in Central and Eastern Europe. Coordinated and supervised a 10-person evaluation team; wrote and presented the final evaluation reports. A.I.D. considered this technical evaluation by an outside organization as a new model for future evaluations of responses to requests for proposals.

Washington, D.C: Rapporteur (December 1990-January 1991)
Wrote the final report to the A.I.D. Administrator for the Advisory Committee on Micro Enterprise Development on the committee's December meetings. Reported on the committee's recommendations for A.I.D.'s Action Plan and Monitoring and Evaluation System and on issues related to the agency's microenterprise program.

Project Consultant
National Cooperative Business Association (October 1989-April 1990)
Analyzed and revised project budgets. Wrote project proposals, articles for the *National Cooperative Business Journal*, and corporate qualifications statement. Negotiated a technical assistance package with USAID for restructuring agrarian reform cooperatives in El Salvador. Evaluated financial software for feasibility studies of small businesses. Wrote final reports for two seminars on small business lending for the Credit Guarantee Corporation in Egypt and the Small Business Development Company of Trinidad and Tobago.

Research Assistant
The Fletcher School of Law & Diplomacy, Tufts University (1986-1989)
Researched international economics, investment, environmental and political risk, and national security. Examined U.S. security and economic aid programs to El Salvador and their influence on the country's political, economic, social, and military systems.

Private Sector Development Intern
United States Agency for International Development, Somalia (May-August 1986)
Studied viability of the edible oils- and fish-canning industries; of frankincense and fruit and vegetable production in remote areas; and the prospect for USAID technical assistance and funding. Recommended technical and financial aid programs for private sector initiatives and explored opportunities for privatization of parastatal operations. Surveyed foreign investment options for U.S. investors.

Small Business Advisor/Resource Administrator
United States Peace Corps, Costa Rica (1982-1984)
Assisted small businesses in rural Guanacaste. Advised the Ministry of Labor on employment generation financed by USAID's PL-480 program. As advisor to the Regional Commission on Employment Generation, established criteria for project appraisal, evaluated project proposals, coordinated work subsidy programs, and assisted entrepreneurs and community leaders in organizing employment-generating activities. Also conducted feasibility studies of micro- and small-scale enterprises and trained project managers in finance, cooperatives, human resource development, strategic planning, and marketing.

EDUCATION

James Packard Winkler has a Ph.D. degree in political economy from The Fletcher School of Law & Diplomacy, Tufts University, 1989. He holds an M.A. degree in law and diplomacy from The Fletcher School, 1987, with concentrations in political and economic development, international business, and national security. He also completed course work at the Harvard Business School. He received a B.S. degree in business administration from Georgetown University, 1981, with a specialization in marketing. Dr. Winkler was named a Peace Scholar at the United States Institute of Peace (1988-1989) for his outstanding doctoral research on conflict resolution and instability in the developing world.

Dr. Winkler uses word processing and spreadsheet computer software in his field work.

LANGUAGES

Professional fluency in Spanish (FSI-4).

PUBLICATIONS

Supporting Private Enterprises in Uzbekistan: Challenges and Opportunities. Co-authored with Nan Borton, John Magill, Neal Nathanson. Prepared by the GEMINI Project for AID/PRE, October 1992.

Nepal Private Sector Training: Needs Assessment and Strategy. Co-authored with John H. Magill and Mohini Malhotra, with assistance from Shyam Bhurtel and Bimal Wagle. Prepared for USAID/Nepal, August 1992.

Assessment of Opportunities and Considerations for the Palestinian-Israeli Cooperation Program. Co-authored with Joseph Montville, David Garner, Melanie Wilhelm, Mohammed Abu-Nimer, and Hugo van der Merwe. Prepared for A.I.D./Washington, Near East Bureau, April 1992.

Analyses and Recommendations for the Design of the Trade and Investment Sector Program in Ecuador. Co-authored with Luis Ampuero, Joaquin Bohorquez, and Paul Prentice. Prepared for USAID/Ecuador, May 1991.

"Stability in Crisis — U.S. Policy and El Salvador," *PRAXIS* (Spring 1990).

"Stability in the Third World: The Spectrum of Security and Development in U.S. Policy, The Case of El Salvador." Ph.D. dissertation, The Fletcher School of Law & Diplomacy, Tufts University, August 1989.

M.M. NURUL HAQUE

Education: Masters, Commerce, Dhaka University, 1957
B.A., Commerce, Jagannanth College, Dhaka, Bangladesh, 1953
Fellow of the Economic Development Institute, World Bank, 1977
Honorary Follow of the Institute f Bankers, Bangladesh 1992
Diplomat of IRI; Italian Institute for Industrial Reconstruction, Rome, Italy

Employment:

Managing Director, ICB, September 1991 - Nov 1992
Managing Director, Rajshahi Krishi Unnayan Bank, March 1991
Managing Director, Bangladesh Shilpa Rin Sangstha, April 1989
Deputy Managing Director, Sonali Bank, January 1988
Acting Managing Director, Sonali Bank, Sept 1988
General Manager, Bangladesh Shilpa Bank, 1981-1987
Industrial Development Bank of Pakistan, Sept. 1961-1981
Professor of Commerce and Accounting, Chandpur College, Chandpur, Bangladesh
Fazlul Haq College, Chakar Oct. 1957-1961

Special Assignments:

Attended meeting of the National Development Financing Institutions on the SAARC Fund for Regional Projects held in Bombay, October 3-4, 1991 and February 12-13, 1992.

Member of the delegation of Bangladesh for the Forum on Technology Planning for Industrial Development in Bangladesh organization by UN-ESGAP and UNDP from May 14-18, 1989.

As a Special Duty Officer with the Economic Adviser to the president of the People's Republic of Bangladesh and Deputy Chairman, Planning Commission, Bangladesh, August 26 to December 31, 1975.

Worked as a member of the Editorial Board, Shilpa Bank Samachar.

Delivered lectures as Guest Speaker at the 2nd Industrial Projects Analysis course organized jointly by the BIDS and EDI of the World Bank on the topics (i) Sour Projects (ii) Project Supervision, in May 1979, at the invitation of the Bangladesh Institute of Development Studies.

Guest Speaker of the Bangladesh Institute of Bank Management and other organizations.

Worked as a member of Task Force on Financial Sector Reform (Constituted on December 29, 1990 by the Government of the People's Republic of Bangladesh).

Represented the banks where he worked, on the Boards of Management/Board of Directors of a number of companies in the public and private sectors as an appointed Director:

Bangladesh Shilpa Bank, Bangladesh Shilpa Rin Sangstha, Islami Bank Bangladesh Limited, National Tea Company Limited, Bangladesh Tobacco Company Limited, and Aramil Limited.

Specialized Training:

Attended seminar on "Regional Programme on Management Development for Development Finance Institutions in Asia" in Baguio City, Philippines, November 4, 1985.

Attended International Seminar on Islamic Banking held at Dhaka under the auspices of International Association of Islamic Bank, March 1985.

Attended seminar on "Management Techniques and disciplines" organized by Grindlays Bank p.l.c., London, held in Dhaka, June-July 1985.

Attended course for the Senior Financial Managers of Public Corporations, Financial Institutions and offices of the Ministries of Finance, Industries, Agriculture, Jute and Textiles organized by the Bangladesh Administrative Staff College (BASC), Dhaka, April 1990.

Attended the Development Banking course of the Economic Development Institute (EDI) of the World Bank held in Washington, D.C., April 4-June 10, 1977. On successful completion of the course was inscribed as a Fellow of the Institute.

Attended the 3rd training course (October 15, 1964 to June 15, 1965) in "Banking and Commercial Development," sponsored by the Italian Institute for Industrial Reconstruction, Rome, under the Technical Assistance Programme.

Attended five-months training course in project appraisal under the guidance of experts of the World Bank at the PICIC, Karachi, November 1, 1961 to March 31, 1962.

Member of the following organizations:

Capital Market Development Committee, formed by the government.

Committee to suggest reforms of the Capital Issues (Continuance of Control) Act, 1947, and Securities and Exchange Ordinance, 1969, as well as to study the possibility of bringing together these laws into one to ensure enforcement; formed by the government.

Cell of the Board of Investment on rehabilitation and revival of sick projects formed by the government.

Review Committee formed by the government to examine applications by sick projects if considered unqualified for rescheduling of bank loan or rehabilitation on commercial basis through fresh financing from the bank on client relationship or working capital.

Member of Council of SAARC Fund For Regional Projects (CSFRP).

ANNEX C

EVALUATION METHODOLOGY

Although originally planned as an interim evaluation to identify and plan strategies for the final year of the EDP project, the timing of this evaluation was such that it will probably serve as the end-of-project evaluation as well. As a result, the primary focus of the evaluation was on documenting project status and accomplishments, and on extracting lessons learned from the project. With so little time remaining in the project, it is unlikely that major replanning and reorientation will result from the evaluation.

DAI had previously been contracted to conduct the 1990 midterm evaluation of the Enterprise Development Project. The approach for this evaluation was to review accomplishments and performance vis-a-vis both the Project Paper and the 1990 midterm evaluation.

METHODOLOGY

The team employed a participatory evaluation approach, which had been initiated by USAID/B prior to the team's arrival. USAID/B had sought MIDAS's input into the design of the scope of work for the assignment and the selection of the evaluation team. The evaluation team worked closely with MIDAS staff, and was housed at MIDAS offices in Dhaka. To carry out this end-of-project evaluation, the team employed an evaluation methodology consisting of:

- A document review of USAID/Bangladesh and MIDAS documents on the Enterprise Development Project;

- Interviews with MIDAS staff at the strategic (board), executive and operational levels over the four-week course of the evaluation;

- A structured but not statistically representative sample survey of 16 MIDAS-assisted enterprises;

- Structured interviews with Bangladeshi bankers, government officials, private entrepreneurs, and representatives of business chambers and donor agencies knowledgeable about MIDAS; and

- Weekly briefings with USAID and MIDAS staff, and formal oral presentations and a draft written report to solicit feedback and exchange views.

Document Searches

At the request of the evaluation team, the USAID/B project officer sent some background documents for review to the DAI team prior to arrival in Bangladesh — documents such as the Project Paper and the two previous evaluation reports, the MIDAS business Plan, and several others. Other documents reviewed in the course of the evaluation were solicited from MIDAS, USAID/Bangladesh, and other donors in Bangladesh. These included World Bank and GOB documents on the Bangladeshi economic performance, and experiences with other similar small business development programs. Also reviewed were MIDAS annual reports, audited financial statements, project design documents, the Cooperative Agreement and subsequent amendments, previous project evaluation reports, other related mission project documents, quarterly project reports, and internal memorandums and project management documents. A full listing of the documents reviewed is included in the bibliography in Annex D.

Interviews and Discussions with MIDAS Staff

Informal interviews and discussions were held over the four-week evaluation period with MIDAS executive and operational staff. These information exchanges were facilitated by the fact that MIDAS provided office space for the DAI evaluation team at its headquarters in Dhanmondi. The principal contacts were the Directors of the Commercial, Development, and Finance & Administration Departments. The team had full access to MIDAS staff members and documentation.

More structured interviews were held with board members. Given the time limitations to cover the scope of work, the team split up in pairs to conduct board interviews. The following questions were asked in each interview with board members:

1. Why are you on the board?
2. What do you see as the role of the board?
3. What do you think should be the ownership status of MIDAS? Who owns MIDAS?
4. What market should MIDAS be serving and is it?
5. What are the strengths and weaknesses of MIDAS?
6. How do you see the role of MIDAS in the future? After USAID funding ends in September 1993?
7. What steps should MIDAS take to achieve its goal of self-sustainability?
8. What role has USAID played in the development of MIDAS? How could that role have been improved?
9. What do you feel is the credibility of MIDAS in Bangladesh?
10. We know this is sensitive, but have your family members and friends received loans from MIDAS? To what extent is MIDAS financing businesses of families and friends of board members?

Survey of Project-Assisted Enterprises

The team developed the survey instrument in the first week of the evaluation, and refined it based on discussions with MIDAS. The survey instrument was designed to address the following questions:

1. Were the MIDAS-assisted businesses innovative in employing new or adapted technology?
2. Were they in fact start-ups?
3. Did they create forward and backward linkages?
4. Were they owned or managed by women, or did they create employment for women?
5. Did they spark the development of new copy-cat businesses?
6. Did they generate employment and, in particular, did they generate new employment?
7. Would they have started without MIDAS assistance?

In addition, the questionnaire sought information on MIDAS services to assess customer loyalty and the usefulness of the services offered. The questionnaire asked for gender-disaggregated information to determine differential impact by gender.

The sample was not statistically representative, in that enterprises in or around Dhaka were chosen for their accessibility, given time limits. However, the enterprises were selected to get a cross sample that included enterprises with loans that were liquidated, in arrears, current, repeat, or not yet due. The sample also included enterprises that were run or managed by women, export-oriented, innovative, and that generally fit within USAID-established loan disbursement criteria.

The following survev questionnaire was employed:

Survey of MIDAS-Assisted Enterprises

ENTERPRISE DATA

Enterprise name:___________________
Location:_______________________
Date started:_____________________
Started w/MIDAS support:___ Pre-existing:____ Product(s)/Service(s):____________________________
Technology employed:_______________________________
Technology developed/adapted by enterprise:_______
Existing technology employed___
sales/year (Taka):_______________
Revenue/year (Taka):_____________
Total Assets (Taka):_____________

Owners/ Managers (gender):____
Did/Do you own/manage another business? yes____ No___
if yes, what kind_____ since when_____
What were you doing before this business?____________________

Can you explain the production process? (gender distribution of activities):____
Who is your competition? ___________________________
Have other businesspeople copied you since you started this business? ___________________

LINKAGES

Market(s) Export:____ Domestic:_____ Both:___
What raw materials/inputs do you use?
Where do you purchase them?_______
How often_____ In what quantities?____
Are they locally produced?___ Imported?__________
What is the price of inputs?_______
Who are the suppliers/producers of inputs? (by gender)______________________________
What services do you use to get your product to market? (packaging/distribution/transport/etc):____

MIDAS ASSISTANCE

Loan amount:_______________
Date approved:_____________
Date disbursed:____________
Repayment status: current____ Late______Liquidated_______
MIDAS Equity: ________
Technical Assistance received (type):____________________________
Can you comment on the quality of services received?____________________________
Why do you use MIDAS?__________________
How did you hear of MIDAS?__________________

Have/do you get loans/services from other banks/institutions?__________________________
How do you compare MIDAS with others you have used?_________________________________
What would you have done w/o MIDAS?____________________________
Will you continue to use MIDAS? (Why/why not?)___________________________________
What could MIDAS do better?__________________

112

EMPLOYMENT

# of employees when started : M__ F__
Current # of employees:
permanent: M__ F___ Seasonal: M__ F__
# of professional staff___ M__ F__
wages: M__ F__
Where did you hire your employees from?
Were (any) employees previously employed elsewhere? How many?
M__ yes(#)__ No__ F__ yes(#))__ No__

Interviews with Constituents

The team conducted interviews with individuals knowledgeable about the financial sector, small enterprise development, and industrial development programs in Bangladesh. USAID/B had identified the majority of institutions to be contacted by the team. Others were identified by the team over the course of the evaluation.

Financial Institutions

Twelve financial institutions were interviewed to understand the overall financial sector and MIDAS's positioning within it. Another purpose was to assess the willingness or interest of banks to enter into an arrangement with MIDAS for lending to SMEs, such as a guarantee program, a referral system, or through other mechanisms.

The questions asked of the financial institutions were the following:

1. What is the operational situation of financing small and medium industries in the bank? Do you meet the 5 percent target? Do you receive subsidies from the GOB or other sources for financing small industries?
2. What is the rate of loan recovery on the SME portfolio compared to your overall portfolio?
2a. How do you define a project as "sick"?
2b. What percentage of your loan portfolio is sick?
3. What is your target market: individuals, small businesses, large firms, others? How important are small businesses in your market priorities? Will you or do you currently finance NGOs?
4. What is your interest in and the mechanisms required for co-financing of small business clients of MIDAS, through referrals, credit line to MIDAS at subsidized rates, directly to small industries, or other options?
5. How do you view MIDAS as a financial institution?

Donor Agencies

Ten donor agencies were interviewed: those which had previous or current programs or contracts with MIDAS, and others to see whether SME development was part of their development portfolio in Bangladesh, and their view of MIDAS as a potential implementing institution. These donor agencies were interviewed to assess the quality of MIDAS's services, and MIDAS's future funding or alternative funding sources post-EDP. The following broad questions were used to guide the discussions:

1. Have you heard of MIDAS?
2. What do you think of MIDAS? What do you think are its major strengths and weaknesses?
3. How do you compare MIDAS to comparable service/lending providers? Who is MIDAS's competition?
4. Is the type of client or service offered by MIDAS consistent with your program objectives?
5. Have you ever used or contracted MIDAS services? Which services? How satisfied are you with those services? Would you use MIDAS again?
6. Do you have any plans for implementing lending or service programs for small business?
7. Do you see the possibility of running your small business program through MIDAS?
8. Would your organization be interested in providing operational budget support to MIDAS when the current USAID project ends?
9. What do you think should be done to strengthen MIDAS?

Chambers of Commerce

Interviews were held with the three major chambers of commerce to assess MIDAS's outreach capacity, and the perceived value of its services.

1. Have you heard of MIDAS? What do you think of MIDAS?
2. What do you see as the major strengths and weaknesses of MIDAS?
3. What services does MIDAS provide you? Do you use any of MIDAS's publications? Are you familiar with MIDAS's subsector studies and consultancy reports?
4. Do you refer your members to MIDAS for services? For which services? What services do your members need?
5. Who are MIDAS's competitors?
6. Does your membership include clients that MIDAS serves?
7. What services does the chamber provide its members? Would you consider subcontracting those services to MIDAS or to another organization?

GOB

Several GOB officials were interviewed to assess policies concerning the SME sector, and the potential implications for MIDAS.

1. Have you heard of MIDAS? What do you think of MIDAS?
2. What are the major policies that affect the small industries sector?
3. Will MIDAS receive the same subsidies that other DFIs and NCBs receive if it becomes a nonbank financial institution?
4. Would you provide other financial support to MIDAS?

114

Participatory Approach

The team's workplan, draft report outline and questionnaires used over the course of the evaluation were shared and discussed with MIDAS staff. Preliminary findings, recommendations and conclusions were discussed on a weekly basis with USAID/B, and with MIDAS on a more regular and informal basis. The DAI evaluation team also made oral presentations to MIDAS board members and senior management and USAID staff. MIDAS and USAID commented on the draft report, and their comments were incorporated into the final report.

EVALUATION WORKPLAN

WEEK 1: FEB. 04 - 11

Initial briefing with USAID and MIDAS: Discussion of the scope of work, evaluation purpose, areas of focus (Feb. 4)

Team planning: development of the workplan, definition and allocation of tasks to be accomplished

Review of background materials: EDP documents — Project Paper, Cooperative Agreement, MIDAS Business Plan and Strategy, Annual Reports, previous evaluation reports, etc.

Appointments/interviews scheduled with: MIDAS board members, other donor agencies supporting MIDAS, Government of Bangladesh officials, financial institutions, MIDAS clients

Survey instrument developed for interviewing MIDAS borrowers, criteria developed for survey sample selection

Presentation/discussion of workplan/report outline with USAID/B and MIDAS (Feb. 9)

Analysis initiated of MIDAS financial and institutional self-sufficiency — data collection and analysis of MIDAS financial and institutional operations

Output: Workplan and Report Outline

WEEK 2: FEB. 13 - 18

Meetings with other donors, GOB, MIDAS board, clients, financial institutions, FSRP

Weekly meeting with USAID (Feb. 16)

Begin data collection and analysis of project achievements and outputs.

Analysis of impact achievements, sustainability and EDP project performance continued

Output: Preliminary Assumptions, Findings, and Conclusions

WEEK 3: FEB. 20 - 25

Survey of 16 MIDAS-assisted enterprises

Continued analysis of impact achievements, sustainability, project performance

Drafting of report

Outline of key findings, conclusions, and recommendations submitted to USAID

Informal USAID/B debriefing to present outline (Feb. 25)

Output: Statement on Findings, Conclusions, and Recommendations to USAID/B and MIDAS

WEEK 4: FEB. 27 - MAR. 3

Debriefing with MIDAS staff (Feb. 28)

Formal De-briefing for USAID (March 3)

Submission of draft report to MIDAS and to USAID (March 4)

Team departure (March 5)

Output: Draft Report for comments

ANNEX D

BIBLIOGRAPHY

BIBLIOGRAPHY

Baree Pear & Khan, MIDAS audited financial statements for the Years ended June 30 1986; 1987; 1988; 1990; 1991; 1992; December 1993.

Boomgard, James. A.I.D. Microenterprise Stocktaking: Synthesis Report. A.I.D., Washington, DC, Dec. 1989.

Cooperative Agreement No. 388-0066-A-00-6063-09, Amendments through No. 9, August 10, 1992, USAID/Bangladesh and Micro Industries Development Assistance Society.

De Santis, Dennis; Mohini Malhotra; and Jack Dukesbury. Midterm Evaluation of the Enterprise Development Project: Assistance to the Micro-Industries Development Assistance Society (MIDAS). Development Alternatives, Inc., April 1990.

Dean, Bobby. Fourth Performance Review of MIDAS Enterprise Development Project, Jan 20, 1993.

Duncan, Bill. EDP, third Quarterly Performance Review, USAID/B. June 2, 1992.

________. Action Memorandum for the Mission Director, EDP, Cooperative Agreement Amendment No. 7. USAID/B. August 20, 1991.

Economist Intelligence Unit. *Bangladesh, Country Profile, 1992-1993.*

Islam, Mahmuda, and Inge Reithaug. *Report on the Midterm Review of Small Enterprise Development Project (SEDP)*, December 1992, NB Partner.

Levitsky, Jacob, Editor. Microenterprises in Developing Countries, Papers and Proceedings of an International Conference, Intermediate Technology publications, London, U.K., 1989.

Micro Industries Development Assistance Society. Fifth Quarterly Progress Report on Business Advisory Services Center (BASC) (October 1992 - December 1992), February 23, 1993.

Micro Industries Development Assistance Society. MIDAS Profile, January 1993.

________ Register of Reports.

MIDAS Portfolio Management - Monitoring and Collection Policy, Dec. 1991.

MIDAS Loan Disbursement Procedure, Feb. 1992.

MIDAS Lending Policy, Nov 1992.

MIDAS Monthly (Sept, Nov-Dec, 1992) and Quarterly activity Reports.

MIDAS Annual Reports 1986-87; 1987-88; 89; 90; 91; 92.

MIDAS Quarterly Monitoring Activity Plan, April 1992.

- 119

MIDAS. Technical Proposal for Development of Business Advisory Services Center (BASC), Prepared for USAID/Dhaka, July 5, 1990.

_______. "Sub-Contract Linkage Development in Bangladesh: Formulation of a Programme for Midas Intervention," June 1986.

_______. Minutes of the Meeting of the Board of Directors, Oct 1. 1992; Nov 19, 1992.

Ministry of Industries. *Industrial Policy 1991*. Dhaka, July 1991.

Planning Commission, Ministry of Planning. *Fourth Five Year Plan (1990-95)*. October 1990.

Rahman, Atiq. The Informal Financial Sector in Bangladesh: An Appraisal of its Role in Development; Development and Change, Volume 23, Number 1, January 1992.

Sahota, Gyan. *Terminal Report Part B. Problems, Policies and Prospects for Small Enterprises in Bangladesh*. Preliminary, June, 23, 1990, USAID/Bangladesh.

Smith, Kenneth. The "MIDAS" Management Information System, Dimpex Associates, Inc., Washington, DC Aug 1987.

The Dhaka Chamber of Commerce & Industry. Project Proposal: Business Development Centre (BDC), Phase I. September 1992.

_______. DCCI Monthly Review, September 1992.

USAID/Bangladesh. Country Development Strategy Statement (CDSS), FY 1986.

_______. Industrial Promotion Project Paper (388-0076), June 18, 1989.

_______. Enterprise Development Project Paper (388-0066), August 28, 1986.

World Bank. *Bangladesh, Strategies for Enhancing the Role of Women in Economic Development*. 1990.

_______. *Bangladesh: Selected Issues in External Competitiveness and Economic Efficiency*. March 16, 1992.

ANNEX E

LIST OF CONTACTS

LIST OF CONTACTS

USAID/Bangladesh

Economics and Enterprise Office
Peter Amato, Deputy Director
M. Abdullah, Program Management Specialist
Ross Bigelow, Program Economics Officer
Robert Dean, Private Enterprise Officer
Jim Mudge, Director
Raka Rashid, Program Specialist

Program Office
Jan Rockliffe-King, Evaluation Specialist
Paul Greenough, Program Officer

Agriculture Office
S. Zahir Sadeque, Mission Environmental Advisor

Controller's Office
Mohammad Abul Kashem, Financial Analyst
Fazlul Karim, Supervisory Financial Analysis

MIDAS

Board
M. D. Maniruzzaman Chowdhury
Roshanally M. R. Hirji, Chairman
Amirul Islam
Mahbub Jamil
David T. Kaveny
Rokia Rahman

Staff
Mahmoodul Haq, Executive Director
Karim, Deputy Director
Muzzafer Ahmed, Director, Finance & Administration
Bazlur Rahman Khan, Director, Commercial
Anwarul Azim Syed, Director, Development
M. Masud Sadeq, Senior Program Officer, Commercial
F. Khan, Project Development Unit
Zarina Kanjee, WID Cell
Golam Sarwar Bhuiyan, Senior Program Officer
Salahuddin Ahmad, Chief Program Officer
Quazi Waseem Ahmed, Chief Programme Officer
Khaleda Qadri, Librarian
Mridul Kanti Biswas, Program Officer

Consultants
Dr. M. Shamsul Haque, Director, University of Dhaka
Mohammad Mamdudur Rashid, Lecturer, University of Dhaka
Mohammad Abdul Hamid

Financial Institutions

Mamun-Ur-Rashid, Additional Secretary, Ministry of Finance, and Managing Director, Bangladesh Shilpa Rin Sangstha (BSRS)
Dr. A. K. Abdul Mubin, Joint Secretary, Ministry of Finance
Lutfar Rahman Sarkar, Islami Bank Bangladesh Ltd.
Muhammed Taheruddin, Managing Director, Janata Bank
Mustafa Aminur Rashid, Managing Director, Agrani Bank
A. A. Qureshi, Managing Director, Bank of Small Industries and Commerce
M. Ahsanul Haqu, Managing Director, Sonali Bank
M. Serajul Haque, Managing Director, Bangladesh Shilpa Bank (BSB)
Idanur Rahman, General Manager, Bangladesh Shilpa Bank (BSB)
S. M. Al-Husainy, Chairman, Executive Committee, Swanirvar
Patrick J. Vath, Chief of Party, Financial Sector Reform Project
Forrest E. Cookson, Chief Economist, Financial Sector Reform Project

Chambers

MD. Habibur Rahman, Secretary, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Masudur Rahman, Senior Vice-President, The Dhaka Chamber of Commerce & Industry (DCCI)
Momtazul Islam, Joint Secretary, DCCI

Donor Agencies

S.A.B.R. Thalakada, Senior Financial Analyst, Asian Development Bank
Kim Hunter, Assistant Representative, The Asia Foundation
Shahjahan Kabir, Program Advisor, The Asia Foundation
Nick Langton, The Asia Foundation
Nick Ritchie, Deputy Director, CARE
Egon Madsen, Counsellor, DANIDA
Dr. Jurgen L. Dupuis, Project Coordinator, GTZ
Dr. Peter Arnold, Swiss Development Corporation
Mr. Riaz Ul-Islam, World Bank
Nils Stiernman, Acting Chief Project Coordinator, Small Enterprise Development Project (NORAD), Interchain Project Consultants AB.
Johann M. De Waard, First Secretary, Industrial Development, Royal Netherlands Embassy
Mr. Zia Ahad, Delegate, Terre Des Hommes

MIDAS-Assisted Enterprises

Mofi Ud Doula, Chairman, Micro Devices Ltd.
Kamaluddin, Marshall Rubber Works
Engr. Azizur Rahman, Managing Director, Jantrik Tools Ltd.
Golam Mohammed, Managing Director, Continental Basket Manufacturers Ltd.
M. A. Mannan, Managing Director, Remo Chemicals Ltd.
Engr. Taswirul Mohsin, Production Director, Uttara Group of Companies
Michael A. Tirona, Manager Far East Development, Bandag, Inc.
Mamun-Ur-Rahman, Executive Director, Superior Footware
A.K.M. Murshed Hossain Tarek, Managing Director, VACPAC Services (BD) Ltd.
MD. Badrul Ameen, Bandbox Limited
Mariam Chowdury, Managing Director, Femme Industries Limited
Sabina Alam and A. Rouf Chowdhury, Owners, Sky Room Restaurant Limited.
M. Maqsoodur Rahman, Deputy Managing Director, International Gloves Manufactory Limited.

Other Entrepreneurs

Nasreen Akhter, Managing Director, Jamnakshi
Shamsul, Alam: Businesses.

ANNEX F

ENTERPRISE PROFILES

125

ENTERPRISE PROFILES

BANDBOX LIMITED

PRODUCT	:	Laundry, Washing, and Drycleaning
INVESTMENT	:	8,633,413[1]
MIDAS LOAN	:	5,007,380
OWNER EQUITY	:	2,626,033
MIDAS EQUITY	:	1,000,000
DISBURSEMENT	:	February 1989
LOAN PAYMENT PERFORMANCE	:	Payments are current and as per the original schedule.
EMPLOYMENT		
CURRENT	:	50 full-time employees, 20 of which are women, based in the central operations, and 20 more full-time employees employed through 5 franchise operations.
AT LOAN DISBURSEMENT	:	0
NEW JOBS	:	49. The majority of the positions are filled by new hires; the operations manager worked with another company of one of the directors before joining Bandbox.
AVG. ANNUAL SALES	:	6,000,000
INPUTS	:	Top-of-the-line machinery and equipment were purchased from the United States and Germany. Solvents are imported from Singapore or bought on the local market at 20 percent higher cost. Detergents are purchased locally.
MARKETS	:	100 percent domestic.

FIRM PROFILE: Bandbox Limited, a mechanized laundry and dry cleaning business, is a private limited company, with three principal investors. K. M. Habib Zaman and Mrs. Nahar Jamil are the principal investors with 45 percent share each. Mr. Zaman has operated four other businesses. He was educated at Lahore University, where in 1968 he first saw mechanized laundry and dry cleaning operations. He travelled to Thailand and Singapore to view similar operations before implementing the plant in Dhaka. Mrs. Jamil, wife of a member of MIDAS's Board of Directors, had never operated a

[1]Financial figures in this annex are all in takas. Exchange rate: 1 $U.S. per Tk. 38.9.

business prior to Bandbox — she is active in its operational management. S. Ahmed, a 10 percent owner, is director of operations.

Bandbox's central operations are located in the Mohakhali Commercial Area of Dhaka. Three collection centers and five independently owned franchises are dispersed around Dhaka. Franchises get 30 percent commission on all sales, and are responsible for organizing and managing the franchise. Franchise owners require only 200,000 to start a Bandbox franchise.

Bandbox expects to expand each year by adding three new franchises and increasing washing and drycleaning capacity with the purchase of more equipment. Bandbox provides a service duplicated only by the two international class hotels in Bangladesh. The plant operates at full capacity during the peak months of November through January. The plant has been in commercial operation since October 1989. The market for the services includes the expatriate community, as well as some of the wealthier class of Dhaka. Efforts are under way to capture commercial clients, including hotels, restaurants, and the international airlines. Competition for both retail and commercial clients comes from the large informal sector supplying a cheap source of labor for businesses and households. Marketing stresses efficiency, convenience, and cleanliness unavailable through common hand washing.

All but one of the staff have minimal educational qualifications. Base salaries for unskilled jobs begin at 1,100 taka per month. Bandbox has expanded by reinvesting revenues over the past three years. With the planned expansion, employment is expected to increase by about 14 employees per year over the next three years. The firm formerly imported solvents and detergents from Singapore. Today, local companies manufacture detergents to meet the specific requirements of Bandbox, and solvents are purchased locally at 20 percent higher cost than direct imports. The plant is arranged in an efficient manner, and appears to be well managed.

MIDAS INVOLVEMENT: Bandbox was financed by MIDAS as an innovative business, bringing a new process and service to the market in Bangladesh. Mr. Zaman, with considerable business contacts, came to MIDAS because of a personal friendship with one of the MIDAS staff. With most of the research and feasibility already completed, he was able to obtain MIDAS loan approval within two and a half months of loan application. The loan was financed from MIDAS reflow funds and did not require USAID approval. Mr. Zaman gives the impression that he could have obtained credit from a number of sources, but preferred MIDAS because of their relative efficiency in disbursing the loan, and because they are not "corrupt." After three and a half years in operation, Bandbox is a well-managed, viable business concern.

BANGLADESH ENTERPRISE

PRODUCT	:	Mechanical and electrical import-substitutive items
INVESTMENT	:	2,180,000
MIDAS LOAN	:	1,500,000
OWNER EQUITY	:	680,000
MIDAS EQUITY	:	0
DISBURSEMENT	:	10/1983

LOAN PAYMENT PERFORMANCE : The project is currently under litigation. The loan was rescheduled in 1986 and 1989. Six payments have been missed to date, despite two reschedulings, and the last payment was made in September 1989.

EMPLOYMENT

- **CURRENT** : There are 40 employees, of whom 20 are men and 20 are women.
- **AT LOAN DISBURSEMENT** : 15
- **NEW JOBS** : 25. These individuals were previously unskilled and unemployed.
- **WAGES** : Men and women earn equal wages of 2,000/month.

INPUTS : Most of the inputs are locally sourced, some electrical parts are imported.

MARKETS : Domestic, with plans to export in the future.

PROFILE: Bangladesh Enterprise is a proprietorship located in Gazipur. This enterprise had been operating as an electrical repair shop for about 10 years prior to getting a loan from MIDAS. It is run by an electrical engineer with 30 years of experience in the field. He has developed more than 100 electrical products which are import-substitutive. These include locks for venetian blinds, a machine to produce padlocks, alarm lights, public announcement devices, ceiling fans, amplifiers, voltage converters, silk yarn looms, and wireless power supplies. The entrepreneur has been written about in national newspapers for his innovative inventions. Although an inventor he is not a businessman — rather than focusing on development of products for which there is market demand, he is more interested in conducting scientific research. He runs his business more like a research foundation than a private business.

MIDAS extended a loan for expansion of his business. He lost his land and property in a disputed case, and had to relocate the business. This led to unforseen costs; in addition, he invested the loan funds into developing new products instead of marketing existing products. He currently has several contracts with the military, the Bangladesh Rural Electricity Board, large industries, and the police force, but is operating at about 20 percent of full capacity. Despite repeated offers from MIDAS staff, he refuses to accept technical assistance or marketing advice. He thinks that he needs working capital to purchase inventories to meet his orders.

MIDAS INVOLVEMENT: MIDAS issued this loan based on the innovativeness and import-substitutive quality of the products. The entrepreneur was unable to receive a loan from the banks, and did not want to "waste time chasing the banks." He felt that he would not have been able to get a loan from sources other than MIDAS. He would like to pay off his loan and receive an additional one for working capital. The MIDAS officer accompanying the team for this visit knew the business and its operations very well.

BANGLADESH EXPORTS

PRODUCT	: Espadrille and Sports shoes
INVESTMENT	: 2,458,854
MIDAS LOAN	: 1,660,721 600,000
OWNER EQUITY	: 198,133
MIDAS EQUITY	: 0
DISBURSEMENT	: first loan in 1985, second loan in 1988.
LOAN PAYMENT PERFORMANCE	: loan liquidated
EMPLOYMENT	
CURRENT	: 500 (300 men and 200 women).
AT LOAN DISBURSEMENT	: 150
NEW JOBS	: 350 — all previously unskilled seasonal wage-laborers.
WAGES	: 1,500/month.
INPUTS	: Inputs — jute, rubber, cotton are 100 percent locally sourced.
MARKETS	: 100 percent exports to Europe.

PROFILE: This enterprise is a MIDAS success story. It is the only exporter of espadrilles to Europe from Bangladesh. The firm started operations in 1977, but began a serious effort in 1985 with the loan from MIDAS. Espadrille exports alone have gone from 75,000 pairs in 1988 to 2 million pairs in 1993. Whereas it was initially producing only the rubber soled woven jute bottoms, it is now producing the dyed canvas tops and exporting the completed shoe. The factory is a model of efficiency, running 3 shifts a day for 7 days a week. The enterprise is now borrowing from the banks, and has credit lines with all the major foreign banks in the country. The firm was originally producing jute and rattan handicrafts, and in 1983 also began producing the soles for espadrille shoes for export to Europe. The idea for exporting this product originated when the owner attended an industrial fair in Paris.

The enterprise was severely affected by floods in the mid-1980s, and couldn't meet its buyers orders, thus losing several European clients. It then entered into an agreement with Bata Shoes, and supplied them in the interim until it re-established its relationship with its more profitable export clients. The plant is operating at 100 percent capacity, 24 hours a day every day of the week. It produces 10,000 pairs of shoe bottoms a day. The enterprise has strict quality standards. Production is based on buyers' orders, and orders are shipped from Chittagong to Europe, South Africa, and South America. The owners have started another enterprise which produces canvas sports shoes for export.

MIDAS INVOLVEMENT: The MIDAS loan was used to purchase French and Italian equipment. MIDAS has provided two loans to the enterprise, and assisted in rescheduling the first loan when the enterprise was severely affected by the mid-80s floods. The enterprise approached MIDAS for a loan because it was less costly than dealing with the banks. Now that their financial requirements have increased in proportion to their operations, they are meeting their financial needs through the banking system. They did not rely on MIDAS for technical assistance, having employed in-house experts in export marketing.

BENGAL MARBLES

PRODUCT : Artificial marble tiles

INVESTMENT : 14,984,500
MIDAS LOAN : 6,000,000
OWNER EQUITY : 5,884,000
MIDAS EQUITY : 3,100,000

DISBURSEMENT : December 1989

LOAN PAYMENT PERFORMANCE : The enterprise has not yet begun operations. The original repayment schedule has been rescheduled. No payments have been made to date, and 13 scheduled payments had been missed.

EMPLOYMENT

CURRENT : 0

AT LOAN DISBURSEMENT : 0

NEW JOBS : 0

INPUTS : Machinery is imported, while raw materials will be locally sourced.

MARKETS : Domestic

PROFILE: This enterprise has four primary investors. The principal investor, Mr. Adam, had received a loan from MIDAS for Bengal Chemicals, an ongoing concern. The implementation of Bengal Marbles has been delayed due to changes in the business site, delays in getting owner's equity, and an 8-month delay in clearing the machinery imports from Germany through customs. Commercial production was originally scheduled to begin in October 1990. At the time of this team's visit, the enterprise consisted of a large warehouse facility with unused equipment waiting to be assembled and mounted. No one knowledgeable about the business was on-site at the time of this team's visit.

Once operational, the enterprise plans to produce artificial marble tiles, which are currently imported for the domestic market.

MIDAS INVOLVEMENT: MIDAS has lent to the same owner of another enterprise, Bengal Chemicals, which share premises with Bengal Marble and another enterprise owned by the same owner. This loan was made subsequent to liquidation of the previous loan. This project was chosen for its innovative and import-substitutive qualities. in addition, MIDAS extended this loan on the basis of the entrepreneur's creditwo.rthiness demonstrated by timely liquidation of his previous loan from MIDAS.

CONTINENTAL BASKETS LIMITED

PRODUCT	:	Bamboo Baskets
INVESTMENT	:	2,707,435
MIDAS LOAN	:	1,137,450 400,000
OWNER EQUITY	:	1,169,985
MIDAS EQUITY	:	0
DISBURSEMENT	:	The first loan was disbursed in May 1987, the second loan was disbursed in November 1988.
LOAN PAYMENT PERFORMANCE	:	The first two years of repayment were on time, until the flood of 1988 which severely affected operations. Repayments were rescheduled in December 1992, with the first installment falling due on April 1, 1992. Payments are currently behind schedule; the last one was received in May 1992.
EMPLOYMENT		
CURRENT	:	20 full-time employees, mostly men; an estimated 300 people, mostly women, work on a contract basis.
AT LOAN DISBURSEMENT	:	0
NEW JOBS:	:	320 jobs, although the majority are not permanent or full-time.
AVG. ANNUAL SALES	:	3,900,000
INPUTS	:	Machinery from Japan and Taiwan, all other inputs (bamboo) are local.
MARKETS	:	100 percent export

FIRM PROFILE: The firm makes dozens of artisanal products of bamboo principally for export markets in Europe and the United States. The firm buys bamboo which grows wild in Bangladesh and cuts, strips, weaves, cures, and paints bamboo materials to produce woven baskets, trays, containers, and other products. The firm has a showroom in Dhaka.

Mr. Golam Mohammed, the Managing Director, has 30 years of experience in production of bamboo products. He learned his trade in the Philippines and Indonesia, which have a very strong artisanal sector in bamboo weaving. Mr. Mohammed heard about MIDAS through a contact with USAID/B, and followed up with the idea of production of bamboo baskets for export.

At present, there is no Bangladeshi competition for the export market. The firm competes against bamboo products from the Philippines, Indonesia, and Taiwan. Bangladesh has the lowest labor cost and produces products of equal or better quality than its competitors. The peak seasons for exports to Europe and the United States are February to June and July to October.

The firm has 20 full-time staff members that prepare the raw materials necessary for production, operate the machinery, and keep inventory. An estimated 300 families produce bamboo products through Continental Basket on piece rate contracts. Families will usually employ several family members in the production process, including children. Several professional trainers work with people from nearby villages during a six-month training period. Currently, there are 10 people in training, including 7 women and young girls and 3 young men. Trainees are paid minimum wage during training, as they learn the necessary weaving skills to be able to work independently in their homes.

A network of agents works directly with the families, providing the necessary raw materials, collecting final products, and taking a commission on the production of family clients. The system seems to work effectively and could easily be expanded to include thousands more families if export markets were secured.

MIDAS INVOLVEMENT: MIDAS has been involved only in lending services. During the first two years of operation, the firm repaid its debt on time. MIDAS worked closely with the firm when the floods of 1988 devastated the operations. MIDAS provided additional interest free capital to revitalize Continental Baskets. Exports again suffered during the Gulf War in late 1990 and early 1991, as sales were confined to the domestic market.

One of the biggest problems for the firm has been marketing. Mr. Mohammed said that he would welcome assistance in marketing. MIDAS has never approached him about marketing assistance. He would be willing to pay for marketing support to increase sales.

FEMME INDUSTRIES

PRODUCT	:	Sanitary Napkins
INVESTMENT	:	4,584,664
MIDAS LOAN	:	2,289,265
		600,000
OWNER EQUITY	:	1,195,399
MIDAS EQUITY	:	500,000
DISBURSEMENT	:	May 1987, October 1989
LOAN PAYMENT PERFORMANCE	:	This loan is in arrears. 23 payments were missed on the first loan, and 9 payments have been missed from the second one. The last payment was received in August 1992. Loan payments were not made on time because of low sales that did not cover operating expenses. Payments have been

3V

	rescheduled according to the projected cash flow derived from sales targets through Social Marketing Company (SMC).
EMPLOYMENT	
CURRENT :	22 full-time employees, 15 of which are women, employed presently at limited capacity. At full capacity, the firm normally employs 40 people.
AT LOAN DISBURSEMENT :	0
NEW JOBS: :	Only three out of 40 employees had jobs previously. Most of the workers are either housewives or young men from neighboring villages.
AVG. ANNUAL SALES :	6,000,000 expected in 1993
INPUTS :	Paper pulp imported from Sweden, machinery and hot melt glue from Taiwan; tissue paper, p.e. film plastic, and packaging are procured locally.
MARKETS :	100 percent domestic.

FIRM PROFILE: Femme Industries was established in 1986 by Mrs. Chowdury with a loan from MIDAS to produce and market pulp-based sanitary napkins which were not being produced in Bangladesh. The product was to be introduced in response to the lack of hygienic quality products on the market. The manufacturing plant is located in Sonargaon, about 30 kilometers from Dhaka. The project has not met its expected targets, initially because of delays in loan disbursal, and more recently because of marketing problems. Production is often interrupted by power failure.

Mrs. Mariam Chowdury, the owner of Femme Industries, has an MBA from Dhaka University. She had worked with Shell Oil and a brokerage house for five years, and an advertising agency for three years, prior to acquiring a travel agency and serving as the managing director for four years. She was sponsored by USAID to attend a seven-week training course for women entrepreneurs in the United States and United Kingdom. She is an extremely resourceful entrepreneur who has used her contacts with SMC and the local bank to improve the efficiency of her business.

MIDAS initially had to get every loan approved by the government prior to disbursement. In this particular case, the approval process took two years, consequently delaying production. Production was further delayed because the government increased taxes on capital equipment in this district from 2.5 percent to 20 percent, and it took about 6 months to get electricity installed. In addition, the entrepreneur also feels that the market for her product is not yet mature, and there is a long process of educating the market first through advertising and promotion. The firm was prohibited from advertising feminine hygiene products on television, so the major advertising channel has been print media.

Machinery from Taiwan is being used for the actual production. The product has two competitors in the market, both are established, large firms. Femme experienced marketing problems in 1989 and early 1990. In an attempt to gain a foothold in the market, the entrepreneur attempted to sell her product at Tk. 30 per package, compared to her competitors' price of Tk. 35. The product was sold to pharmacies and general stores. The production plant had large inventories in stock, waiting for distribution. The product will be sold nationwide, but currently is being sold in Dhaka and Chittagong. The lack of infrastructure poses a major distribution problem.

In collaboration with two MIDAS staff who sit on the board of directors of Femme because of MIDAS's equity position, an agreement was signed in May 1991 with the Social Marketing Company (SMC) which would market Femme sanitary napkins through its existing distribution system. SMC is a USAID-created NGO that also distributes contraceptives and other products for family planning. During the last year, SMC has only been able to reach about 17 percent of the agreed sales volume of 600,000 packets of sanitary napkins. MIDAS agreed in January 1993 to reschedule loan repayments based on expected future cash flows generated by recent sales projections. The first installment of rescheduled payments is due on April 1, 1993.

The packaging of the product is subcontracted to a local printing company. The firm has cut input costs by as much as 70 percent by sourcing p.e. film plastic and tissue paper from local firms instead of from foreign firms. The owner has also worked out an arrangement with a private bank, IFIC, to import hot melt glue from Taiwan and paper pulp from Sweden in bulk quantities through a letter of credit. The inventories are secured in a locked room under joint ownership of the bank and Femme, and the firm pays the bank as input inventories are required.

MIDAS INVOLVEMENT: MIDAS initially provided one loan, and equity participation in the project in 1987. MIDAS also provided technical assistance and training to assist in the management of the enterprise. In 1989, MIDAS extended an additional loan of 600,000, despite the fact that only one interest payment had been received from the client. This additional loan was to serve as working capital for promotional purposes. The client heard of MIDAS through friends. She stated that MIDAS staff are helpful, cooperative, and have taken a real interest in the enterprise, because her success is their success. She commented that she felt MIDAS could improve its approach by being less theoretical and more practical. Although she has an MBA, she says that one learns about business through experience, not studies.

Mrs. Chowdury mentioned that the initial delays in getting the loan approved and disbursed greatly hindered her firm from meeting its targets, but that was the government's delay rather than MIDAS's. However, she felt that MIDAS's collateral requirements were extraordinarily high (she provided almost 200 percent collateral of the loan amount), and that interest rates were too high, although interest has been reduced recently.

During 1990-1991, she felt that MIDAS was totally disorganized, and she had to work with many different MIDAS staff because of internal changes in MIDAS. She felt that staff turnover affected the services MIDAS provided to her business. Today, MIDAS seems to be more stabilized and she has a good working relationship with her MIDAS counterparts.

Mrs. Chowdury says that the other bank, IFIC, has been very easy to work with in solving her working capital constraints. IFIC has been much more efficient than MIDAS in disbursing funds for working capital.

M/S. INTERNATIONAL GLOVES MANUFACTORY (BD) LIMITED

PRODUCT : Industrial Rubber Gloves

INVESTMENT : 6,659,000
MIDAS LOAN : 2,000,000
OWNER EQUITY : 4,659,000
MIDAS EQUITY : 0

DISBURSEMENT : September 1987

LOAN PAYMENT PERFORMANCE : MIDAS has classified this project as "sick." MIDAS has an agreement with the owners to collect only the principal and write off the service charges accrued. The last payment was received in January 1993, after 8 missed payments.

EMPLOYMENT

CURRENT : There is no employment. At full capacity, would have employed an estimated 200 workers, 150 women.

AT LOAN DISBURSEMENT : 0

NEW JOBS: : 0

INPUTS : All equipment, raw materials and technology for hot process production of PVC gloves was provided by the Chinese joint venture partner.

MARKETS : 100 percent exported to Canada and Germany.

FIRM PROFILE: International Gloves Manufactory Ltd. was a joint venture project with four local sponsors and two foreign sponsors from Hong Kong. The local partners provided land, building, and other infrastructural facilities. The plant opened production with approximately 100 workers under the guidance of a Chinese technician. After several months of successful production tests, the foreign technician was arrested and jailed six months for alleged visa violations. The foreign party disassociated itself with the project. The Bangladeshi partners attempted tc find local technical expertise but could not find any. The partners approached MIDAS for CESO assistance but CESO could not find any experts in this rare, outdated production process, dominated by Chinese producers in Hong Kong.

MIDAS engaged in discussions with other local investors, A.R. Farook and his associates, who took over the project in August 1991. This group agreed to a technical cooperation agreement with M/S China National Industrial Products Import and Export Corporation (CLIEC), Chongquing Branch, China, which sent a technical delegation in October 1991. The target date for commercial operation was March 1992 under the new joint venture agreement sponsored by MIDAS.

MIDAS observed that since February 1992 the new local sponsors have not demonstrated much interest, and CLIEC eventually declined to participate as of January 1993 because of a change in its

135

corporate policy. MIDAS immediately served a loan call back notice to the company, which informed MIDAS in late January that they would pay back the entire principal amount of the loan amounting to 2 million in 12 quarterly installments beginning June 1, 1993, and requested MIDAS to waive the entire service charge accrued in the loan account. The MIDAS board finally approved repayment of principal in eight quarterly installments within the next two years.

MIDAS believes that the local sponsors attempted everything possible to rectify the damage resulting from the arrest of the Chinese technician early in the project. A.S.M. Yusuf is widely known as a reputable businessman who has lost most of his personal wealth because of the failure of this project. The deputy managing director who met us at the abandoned plant was very articulate and had experience in two previous successful ventures. He said the arrest had tainted Bangladesh and the local partners to the point where none of the Chinese hot process PVC glove manufacturers in Hong Kong would collaborate with Bangladeshis again. The local entrepreneurs had asked the Home Secretary to intervene in the case after several months of inaction, but the damage had already been done. The local partners were satisfied with the effort put forward by MIDAS to help the project overcome its problems.

MIDAS INVOLVEMENT: MIDAS became involved with this enterprise given its export market potential. It made an extraordinary effort to overcome the bad luck of the project in the early phases, and persevered in trying to find qualified technicians to replace the Chinese technician, and then to identify and bring together local and foreign partners.

The project seemed very promising initially, with a solid joint venture agreement with successful Chinese manufacturers and a large export market available in Canada and Germany. After the arrest, the company should have tried to send Bangladeshi workers to Hong Kong for a period of training. At the time, no one anticipated that the arrest would have such drastic consequences and delay the project as long as it did.

Three options seemed possible to resurrect the project. The first option of identifying substitute technical assistance failed because of the limited experience worldwide with the hot process technology. There are only 3 to 4 dozen plants in the world, and China, India, and Pakistan were not interested in sharing their technological expertise to support a potential competitor. The second option of importing new technology and equipment was too large an investment for MIDAS to consider. The third option was to convert the sewing unit, which produces cotton gloves as the intermediate product, into a separate operation to make disposable cotton gloves, which have a market in Europe and the United States Trade Fair International, a local producer of this glove, was not interested in a contracting arrangement, and the capital requirements were too large for a stand along plant.

MIDAS is fortunate to recover the original principal portion of the loan, and believes that the local partner has suffered undue financial hardship, and therefore forgave the service charges accrued. The existing equipment is relatively worthless on the market, and the plant building is rented.

JANTRIK TOOLS

PRODUCT	:	Hacksaw blades
INVESTMENT	:	5,994,000
MIDAS LOAN	:	2,997,000
OWNER EQUITY	:	2,997,000

MIDAS EQUITY : None

DISBURSEMENT : September 1988

LOAN PAYMENT PERFORMANCE : Doubtful. Jantrik Tools has made no payments on its loan, and is 12 payments in arrears, for a total of 1,383,200 in delinquent payments, and a total outstanding balance of 2,997,000. It is also 1,813,000 in arrears on interest payments.

EMPLOYMENT

CURRENT 9, of whom 4 are women. The men do the machine tooling and tempering, while women perform the silk screening and packaging. Several women are being trained to operate the machines.

AT LOAN DISBURSEMENT : 0, although 2 of the current employees worked for his previous business.

NEW JOBS : 9, although the permanence of the jobs cannot be ascertained.

WAGES : Men receive 1,500 and women 1,200 per month. Women had less skills to begin with; as they become trained to perform some of the specific tasks that the men do, the manager/owner plans to pay them equivalent wages. He is offering a wage increase to any of his women employees who learns how to read.

INPUTS : High carbon steel band, imported from Korea; heat treatment salts are imported from India; paints, oils, and boxes are obtained locally.

MARKETS : Has not yet begun to market commercially. He hopes to be able to sell in the local market, replacing Chinese imports. However, this appears unlikely. Chinese hacksaw blades are selling in the local market for less than he can produce them for. He has requested (and apparently received) tariff protection from the government, but even then the Chinese products are selling for less. He is now asking for a two-year ban on Chinese hacksaw blades.

PROFILE: Prior to starting in business the owner worked as an engineer in a large state enterprise. In 1987 he left that company and started Jantrik Ltd., an engineering firm that erected, installed, and serviced industrial boilers. He is one of the largest installers of boilers in the country.

In 1989 he requested and received a loan from MIDAS to start Jantrik Tools Ltd., bought the land, constructed the building, and has been developing the product. He has not yet begun to sell any products. Recently he shipped 500 gross of hacksaw blades to local vendors to test the market. The product met with good quality acceptance, but was undervalued because it was not Chinese. He now stamps "People's Republic of China" on the blades, and prints the boxes to emulate the boxes used by his Chinese competitors. This is a family-owned business: his wife and sons are directors in the firm.

MIDAS INVOLVEMENT: MIDAS provided the initial financing for this business. At the time MIDAS approved the loan the owner had an application for a loan pending with a local bank, and he acknowledges that he could have obtained financing elsewhere. The stated interest rate at MIDAS was higher, but it was simple interest, so the cost was lower. His main preference for working with MIDAS was that the process was less complicated, and he did not have to pay any bribes (unlike the banks), so the cost of the loan was less. MIDAS also helped him obtain the tariff protection.

MAHBUB CYCLE INDUSTRIES LTD.

PRODUCT : Bicycles and Rickshaws

INVESTMENT : 15,680,568
MIDAS LOAN : 4,946,284 — first loan
5,788,000 — second loan
OWNER EQUITY : 4,946,284
MIDAS EQUITY : None

DISBURSEMENT : April 1990 (first loan);
December 1990 (second loan)

LOAN PAYMENT PERFORMANCE : Poor. The first loan is 10 payments in arrears, for a total of 2,118,600 in delinquent payments, and 4,900,000 in the outstanding loan balance. The second loan is 16 payments in arrears, for a total of 4,387,000 in delinquent payments, which is the remainder of the outstanding balance. MIDAS has rescheduled the loan.

EMPLOYMENT

CURRENT : 50 employees. All of the employees are men.

AT LOAN DISBURSEMENT : 42 employees.

NEW JOBS : A total of 8 full-time jobs were added as a result of the loan program, which totalled 10.7 million.

WAGES : An average of 14,400 per worker per year, or a monthly salary of approximately 1,200.

COST PER JOB : 1,337,500 per new permanent job created.

INPUTS : Mahbub Cycles makes 16 of the 32 components for the bicycles. It imports steel from Japan, and specialized components (chairs, freewheelers, crankshafts, handlebars and others) from India. Other items — such as tires, tubes, spokes and material for the seats — are purchased from local suppliers.

138

MARKETS : Mahbub Cycle Industries Ltd. makes low-cost bicycles and rickshaws, including components and spare parts, for the local market. It has one retail distributor in old Dhaka, but most of its bicycles are sold wholesale, disassembled in boxes, to 150 independent agents throughout the country.

PROFILE: Mahbub Cycles was established in 1982. The owner, Mr. Mahbub, had worked for his father, who imported bicycle parts. He joined the Grameen Bank to get financing for starting the business. MIDAS's loan was to help the organization expand to meet demand of two large contracts. In the first instance the contract did not materialize. In the second, orders have been less than anticipated, as it could not collect payments on delivered bicycles and had to stop production.

Mahbub Cycle reports that sales (now averaging 1,000 units per month) have declined due to the imposition of the value added tax, which increased production costs and made its cycles non-competitive.[2]

It has annual gross income of 6 million, and an average net income of approximately 600,000.

MIDAS INVOLVEMENT: Mr. Mahbub became familiar with MIDAS in 1988, when his University Professor began to work for MIDAS. MIDAS has assisted his enterprise with two loans totalling 10,734,284, and has facilitated technical assistance through Technology for the People.

MARSHALL RUBBER

PRODUCT	:	Rubber tires for rickshaws and motorcycles.
INVESTMENT	:	13,309,521
MIDAS LOAN	:	5,194,560 — first loan 2,000,000 — second loan
OWNER EQUITY	:	8,114,961
MIDAS EQUITY	:	None
DISBURSEMENT	:	November 1988 — first loan August 1990 — second loan
LOAN PAYMENT PERFORMANCE	:	Poor. Marshall Rubber has made payment on interest only. At the time of the evaluation it was 50 payments in arrears on principal on the first loan, for a delinquency of 3,935,300 in installments and 5,194,600 in total loan balance. In addition, it was more than 2.1 million in arrears on interest due. The second loan is not reported as being delinquent, although no payment has been received.

[2]This is unlikely, as the value added tax would have affected all domestically produced bicycles and rickshaws equally.

EMPLOYMENT

CURRENT	:	110 permanent employees, all men. Another 25 workers are employed seasonally.
AT LOAN DISBURSEMENT	:	80, all men
NEW JOBS	:	30 permanent new jobs, and an estimated 10 full-time job equivalents in seasonal labor.
WAGES	:	Average 350,000 per month, or 3,182 per worker per month.
INPUTS	:	Marshall Rubber imports nylon fishing net from Malaysia and Sri Lanka, and uses new rubber from Malaysia and reclaimed rubber from Bangladesh.
MARKETS	:	Local. Tires are sold in markets and small shops to rickshaw drivers and motorcycle owners.

PROFILE: Marshall Rubber is an old company, established in 1956. It was previously engaged in roofing. Only during the past 8 years has it specialized in tire making. It uses a standard, low-technology production process, to produce several grades of tires. This company has the largest volume of rickshaw and motorcycle tire production in the country. The major competition is from Chinese imports. The owners are quite wealthy, and routinely use large amounts of capital in their businesses; Marshall Rubber is one in a series of family-owned businesses.

MIDAS INVOLVEMENT: MIDAS provided two loans to Marshall Rubber. The first, in 1988, was to develop a motorcycle tire line, although production did not actually begin on this line until recently. The owners have not used other MIDAS services, and do have access to other credit lines.

MICRO DEVICES

PRODUCT	:	Emergency Lamps
INVESTMENT	:	4,231,292
MIDAS LOAN:		2,834,966 approved; 1,855,000 disbursed
OWNER EQUITY	:	1,396,326
MIDAS EQUITY	:	None
DISBURSEMENT	:	June 1991
LOAN PAYMENT PERFORMANCE	:	Micro Devices has missed one scheduled loan payment, for a total delinquency of 92,800 in installments due, and a total outstanding balance of 1,855,000 in the loan; 266,000 in interest is overdue.

EMPLOYMENT

CURRENT TOTAL:

AT LOAN DISBURSEMENT:

NEW JOBS : 4 or 5. He is using existing employees in Micro Electronics to develop and test the product. Once he enters into production he intends to add permanent staff to manufacture this product.

WAGES : No data

INPUTS : Batteries, lamp tubes, and ferrite core transformers are imported. Plastic cases, capacitors, resistors, and conductors are manufactured locally.

MARKETS : Domestic. This, and other products developed by the owner are designed to substitute for imported electronic goods.

PROFILE: Micro Devices is similar to many of the businesses visited; it is one of a family of related businesses owned by a single individual. The owner started in 1985 with the foundation of Micro Electronics Ltd. That was followed by Micro Clocks Ltd. and Swiss Asian Transfer (Pvt) Ltd. Micro Devices, started in 1991, was the latest in the series to be started. The reason for starting a new company to produce a single product appears related to tax laws that give benefits to new companies. Micro Devices shares office and factory space with the other companies in the family. This reduces overhead, and keeps the number of new employees needed to a minimum.

MIDAS INVOLVEMENT: The owner became aware of MIDAS at a trade fair. MIDAS performed a feasibility study for his firm that showed a higher potential demand than he had estimated. He has had loans from banks, but took this loan from MIDAS because he could obtain it faster, and MIDAS had a positive, helpful attitude.

REMO CHEMICALS

PRODUCT : Over 100 Import-substitutive chemicals, of which 40 are being marketed.

INVESTMENT : 3,775,000
MIDAS LOAN : 1,960,000
OWNER EQUITY : 1,815,000
MIDAS EQUITY : 0

DISBURSEMENT : 1987

LOAN PAYMENT PERFORMANCE : The loan is considered current, although payments on principal are overdue. four payments have been missed, and the last payment was made in January 1993.

141

EMPLOYMENT

CURRENT	:	42, of which 41 are men
AT LOAN DISBURSEMENT	:	10
NEW JOBS	:	32
WAGES	:	1,400 - 5,500/month
AVG ANNUAL SALES	:	11 million. Increased from 3 million in 1987
INPUTS	:	50% of materials are locally sourced and produced. They include ammonia and sodium chloride.
MARKETS	:	100% domestic. The majority of products are being sold as raw inputs for other industries — cosmetics, pharmaceuticals, paints and varnishes, textiles, and glass and ceramics.

PROFILE: Remo Chemicals is owned and managed by a husband and wife team — both chemists. Located in the Tejgaon Industrial area outside of Dhaka, the company started in 1978 as a 'kitchen experiment.' It started commercial production in September 1988. Mr. Mannan was employed by an international pharmaceutical firm, and the owners began experimenting with local production of imported chemical compounds. Neither of the founders has prior entrepreneurial experience. Remo Chemicals has been in operation at its current site since 1985. The MIDAS loan allowed it to purchase laboratory machinery and equipment to expand its product line. The chemicals are sold in bulk form as raw materials directly to the company converting them into finished products. End uses can be found in a variety of consumer and industrial products, from toothpaste to grease.

A brochure lists 72 chemical compounds manufactured by the firm. Remo Chemical claims to be one of the first chemical plants operating in Bangladesh. The business was financed as an import-substitution activity. The business has expanded rapidly, and the current facilities have reached full capacity. The owners claim that there is no environmental hazard since the company is producing neutral waste materials. They are planning to expand the plant.

MIDAS INVOLVEMENT: MIDAS financed the loan based on the import-substitutive nature of the business. Remo owners had heard of MIDAS through a friend. They found it easier to receive a loan from MIDAS than from a bank, because MIDAS staff were professional and honest. They had initially approached a bank for a loan but were unable to receive one. They have not received technical assistance from MIDAS, nor do they intend to.

142

SKY ROOM RESTAURANT LIMITED

PRODUCT	:	Indonesian Cuisine
INVESTMENT	:	3,904,993
MIDAS LOAN	:	2,447,169
OWNER EQUITY	:	1,457,824
MIDAS EQUITY	:	0
DISBURSEMENT	:	January 1992
LOAN PAYMENT PERFORMANCE	:	Payments are current and ahead of schedule. The owners hope to pay off the loan ahead of schedule.
EMPLOYMENT		
CURRENT	:	13 full-time employees, of which 1 is a women, and 12 to 15 part-time staff, again, of which 1 is a woman.
AT LOAN DISBURSEMENT	:	0
NEW JOBS	:	8
AVG. ANNUAL SALES	:	Estimated 6 million per year
INPUTS	:	All produce are purchased from Gulshan market.
MARKETS	:	100 percent domestic.

FIRM PROFILE: Located in Banani, Dhaka, the Sky Room opened its doors for business in August 1992. It took 6 months of investment, decoration, and preparation after MIDAS loan dispersements to prepare the restaurant for operations. The firm employs two women: a part-time hostess, and the Indonesian cook. The firm has had difficulty hiring women because women in Muslim society would not normally work in a restaurant environment, and the late work hours are unacceptable to most women. The restaurant advertised for professional restaurant help and received over 400 applications. Only 40 applicants had previous relevant experience.

The restaurant is unique because it is located on the 12th floor of a building and offers an excellent view of the city. In addition, the restaurant is beautifully decorated, with original Indonesian art work. The Sky Room Restaurant is the only restaurant offering Indonesian cuisine in Dhaka. Although there are several other restaurants in Dhaka, none offers such unique features as the Sky Room.

The restaurant is owned by two cousins, Sabina Adam who owns 60 percent, and A. Rouf Chowdhury who owns 40 percent. Ms. Adam is the daughter of a member of the Board of Directors of MIDAS. Ms. Adam says that her father did not know that she was planning to take a loan from MIDAS, and when he found out, he was opposed. Mr. Chowdhury, a former MIDAS staff member from 1988 to 1991, had to leave MIDAS upon approval of the loan because of a policy that restricts MIDAS employees from taking loans. Ms. Adam had no direct business experience previously, but her husband had owned the Panda Garden, a Chinese restaurant in Dhaka, and provided technical assistance in preparing the feasibility study and advice in operating the restaurant. Mr. Chowdhury had no previous business experience, but he had been involved in a number of MIDAS consultancies as a staff member of the Development Department.

MIDAS INVOLVEMENT: MIDAS has not provided any technical assistance or other services other than the loan. The owners of the restaurant have found MIDAS extremely strict and difficult to work with. They were the first to approach MIDAS after USAID put pressure on MIDAS to monitor loans more carefully because of low repayment rates. MIDAS took 6 to 7 months to issue the loan, longer than expected, and then split disbursements into 10 tranches, an inconvenience that made planning difficult, according to the owners. The owners found MIDAS very professional. Yet, despite these delays, MIDAS is quicker to disburse loans than other financial institutions, which can easily take over a year, according to the owners, and one does not need a family or political connection to process the loan.

MIDAS project officers say that the new policies to disburse approved loans in smaller amounts resulted from high default rates. Although the owners of Sky Room were frustrated by these multiple disbursements that had to be supported by receipts, MIDAS points out that the loan was invested properly and the restaurant is successful as a result.

SUPERIOR FOOTWEAR

PRODUCT	:	Military Boots
INVESTMENT	:	6,233,225
MIDAS LOAN	:	1,121,659
		1,300,000
OWNER EQUITY	:	3,311,566
MIDAS EQUITY	:	500,000
DISBURSEMENT	:	The first loan was disbursed in November 1986, and the second one in February 1990.
LOAN PAYMENT PERFORMANCE	:	The loan is considered 'dormant.' The last payment was in January 1993. 45 payments were missed on the first loan. The loan repayment schedule was revised.
EMPLOYMENT		
CURRENT	:	20 men
AT LOAN DISBURSEMENT	:	5 men
NEW JOBS	:	15, all of whom were previously unskilled wage laborers.

144

WAGES	:	permanent - 35,000/year contract workers - 70-250/day
AVG. ANNUAL SALES	:	59 million
INPUTS	:	100 percent local
MARKETS	:	100 percent local

PROFILE: This enterprise, located in the Tongi industrial Area on the outskirts of Dhaka, expanded with a loan from MIDAS. The owner had been in business for 10 years prior to approaching MIDAS — he comes from a family with 30 years of business experience in the leather/footwear industry. At the time of loan application, he was operating two other enterprises — a tannery and a leather exporting business. The shoe-making operation is integrated with the other two businesses. The original idea was to make shoes for export. He had signed a joint venture with a British partner to produce shoe soles. The shoe uppers were to be produced by the British partner, and the finished product was aimed at the European market. Due to a delay in loan disbursement from MIDAS he lost his British partner. He then used the loan to purchase shoe molding equipment from Taiwan, and started to produce boots for the military on a contract basis. The market for his product is becoming increasingly competitive. The business was the sole producer of military boots, which were being imported from S.E. Asia. The factory is currently operating at 50 percent capacity (total capacity is 1,000 boots/day). Inputs are locally purchased, and finished leather is provided by a tannery owned by the entrepreneur. The enterprise supplies 50 percent of total domestic market demand for military boots.

MIDAS INVOLVEMENT: MIDAS disbursed a loan based on the enterprise's export market projections and use of local raw materials. It took an equity position based on the firm's cash flow projections based in turn on the feasibility study. The MIDAS loan which was approved on March 1986 was not disbursed until May 1987, due to bureaucratic approval procedures MIDAS then had to go through with the Ministry of Finance. The owner had heard of MIDAS through a friend. He approached MIDAS because he found them to be quicker and more honest and professional than bank staff. He had received loans from the banks for his other businesses. He has not and does not expect to draw on MIDAS for technical assistance. He plans to get loans from the bank in the future given their lower interest rates.

UTTARA TYRE RETRE

PRODUCT	:	Tyre Retreading Service
INVESTMENT	:	15,825,289
MIDAS LOAN	:	8,703,909
OWNER EQUITY	:	7,121,350
MIDAS EQUITY	:	0
DISBURSEMENT	:	February 1991

LOAN PAYMENT
PERFORMANCE : The loan payments are current, payments on the outstanding balance are being made ahead of schedule.

EMPLOYMENT

CURRENT : 13 permanent employees, 9 of which are professionals. All the staff are males. The firm expects to hire 2 more staff when operating at full capacity.

AT LOAN
DISBURSEMENT : 0

NEW JOBS: : 11. All except for the manager and an accountant were previously unemployed. The other professionals are recent graduates of technical institutes and universities.

INPUTS : Inputs are all imported from the United States and Malaysia.

MARKETS : 100 percent domestic.

PROFILE: This enterprise, located in the BSCIC Industrial Estate outside of Dhaka, is a franchise of Bandag Inc., a U.S. Fortune 500 company. It is introducing a technology from the United States in cold process tyre retreading, which gives almost equivalent mileage as that of a new tyre, for half the cost of a new one. It is superior to the traditional hot process available locally. It is a highly mechanized, capital-intensive operation. It has gone into commercial production as of January 1993. The enterprise is owned by one of the largest industrialist families in the country, the Rahmans. The owners are also the largest importers of tires, the sole importer/distributor of Maruti and Suzuki, and own a business which assembles the majority of scooter taxis locally. This project aims to introduce a new process of tyre retreading currently unavailable in the country. It is a capital intensive and almost purely mechanized process for using a cold process treatment for tyre retreading. The business is getting contracts from defense, local transportation companies, and other arms of the government. It is professionally managed by an individual with international marketing and management experience. Technical staff have been sent to the BANDAG tyre retreading plant in Malaysia for training. The franchise agreement with Bandag dictates selection of raw materials, processing, quality control, and training.

MIDAS INVOLVEMENT: The owner heard of MIDAS through a contact at MIDAS. MIDAS disbursed a loan based on the innovative technology introduced in the process, and the solid record of the owners in running successful businesses. It is import substitutive in terms of reducing the wear on tyres. The manager interviewed had heard of MIDAS. He thinks of MIDAS as professional and honest. They received a loan from MIDAS to diversify their liabilities portfolio, and to reduce their taxable earnings, since interest payments are tax deductible from income.

146

VACPAC SERVICES LTD.

PRODUCT	:	Vacuum-packaging services for the export-oriented garment industry
INVESTMENT	:	16,506,796
MIDAS LOAN	:	3,400,000
OWNER EQUITY	:	10,574,296
MIDAS EQUITY	:	2,532,500
DISBURSEMENT	:	April 1990
LOAN PAYMENT PERFORMANCE	:	The project is categorized by MIDAS as 'slow.' 4 payments were missed and MIDAS has rescheduled the loan.
EMPLOYMENT		
CURRENT	:	20, all men
AT LOAN DISBURSEMENT	:	0
NEW JOBS	:	19 (all except for the manager were previously unemployed.
INPUTS	:	Vacuum packing film from Brazil
MARKETS	:	international buyers who import garments from Bangladesh, local garment exporters.

PROFILE: This firm was started in 1989 with the MIDAS loan. It is a joint venture with a Swedish firm called Swedicorp, which is the only supplier of this technology. This type of packing is air-tight, air-less and humidity-less. It maintains freshness of and quality of garments. The enterprise offers a package of services: garment collection from factories, assortment as specified, vacuum packing, boxing, and returning boxed goods. Triples the quantity that can be packed in containers. The service packs garments to protect their quality upon arrival by reducing their moisture content, by making the packaging air tight. It also reduces the volume of the products. Although a very good concept, the project was made without a marketing/feasibility study. The entrepreneur has little marketing and product pricing ability. The full production capacity is 3,000 pieces a day. It is operating significantly below that. The owner relies on its international collaborator to arrange work orders for the business. He had started negotiations with Walmart which fell through — he has not researched the market his service is aimed at to be able to adequately market and price his service. No order was received for one full year from Sept. 1990-1991. In addition to MIDAS, the firm has loans from its international partners. The enterprise is owned by three individuals; 2 men and a women.

MIDAS INVOLVEMENT: The owner had heard of MIDAs through a former MIDAS employee. He was unable to get a loan from the banks, since they uniformly require three price quotations on machinery, and Swedicorp is the sole producer and supplier of the machinery he uses. Prior to this venture he was involved in marketing seafood to Europe. He had read about VACPAC services in a magazine and had contacted the Swedish suppliers of the technology. He has not received technical assistance from MIDAS, and relies on his joint venture partner's regional operations in Hong Kong for technical and marketing support. They have received an order for 32,000 garments to date in 1993. This is a very innovative service, not found in Bangladesh, and one where MIDAS should offer marketing assistance, particularly since it holds an equity position.

198

ANNEX G

END OF PROJECT STATUS
LOGICAL FRAMEWORK

149

END OF PROJECT STATUS
LOGICAL FRAMEWORK
Planned versus Actual

LOGICAL FRAMEWORK Objectively Verifiable Indicators	ACTUAL STATUS 2/1993	COMMENTS
INDICATOR 1: Internally, organization is managed professionally		
a. establish computer-based MIS by 1987.	MIDAS has the rudiments of a computer-based MIS; however, it consists of several independent applications that are not integrated into an MIS.	This should have been an output indicator rather than an EOPS indicator. Development of the MIS did not begin until after the 1990 evaluation. Technical assistance provided under the project was too late and woefully inadequate to the task.
b. Staff training and incentive programs functioning.	Virtually no formal training, as evidenced by 77% of undisbursed funds for this line item. Training is "informal and on-the-job." No staff incentive program is in place.	MIDAS was to have identified its training needs and requested assistance from USAID, but should have received guidance on what was necessary.
c. Long- and short-range strategic planning performed annually.	Is performed, but is less 'strategic' than operational.	The strategic plan has typically measured achievement of operational targets under the Cooperative Agreement. It is thus less of an institutional strategic plan.
d. Professional staff hired	MIDAS has generally succeeded in hiring qualified personnel.	It has problems retaining them, losing staff to other agencies.
INDICATOR 2: Two branch offices established outside of Dhaka by 1988.	Branch offices were established in Chittagong (1987) and Khulna (1990).	MIDAS should not have been encouraged to expand services to other communities until after the program was well established in Dhaka. This led to a dilution of effort and a drain on scarce human resources.
INDICATOR 3: Project appraisals are of professional quality.	The appraisals are reputed to be of professional quality, and MIDAS is often approached to prepare appraisals for a fee. However, they are theoretical and overly optimistic, given the number of rescheduled loans in the portfolio.	This is an input rather than an EOP indicator. The number of quality loans resulting from the appraisals would be a better indicator.

LOGICAL FRAMEWORK Objectively Verifiable Indicators	ACTUAL STATUS 2/1993	COMMENTS
a. 85% of completed feasibility studies are funded.	Approximately 60 percent of the feasibility studies are funded. Fewer should have been.	This indicator unwisely encourages MIDAS to focus on producing favorable feasibility studies and on financing projects once feasibility studies are completed.
b. Prepares accurate and comprehensive technology and market assessments.	MIDAS has completed many assessments on markets and some on technology paid by private and public sector clients.	One criticism of MIDAS assessments is they tend to be theoretical.
c. Services in demand by other donors and financial institutions.	Consulting services are in demand by other donors. Services are not in demand by financial institutions	
d. Completes 95% of the studies within the specified time period.	MIDAS seems to complete at least 90 percent of its studies under contract on time.	MIDAS is well known for the professional way in which it handles its studies and reports, completing them in timely fashion.
INDICATOR 4: Investment and lending risks assessed accurately	Not from the performance of the portfolio, and the performance of the venture capital fund, which has earned no dividends to date.	
a. 80% of MIDAS-assisted firms become successful businesses.	Not possible to determine 'success.' Many of the businesses were still alive after a few years of assistance.	This is a highly unrealistic measure since new businesses have a 20 percent survival rate even in industrialized countries.
b. MIDAS investment fund de-capitalization at rate not to exceed 13% per year in real terms.	At 13% the current value of the portfolio would be Tk. 95 million. Instead, the current performing portfolio is about 19% of the original value, or Tk. 34 million, given decapitalization rates of 27%.	The primary reason for this decapitalization has been the high rate of delinquency rather than the effects of inflation.
c. Collateral requirements are flexible depending on ability of sponsor.	Collateral requirements have been revised in the lending policy of 1992 -- but they are still not 'flexible based on borrower ability' and thus exclude borrowers, particularly women, who cannot meet the requirements.	MIDAS has great difficulty in claiming collateral in the event of default. Also, the process of collateral verification is lengthy, and delays loan approval and disbursement. Other creative solutions should be explored.
INDICATOR 5: Consultancy services well managed	They appear to be so.	In recent times, management has been strained due to staff shortages.

151

LOGICAL FRAMEWORK Objectively Verifiable Indicators	ACTUAL STATUS 2/1993	COMMENTS
a. Establishes fees based on accurate cost information.	MIDAS presents accurate proposals of estimated costs for training and technical services.	The overhead fee of 50 percent, including direct and indirect costs, is high compared to the industry average.
b. Utilizes in-house and outside expertise as appropriate.	MIDAS uses 90 percent of its in-house staff, and maintains a roster of 160 industry-specific specialists.	Greater use of outside consultants can increase capacity at peak times and also increase price competitiveness.
INDICATOR 6: Productive relationships explored, tested and/or established between micro and small enterprises, and small and medium enterprises.	The subcontracting component of Action Research was never funded, though MIDAS did present a proposal to USAID. MIDAS has only a few ad hoc examples of clients that have subcontracting arrangements.	Subcontracting should have been explored more extensively in subsector research, with the objective of getting new clients. The concept was never fully developed or implemented.
a. Develops in-house expertise in 5-7 promising subsectors by 1991.	MIDAS does not have in-house expertise in 5-7 promising subsectors. Outside specialists were contracted to do studies. There was little follow-up, thus little development of in-house expertise.	In-house expertise may have led to more loans to businesses in promising sectors.
b. Establishes working relationships with at least 3 international small enterprise development organizations.	MIDAS has successfully completed collaborative relationships with Approtech, Technonet, CESO, Technology for the People, and Humber College.	
INDICATOR 7: Replicable businesses identified and assisted	This occurred only recently with enterprises in the shrimp sector in Chittagong.	
a. In 1/3 of the cases, the investment made by the assisted entrepreneur sparks similar investments by at least 5 to 10 other entrepreneurs within a few years of firms' first establishment.	This indicator cannot be measured. However, it does not appear to have been achieved.	
b. Five subsectors are promoted where successes have occurred.	Promotion of project successes included write-ups in the monthly newsletter.	MIDAS would have had more to promote if the subsector studies had been implemented more effectively.

132

LOGICAL FRAMEWORK Objectively Verifiable Indicators	ACTUAL STATUS 2/1993	COMMENTS
INDICATOR 8: Loan and investment portfolios managed in a businesslike manner	Loan portfolio management is MIDAS's greatest weakness. Only 31% of the portfolio is performing.	
a. Management kept informed of client performance.	The division directors are well informed on client performance.	Client performance information is not fully available through the MIS. Also, that "management is informed of client performance" is not necessarily indicative of "loan and investment portfolio being managed in a businesslike manner." Management action and policies re: delinquencies and performance would be more indicative.
b. operational bad debt write-off and rescheduling policies established by 1987.	Although established, bad debt write-off polices are inadequate. There is no rescheduling policy. In practice, it is done on a case-by case basis with Board approval.	Write-off policies are undermined by rescheduling, treating only the overdue installments as delinquent rather than the entire outstanding balance, and understating the amount needed to offset expected losses.
c. at least 80 percent of MIDAS clients completely comply with assistance repayment terms.	No. According to original loan schedules, 80 of 88 active loans had overdue installment payments.	MIDAS's liberal rescheduling practices mask true delinquency rates.
INDICATOR 9: MIDAS is supported by other institutions		
a. By 1990 75% of overall revenues come from non-A.I.D. sources.		
OTHER EOPS		
MIDAS will be staffed by 35-45 professionals/support staff.	MIDAS is currently staffed by 88 people, of which 57 are professionals and 33 are support staff.	This does not measure whether the institution is efficient.
MIDAS will have the following characteristics: it will take a systems approach; be entrepreneurial; have limited research, project design, and implementation capability; be managerially and administratively competent.	MIDAS has made some progress in this direction	These are not objectively measurable indicators

LOGICAL FRAMEWORK Objectively Verifiable Indicators	ACTUAL STATUS 2/1993	COMMENTS
OTHER TASKS FROM PROJECT PAPER		
Identify 30 promising subsectors, including 5 to 10 in which women producers figure prominently.	MIDAS will complete 32 subsector studies by PACD. Women are prominent as employees in at least five sectors, but women tend not to be in management positions.	This output should have been viewed as an input to generate more loans for MIDAS. Without the prospect of follow-on financing or technical assistance, subsector studies, in and of themselves, are relatively meaningless.
Assist approximately 200 entrepreneurs get established and catalyze the establishment of over 300 other highly profitable businesses.	MIDAS has assisted 79 entrepreneurs.	It is not possible to measure the number of businesses catalyzed.
Facilitate 50 collaborations between local and foreign firms, and undertake 200 business consultancies.	MIDAS has conducted over 200 fee-based consultancies to a variety of clients. Through the Technology for the People Program, it was facilitated about 7 collaborations between local and foreign firms.	
Leverage $1.5 to $2.0 million in loan funds for small enterprise loans.	This did not occur. The Bank Referral project element was not implemented.	It was unreasonable to assume that banks would collaborate with a financing institution.
Test new models for promoting productive relationships among micro, small and medium enterprises.	Action Research was not actively promoted, rare successes came on an ad hoc basis.	This component was poorly designed. Furthermore, the budget for this component was diverted to cover operational costs.
Establish and promote linkages between public and private enterprise development organizations in Bangladesh.	MIDAS's outreach abilities are mixed. While many organizations know of MIDAS, it is not clear that MIDAS has established concrete interactions between the two sectors that would facilitate small business development.	MIDAS can make an important contribution to SME development and enhance its own reputation by becoming an advocate for the sector, for example, by promoting policy and regulatory reform.
MIDAS will be assisting in establishment or expansion of 30-50 innovative enterprises each year.	This is not happening. MIDAS disbursed 3 new loans in 1992, the last of which was disbursed 14 months ago.	

134

ANNEX H

IMPORTANT ASSUMPTIONS PLANNED VERSUS ACTUAL

153

IMPORTANT ASSUMPTIONS

Planned versus Actual

<table>
<tr><th>PROJECT PAPER
Targets and Assumptions</th><th>ACTUAL STATUS
2/1993</th><th>COMMENTS</th></tr>
<tr><td colspan="3">A. Assumptions for Achieving Goal Targets</td></tr>
<tr><td>Level of Investment in Sanctioned and Unsanctioned Industries Continues to Grow at 10% Per Year</td><td colspan="2"></td></tr>
<tr><td>a. Economy expands by at least 2-3 percent per year</td><td>The economy has expanded at a rate exceeding 2-3 percent per year during the life of the project.</td><td rowspan="3">All three of these assumptions have held valid during the life of the project, and all are important assumptions for achieving the project's stated goal.

However, two major assumptions were not articulated during project design. The first was that investments stimulated by EDP would be in addition to investments that would otherwise be made. The second was that a small project like EDP, which at most would stimulate between $1 and $2 million per year in small firm investment, would have a measurable or significant impact on the overall level of investment in small enterprises. The first of these cannot be determined, and the second appears unlikely.</td></tr>
<tr><td>b. Annual inflation is less than 15 percent</td><td>Annual inflation has been below 15 percent for the life of the project, and is currently estimated at around 6 percent.</td></tr>
<tr><td>c. Government policy continues to emphasize reliance on the private sector</td><td>Government policy has been generally favorable to private sector development, although recent tax policies have led to a slowdown in capital investment, and some emigration by value-added textile operations.</td></tr>
<tr><td colspan="3">B. Project Purpose-Level Assumptions</td></tr>
<tr><td>1. EOPS: Internally, organization is managed professionally</td><td colspan="2"></td></tr>
<tr><td>a. BDG participation in MIDAS operations is supportive of MIDAS goals and objectives</td><td>The BDG has generally been supportive of MIDAS goals and operations. It was the BDG that suggested that MIDAS become a "company" in order to expand services.</td><td></td></tr>
</table>

PROJECT PAPER Targets and Assumptions	ACTUAL STATUS 2/1993	COMMENTS
b. Adequate opportunities for investment on MIDAS' terms will continue to present themselves		This assumption is unrelated to whether or not MIDAS is managed professionally.
c. MIDAS board provides sufficient oversight to insure honest management	The board provides close oversight. Management has generally been quite honest.	The board should provide more strategic rather than day-to-day operational management oversight.
2. Investment and credit risks assessed accurately		
a. MIDAS credit committee makes lending decisions on sound financial and economic grounds	The overall investment climate in Bangladesh is quite unstable. MIDAS feasibility studies have tended to be overly optimistic.	The procedures for assessing risk have not succeeded in improving the performance of the loan portfolio.
b. Assisted entrepreneurs honestly intend to repay loans	MIDAS has had frequent difficulties with entrepreneurs who have willfully refused to pay	
c. Loan review and approval process is no longer than 180 days	MIDAS loan approvals, until recently, have met this timetable. The timetable itself is unrelated to whether or not investment and credit risks are assessed accurately.	USAID/B procedures managed to undermine this schedule — adding as much as a year and a half to the loan approval process, and causing MIDAS to lose clients.
3. EOPS: Consultancy services well managed		
a. MIDAS responds to demand for consultancy services in a professional and businesslike manner.	MIDAS is recognized as very professional in its proposals and consultancy services. Reports are well written and well presented.	MIDAS should continue to refine its quality control systems for consultancies.
4. EOPS: Productive relationships explored, tested, and/or established between micro and small enterprises and small and medium enterprises		
a. MIDAS continues to maintain a non-social-welfare approach to development	MIDAS charges fees for all services provided directly to recipients, except for training services financed by donors.	This assumption has nothing to do with success in exploring, testing and establishing linkages between firms of different sizes.

PROJECT PAPER Targets and Assumptions	ACTUAL STATUS 2/1993	COMMENTS
5. EOPS: Replicable Businesses Identified and Assisted		
a. Adequate numbers of entrepreneurs in small and medium industry already exist, with management expertise and with access to capital and other resources	The evaluation was unable to assess the validity of this assumption	
b. MIDAS will effectively promote their "success stories"	The major success stories (Continental Baskets and Bangladesh Exports) have not been promoted sufficiently.	
c. In at least 1/3 of the cases, MIDAS-assisted investments generate sufficient profits, over and above normal returns, to attract other investors	There is little or no evidence of other investors being attracted to industries assisted by MIDAS.	
d. MIDAS-assisted entrepreneurs cannot get financing on similar terms from other sources	In fact, almost all of MIDAS-assisted entrepreneurs could have easily obtained financing from other sources.	This assumption has nothing to do with whether or not successes are replicated by other entrepreneurs.
6. EOPS: MIDAS is Supported by Other Institutions		
a. MIDAS goals and objectives are consonant with those of other donors	MIDAS has received assistance from at least five other donors.	A major concern raised by the evaluation team is that MIDAS's goals and objectives are increasingly distant from the target beneficiaries and programs of the major donor agencies, and that this will impede MIDAS's ability to attract donor support in the future.

ANNEX I

GLOSSARY

GLOSSARY

ADB	-	Asian Development Bank
A.I.D.	-	U.S. Agency for International Development
ARIES	-	Assistance to Resource Institutions for Enterprise Support
BASC	-	Business Advisory Service Center
BDG	-	Bangladesh Government (also referred to as the GOB, or Government of Bangladesh)
BKB	-	Bangladesh Krishi Bank
BMET	-	Bureau of Manpower, Employment and Training
BOI	-	Board of Investment
BRAC	-	Bangladesh Rural Assistance Committee
BRDB	-	Bangladesh Rural Development Bank
BSB	-	Bangladesh Shilpa (Industrial) Bank
BSCIC	-	Bangladesh Small and Cottage Industries Corporation
BSRS	-	Bangladesh Shilpa Rin Sangstha (Bank)
CARE	-	Cooperative for American Relief Everywhere
CESO	-	Canadian Executive Service Organization
CIDA	-	Canadian International Development Agency
Crore	-	10 million Taka
DAI	-	Development Alternatives, Inc.
DANIDA	-	Danish International Development Agency
DBL	-	Development Bank Limited
DFI	-	Development Finance Institution
EDP	-	Enterprise Development Project
FF	-	Ford Foundation
FMO	-	Dutch Technical Assistance Agency
FSRP	-	Financial Sector Reform Project
FY	-	Fiscal Year
GEMINI	-	Growth and Equity through Microenterprise Investments and Institutions
GTZ	-	German Technical Assistance Agency
IESC	-	International Executive Service Corps
ILO	-	International Labour Organization
IPP	-	Industrial Promotion Project
IRR	-	Internal Rate of Return
Lakh	-	100,000 Taka
MCCI	-	Metropolitan (Dhaka) Chamber of Commerce and Industry
MIDAS	-	Micro Industries Development Assistance Society
MIS	-	Management Information System
MOF	-	Ministry of Finance
MOI	-	Ministry of Industry
MORR	-	Ministry of Relief and Rehabilitation
MOSW	-	Ministry of Social Welfare
MOWA	-	Ministry of Women's Affairs
MSE	-	Micro and Small Enterprise
NBR	-	National Board of Revenue
NGO	-	Nongovernmental Organization
NORAD	-	Norwegian Aid Agency
PACD	-	Project Activity Completion Date
PROSHIKA	-	A local NGO

16

PVO	-	Private Voluntary Organization
SDC	-	Swiss Development Cooperation
SEDP	-	Small Enterprise Development Program (DANIDA)
SME	-	Small and Medium Enterprise
TAF	-	The Asia Foundation
TDD	-	Terminal Disbursement Date
Tk	-	Taka ($1.00 = 38.9 Tk)
UNDP	-	United Nations Development Programme
USAID/B	-	Country Mission of A.I.D. in Bangladesh
WB	-	World Bank (also known as the International Bank for Reconstruction and Development, or IBRD)
WEDP	-	Women's Enterprise Development Project
WID	-	Women in Development

GEMINI PUBLICATION SERIES

GEMINI Working Papers:

1. "Growth and Equity through Microenterprise Investments and Institutions Project (GEMINI): Overview of the Project and Implementation Plan, October 1, 1989-September 30, 1990." GEMINI Working Paper No. 1. December 1989. [not for general circulation]

*2. "The Dynamics of Small-Scale Industry in Africa and the Role of Policy." Carl Liedholm. GEMINI Working Paper No. 2. January 1990. $5.50.

3. "Prospects for Enhancing the Performance of Micro- and Small-Scale Nonfarm Enterprises in Niger." Donald C. Mead, Thomas Dichter, Yacob Fisseha, and Steven Haggblade. GEMINI Working Paper No. 3. February 1990. $6.00

4. "Agenda Paper: Seminar on the Private Sector in the Sahel, Abidjan, July 1990." William Grant. GEMINI Working Paper No. 4. August 1990. $3.00

*5. "Gender and the Growth and Dynamics of Microenterprises." Jeanne Downing. GEMINI Working Paper No. 5. October 1990. $10.50.

6. "Banking on the Rural Poor in Malaysia: Project Ikhtiar." David Lucock. GEMINI Working Paper No. 6. October 1990. $3.30.

7. "Options for Updating AskARIES." Larry Reed. GEMINI Working Paper No. 7. October 1990. $3.50.

*8. "Technology — The Key to Increasing the Productivity of Microenterprises." Andy Jeans, Eric Hyman, and Mike O'Donnell. GEMINI Working Paper No. 8. November 1990. $3.60.

9. "Lesotho Small and Microenterprise Strategy — Phase II: Subsector Analysis." Bill Grant. GEMINI Working Paper No. 9. November 1990. $15.50.

*10. "A Subsector Approach to Small Enterprise Promotion and Research." James J. Boomgard, Stephen P. Davies, Steven J. Haggblade, and Donald C. Mead. GEMINI Working Paper No. 10. January 1991. $3.10.

11. "Data Collection Strategies for Small-Scale Industry Surveys." Carl Liedholm. GEMINI Working Paper No. 11. January 1991. $1.30.

12. "Dynamics of Microenterprises: Research Issues and Approaches." Carl Liedholm and Donald C. Mead. GEMINI Working Paper No. 12. January 1991. $6.50.

13. "Dynamics of Microenterprises: Research Priorities and Research Plan." Carl Liedholm and Donald C. Mead. GEMINI Working Paper No. 13. August 1990. [not for general circulation]

---

*Publications of general interest

16?

14. "Review of Year One Activities (October 1, 1989 to September 30, 1990) and Year Two Work Plan (October 1 to November 30, 1990)." GEMINI Working Paper No. 14. January 1991. [not for general circulation]

*15. "The Process of Institutional Development: Assisting Small Enterprise Institutions to Become More Effective." Elaine Edgcomb and James Cawley. GEMINI Working Paper No. 15. February 1991. $9.70.

16. "Baseline Surveys of Micro and Small Enterprises: An Overview." Donald C. Mead, Yacob Fisseha, and Michael McPherson. GEMINI Working Paper No. 16. March 1991. $2.60.

17. "Kenya: Kibera's Small Enterprise Sector — Baseline Survey Report." Joan Parker and C. Aleke Dondo. GEMINI Working Paper No. 17. April 1991. $6.40.

*18. "A Financial Systems Approach to Microenterprises." Elisabeth Rhyne and Maria Otero. GEMINI Working Paper No. 18. April 1991. $3.00

*19. "Agriculture, Rural Labor Markets, and the Evolution of the Rural Nonfarm Economy." Steve Haggblade and Carl Liedholm. GEMINI Working Paper No. 19. May 1991. $2.50.

*20. "The Microenterprise Finance Institutions of Indonesia and Their Implications for Donors." Elisabeth Rhyne. GEMINI Working Paper No. 20. June 1991. $3.40.

21. "Microenterprise Growth Dynamics in the Dominican Republic: The ADEMI Case." Frank F. Rubio. GEMINI Working Paper No. 21. June 1991. $3.10.

*22. "Credit Unions: A Formal Sector Alternative for Financing Microenterprise Development." John H. Magill. GEMINI Working Paper No. 22. September 1991. $3.80.

23. "A Proposed Subsector-Based Monitoring and Evaluation System for CARE/Thailand's Silk Promotion Efforts." Steven Haggblade. GEMINI Working Paper No. 23. September 1991. $3.60.

24. "Steps to the Creation of a Viable Financial Institution for Microenterprise Development in the Philippines: Notes on a Process for the Staff and Board of Tulay sa Pag-Unlad, Inc." Doug Salloum and Nan Borton. GEMINI Working Paper No. 24. November 1991. $2.00

*25. "Village Banking: A Cross-Country Study of a Community-Based Lending Methodology." Sharon L. Holt. GEMINI Working Paper No. 25. December 1991. $12.60.

26. "Dynamics of Small- and Micro-scale Enterprises and the Evolving Role of Finance." Carl Liedholm. GEMINI Working Paper No. 26. December 1991. $3.00

*27. "Opportunities for Intervention in Thailand's Silk Subsector." Steven Haggblade and Nick Ritchie. GEMINI Working Paper No. 27. January 1992. $3.20.

*28. "Apex Study of the Asociación de Grupos Solidarios de Colombia." Arelis Gomez Alfonso, with Nan Borton and Carlos Castello. GEMINI Working Paper No. 28. April 1992. $4.60. [See Technical Reports No. 36 and No. 39 for apex studies in Senegal and Thailand.]

\\[?]

29. "The Subsector Methodology, A Field Orientation for CARE/Egypt, January 20-February 7, 1992." William Grant. GEMINI Working Paper No. 29. April 1992. $9.50.

30. "'Poverty Lending' and Microenterprise Development: A Clarification of the Issues." Mohini Malhotra. GEMINI Working Paper No. 30. May 1992. $3.60.

31. "The Solidarity Group Experience." Shari Berenbach and Diego Guzman. GEMINI Working Paper No. 31. June 1992. $5.80.

32. "A New View of Finance Program Evaluation." Elisabeth Rhyne. GEMINI Working Paper No. 32. November 1992. $1.50.

33. "The Role of Savings in Local Financial Markets: The Indonesian Experience." Marguerite S. Robinson. GEMINI Working Paper No. 33. November 1992. $3.50.

34. "Small and Medium Enterprise Development in Poland." Adam Saffer, Miroslaw Zielinski, Jerzy Zielinski, Tadeusz Marek, and Matthew Gamser. GEMINI Working Paper No. 34. February 1993. $5.20.

35. "BancoSol: A Private Commercial Bank. A Case Study in Profitable Microenterprise Development in Bolivia." Amy J. Glosser. GEMINI Working Paper No. 35. February 1993. $8.60.

36. "The Structure and Growth of Microenterprise in Southern and Eastern Africa: Evidence from Recent Surveys." Carl Liedholm and Donald Mead. GEMINI Working Paper No. 36. March 1993. $5.60.

37. "Transformation Lending: Helping Microenterprises Become Small Businesses." Larry Reed and David Befus. GEMINI Working Paper No. 37. April 1993. $4.80.

38. "Should Principles of Regulation and Prudential Supervision be Different for Microenterprise Finance Organizations?" Rodrigo A. Chaves and Claudio Gonzalez-Vega. GEMINI Working Paper No. 38. April 1993. $3.40.

GEMINI Technical Reports:

1. "Jamaica Microenterprise Development Project: Technical, Administrative, Economic, and Financial Analyses." Paul Guenette, Surendra K. Gupta, Katherine Stearns, and James Boomgard. GEMINI Technical Report No. 1. June 1990. [not for general circulation]

2. "Bangladesh Women's Enterprise Development Project: PID Excerpts and Background Papers." Shari Berenbach, Katherine Stearns, and Syed M. Hashemi. GEMINI Technical Report No. 2. October 1990. $13.00

3. "Maroc: Conception d'une Enquête pour une Etude du Secteur Informel." Eric R. Nelson and Housni El Ghazi. GEMINI Technical Report No. 3. November 1990. $12.50.

4. "Small Enterprise Assistance Project II in the Eastern Caribbean: Project Paper." James Cotter, Bruce Tippet, and Danielle Heinen. GEMINI Technical Report No. 4. October 1990. [not for general circulation]

5. "Technical Assessment: Rural Small-Scale Enterprise Pilot Credit Activity in Egypt." John W. Gardner and Jack E. Proctor. GEMINI Technical Report No. 5. October 1990. $4.00

*6. "Developing Financial Services for Microenterprises: An Evaluation of USAID Assistance to the BRI Unit Desa System in Indonesia." James J. Boomgard and Kenneth J. Angell. GEMINI Technical Report No. 6. October 1990. $9.00

7. "A Review of the Indigenous Small Scale Enterprises Sector in Swaziland." David A. Schrier. GEMINI Technical Report No. 7. October 1990. [not for general circulation]

8. "Ecuador Micro-Enterprise Sector Assessment: Summary Report." John H. Magill and Donald A. Swanson. GEMINI Technical Report No. 8. April 1991. $10.20.

9. "Ecuador Micro-Enterprise Sector Assessment: Financial Markets and the Micro- and Small-scale Enterprise Sector." Richard Meyer, John Porges, Martha Rose, and Jean Gilson. GEMINI Technical Report No. 9. March 1991. $16.00

10. "Ecuador Micro-Enterprise Sector Assessment: Policy Framework." Bruce H. Herrick, Gustavo A. Marquez, and Joseph F. Burke. GEMINI Technical Report No. 10. March 1991. $11.30.

11. "Ecuador Micro-Enterprise Sector Assessment: Institutional Analysis." Peter H. Fraser, Arelis Gomez Alfonso, Miguel A. Rivarola, Donald A. Swanson, and Fernando Cruz-Villalba. GEMINI Technical Report No. 11. March 1991. $25.00

12. "Ecuador Micro-Enterprise Sector Assessment: Key Characteristics of the Micro-Enterprise Sector." John H. Magill, Robert Blaney, Joseph F. Burke, Rae Blumberg, and Jennifer Santer. GEMINI Technical Report No. 12. March 1991. $19.60.

13. "A Monitoring and Evaluation System for Peace Corps' Small Business Development Program." David M. Callihan. GEMINI Technical Report No. 13. [not available for general circulation]

14. "Small-Scale Enterprises in Lesotho: Summary of a Country-Wide Survey." Yacob Fisseha. GEMINI Technical Report No. 14. February 1991. $6.40.

*15. "An Evaluation of the Institutional Aspects of Financial Institutions Development Project, Phase I in Indonesia." John F. Gadway, Tantri M. H. Gadway, and Jacob Sardi. GEMINI Technical Report No. 15. March 1991. $8.80.

*16. "Small-Scale Enterprises in Mamelodi and Kwazakhele Townships, South Africa: Survey Findings." Carl Liedholm and Michael A. McPherson. GEMINI Technical Report No. 16. March 1991. $4.60.

17. "Growth and Change in Malawi's Small and Medium Enterprise Sector." Michael A. McPherson. GEMINI Technical Report No. 17. June 1991. $2.20.

18. "Burkina Faso Microenterprise Sector Assessment and Strategy." William Grant, Matthew Gamser, Jim Herne, Karen McKay, Abdoulaye Sow, and Sibry Jean-Marie Tapsoba. GEMINI Technical Report No. 18. August 1991. Volume One, Main Report, $7.60; Volume Two, Annexes, $14.20.

16

*19. "Women in the BPD and Unit Desa Financial Services Programs: Lessons from Two Impact Studies in Indonesia." Sharon L. Holt. GEMINI Technical Report No. 19. September 1991. $3.80.

20. "Mali Microenterprise Sector Assessment and Strategy." William Grant, Kim Aldridge, James Bell, Ann Duval, Maria Keita, and Steve Haggblade. GEMINI Technical Report No. 20. October 1991. Volume One, Main Report, $6.70; Volume Two, Annexes, $13.00

21. "A Microenterprise Sector Assessment and Development Strategy for A.I.D. in Zambia." Eric L. Hyman, Robert Strauss, and Richard Crayne. GEMINI Technical Report No. 21. November 1991. $10.00

22. "Bangladesh: Women's Enterprise Development Project Paper." GEMINI Technical Report No. 22. August 1991. [not for general circulation]

23. "Peru: Small Business and Employment Expansion Project Paper." GEMINI Technical Report No. 23. November 1991. [not for general circulation]

24. "A Country-wide Study of Small-Scale Enterprises in Swaziland." Yacob Fisseha and Michael A. McPherson. GEMINI Technical Report No. 24. December 1991. $5.40.

*25. "Micro and Small-Scale Enterprises in Zimbabwe: Results of a Country-wide Survey." Michael A. McPherson. GEMINI Technical Report No. 25. December 1991. $5.00

26. "The Development Impact of Financing the Smallest Enterprises in Indonesia." GEMINI Technical Report No. 26. January 1992. [not for general circulation]

27. "Midterm Evaluation of the ASEPADE Component of the Small Business II Project, Honduras." Arelis Gomez Alfonso, Wesley Boles, and Donald L. Richardson. GEMINI Technical Report No. 27. February 1992. $5.80. Also available in Spanish.

28. "Midterm Evaluation of the ANDI/PYME Component of the Small Business II Project, Honduras." Arelis Gomez Alfonso, Wesley Boles, and Donald L. Richardson. GEMINI Technical Report No. 28. February 1992. $6.60. Also available in Spanish.

29. "The Role of Financial Institutions in the Promotion of Micro and Small Enterprises in Burkina Faso." John McKenzie. GEMINI Technical Report No. 29. February 1992. $10.40.

30. "Small and Micro Enterprise Development Project No. 262-0212, Egypt. Midterm Evaluation." Katherine Stearns. GEMINI Technical Report No. 30. March 1992. $7.60.

31. "A Review of the Prospects for Rural Financial Development in Bolivia." James J. Boomgard, James Kern, Calvin Miller, and Richard H. Pattern. GEMINI Technical Report No. 31. March 1992. $4.60.

32. "The Role of Private Sector Advocacy Groups in the Sahel." William Grant. GEMINI Technical Report No. 32. March 1992. $2.40.

166

*33. "Access to Credit for Poor Women: A Scale-up Study of Projects Carried Out by Freedom from Hunger in Mali and Ghana." Jeffrey Ashe, Madeline Hirschland, Jill Burnett, Kathleen Stack, Marcy Eiland, and Mark Gizzi. GEMINI Technical Report No. 33. March 1992. $11.80.

*34. "Egyptian Women and Microenterprise: the Invisible Entrepreneurs." C. Jean Weidemann. GEMINI Technical Report No. 34. March 1992. $11.20.

*35. "A Pre-Project Identification Document Analysis of the Lesotho Agricultural Enterprise Initiatives Project." Mike Bess, Don Henry, Donald Mead, and Eugene Miller. GEMINI Technical Report No. 35. April 1992. $20.00

36. "Apex Study of the Small Enterprise Development Program of Catholic Relief Services, Senegal." Arelis Gomez Alfonso. GEMINI Technical Report No. 36. May 1992. $3.00

37. "The Private Operators' Perspective on an Agenda for Action," Dakar, Senegal, November 22-25, 1991. A Seminar on the Private Sector in West Africa. Organized by the Senegalese National Employers' Union (CNP), the Club du Sahel, CILSS and USAID. GEMINI Technical Report No. 37. May 1992. $7.00

38. "Background Documents to the Seminar on the Private Sector in West Africa," Dakar, Senegal. November 22-25, 1991. Technical Report No. 38. May 1992. $5.00

39. "Apex Study of the Small Enterprise Development Program of Catholic Relief Services, Thailand." Arelis Gomez Alfonso. GEMINI Technical Report No. 39. May 1992. $3.20.

40. "Study of Informal Cross-border Trade, Poland." SMG-KRC/Poland. GEMINI Technical Report No. 40. May 1992. $3.20.

41. "Study of the Informal Commercial Sector, Poland." SMG/KRC Poland. GEMINI Technical Report No. 41. May 1992. $4.20

42. "Evaluation of the Micro and Small Enterprise Development Project (MSED) in Bolivia." William Fisher, Jeffrey Poyo, and Ann Beasley. GEMINI Technical Report No. 42. June 1992. $10.60. Also available in Spanish.

43. "Analysis of Funding Mechanisms for the Small and Micro Enterprise Development Project, Egypt." Kenneth J. Angell and John M. Porges. GEMINI Technical Report No. 43. June 1992. $3.80.

44. "Get Ahead Foundation Credit Programs in South Africa: The Effects of Loans on Client Enterprises." Jennefer Sebstad. GEMINI Technical Report No. 44. June 1992. $3.00

45. "Get Ahead Foundation in South Africa: Final Evaluation." Robert Christen, Elisabeth Rhyne, Doug Salloum, and Jennefer Sebstad. GEMINI Technical Report No. 45. June 1992. $11.00

46. "Micro- and Small-Scale Enterprises in Botswana: Results of a Nationwide Survey." Lisa Daniels and Yacob Fisseha. GEMINI Technical Report No. 46. August 1992. $9.40.

*47. "The Growth and Dynamics of Women Entrepreneurs in Southern Africa." Jeanne Downing and Lisa Daniels. GEMINI Technical Report No. 47. August 1992. $3.10.

48. "Small Business Development Programming Trip: Peace Corps/Albania and the Office of Training and Program Support, Small Business Development Sector." Lauren Spurrier and Wesley Weidemann. GEMINI Technical Report No. 48. October 1992. $6.00

49a. "Small Enterprise Development in the Russian Far East." Martha Blaxall, Yasuo Konishi, Virginia Lambert, Jennifer Santer, and Timothy Smith. GEMINI Technical Report No. 49a. October 1992. [not for general circulation]

49b. "Supporting Private Enterprises in Uzbekistan: Challenges and Opportunities." Nan Borton, John Magill, Neal Nathanson, and Jim Packard Winkler. GEMINI Technical Report No. 49b. November 1992. [not for general circulation]

49c. "Assessing the Prospects for Small Enterprise Development in Kazakhstan." Kenneth Angell, James J. Boomgard, Mohini Malhotra, and Robert A. Rodriguez. GEMINI Technical Report No. 49c. December 1992. [not for general circulation]

49d. "Small Enterprise Development in Ukraine." Dennis De Santis, Jean Gilson, Max Goldensohn, Jennifer Santer, and Timothy Smith. GEMINI Technical Report No. 49d. December 1992. [not for general circulation]

*50. "Skins and Hides in Four Countries in Africa: The Potential Role for Micro- and Small-Scale Enterprise Development." William Grant. GEMINI Technical Report No. 50. November 1992. $3.00. Also available in French.

51a. "Morocco: Assessment of Programming Options for Microenterprise Development." Housni El Ghazi, Sheila Reines, Steve Silcox, Katherine Stearns, and Matthew Gamser. GEMINI Technical Report No. 51A. November 1992. [not for general circulation]

51b. "USAID/Morocco: Assessment of Programming Options for Microenterprise Development. Report on Workshop and Field Investigations." Matt Gamser, Housni El Ghazi, Sheila Reines, Steve Silcox, and Katherine Stearns. GEMINI Technical Report No. 51b. December 1992. Also in French. [not for general circulation]

52. "Small Enterprise Development in Armenia: Programming Recommendations for Peace Corps Volunteers." Timothy J. Smith. GEMINI Technical Report No. 52. July 1992. $2.20.

53. "Results of a Nationwide Survey on Micro, Small, and Medium Enterprises in Malawi." Lisa Daniels and Austin Ngwira. GEMINI Technical Report No. 53. January 1993. $11.80.

*54a. "A Review of Donor-Funded Projects in Support of Micro- and Small-Scale Enterprises in West Africa." William Grant. GEMINI Technical Report No. 54a. February 1993. $18.80.

*54b. "A Review of Donor-Funded Projects in Support of Micro- and Small-Scale Enterprises in West Africa: Case Studies." William Grant. GEMINI Technical Report No. 54b. March 1993. $15.60.

55. "Business Linkages and Enterprise Development in Zimbabwe." Donald C. Mead and Peter Kunjeku. GEMINI Technical Report No. 55. April 1993. $3.40.

182

56. "End of Project Evaluation, Enterprise Development Project, Bangladesh." Mohini Malhotra, John Magill, and James Packard-Winkler, with the assistance of M.M. Nurul Haque. GEMINI Technical Report No. 56. April 1993. $19.20.

Technical Notes:

Financial Assistance to Microenterprise Section:

*1. Series Notebook: Tools for Microenterprise Programs (a three-ring binder, 1 1/2 inches in diameter, for organizing technical notes and training materials) and "Methods for Managing Delinquency" by Katherine Stearns. April 1991. $7.50. Also available in Spanish and in French.

*2. "Interest Rates and Self-Sufficiency." Katherine Stearns. December 1991. $6.50. Also available in Spanish and in French.

*3. "Financial Services for Women." C. Jean Weidemann. March 1992. $5.00. Also available in Spanish and in French.

*4. "Designing for Financial Viability of Microenterprise Programs." Charles Waterfield. March 1993. $6.80.

*5. "Monetary Incentive Schemes for Staff." Katherine Stearns, ACCION International. April 1993. $3.80.

Nonfinancial Assistance to Microenterprise Section:

*1. "A Field Manual for Subsector Practitioners." Steven J. Haggblade and Matthew Gamser. November 1991. $4.65. Also available in Spanish and in French.

*2. "Facilitator's Guide for Training in Subsector Analysis." Marshall A. Bear, Cathy Gibbons, Steven J. Haggblade, and Nick Ritchie. December 1992. $20.00

Field Research Section:

*1. "A Manual for Conducting Baseline Surveys of Micro- and Small-scale Enterprises." Michael A. McPherson and Joan C. Parker. February 1993. $13.60.

Special Publications:

*1. *Training Resources for Small Enterprise Development*. Small Enterprise Education and Promotion Network. Special Publication No. 1. 1992. $11.00

*2. *Financial Management of Micro-Credit Programs: A Guidebook for NGOs*. Robert Peck Christen. ACCION International. Special Publication No. 2. 1990. $19.00

*3. *The ADEMI Approach to Microenterprise Credit*. A. Christopher Lewin. Special Publication No. 3. 1991. $15.00

*4. *Microempresas y Pequeñas Empresas en la República Dominicana. Resultados de una Encuesta Nacional*. Miguel Cabal. Michigan State University and FondoMicro. Special Publication No. 4. 1992. $9.00

Copies of publications available for circulation can be obtained by sending a check or a draft drawn on a U.S. bank to the DAI/GEMINI Publications Series, Development Alternatives, Inc., 7250 Woodmont Avenue, Bethesda, MD 20814, U.S.A.

4/93

170