

**PROJECT ASSISTANCE COMPLETION REPORT
(PACR)**

I. Summary Data Sheet

Project Title: Rural Industries Project
Women's Entrepreneurship Development Program
(WEDP) Component

Project No. : 388-0042

This PACR discusses the WEDP activity conducted under the Rural Industries Project. As there is now a follow-on activity also called WEDP, this project will be called WED-1 in this PACR. The implementing unit under the government agency Bangladesh Small and Cottage Industries corporation (BSCIC) is called WEDP.

1. **Authorization Date:** 8/18/81
2. **ProAg No.:** 388-0042
Number of ProAg Amendments: 3
3. **Grantee:** Bangladesh Small & Cottage Industries Corporation
(BSCIC)
4. **Implementing Agency:** WEDP Unit of BSCIC
5. **Technical Assistance Contractor(s):** NA
Amount(s):
6. **Final Evaluation (Date):** 6/89
7. **PACD:** 06/30/85 (original) **Final:** 12/31/90
8. **Financial Status (through 9/94):**

A. Authorized	\$2,081,856
B. Obligated	\$2,067,605
C. Disbursed	\$1,875,190
D. Unliquidated	\$0
E. Deobligated	\$ 192,415
9. **BDG Contribution:**

A. Planned	\$8,240,000
B. Actual	\$8,240,000
10. **Other (including Donor) Contributions:**

A. Planned	\$NA
B. Actual	\$NA

11. Planned USAID Inputs:

A. Technical Assistance	\$ 439,583
B. Procurement	\$ 78,000
C. Training	\$ 90,000
D. Evaluation	\$ 60,000
E. Research & Study	\$ 7,000
F. Credit & Credit Guarantee	\$1,393,022

Actual USAID Inputs:

A. Technical Assistance	\$ 478,223
B. Procurement	\$ 84,084
C. Training	\$ 93,564
D. Evaluation	\$ 7,895
E. Credit & Credit Guarantee	\$1,211,424

12. Planned Outputs:

A. Within BSCIC, a specific capability established to promote and assist the establishment and/or expansion of micro-businesses owned and operated by women, and in which women exercise a major management role.

B. Thirty-seven female business extension officers hired and trained to identify actual or potential entrepreneurs and assist them in establishing profit-making businesses.

C. Specific types of enterprises for microbusiness promotion identified.

D. Pre- and post-investment counselling provided to the entrepreneurs. Counselling should be available in the following areas: assessing demand, pricing, marketing, inventory maintenance, record keeping, and other elements of proper business practice.

E. Technical assistance from BSCIC arranged for clients, if necessary. BSCIC specialists are qualified to answer clients' questions on design, production, and marketing of the clients' products.

F. Credit needs of clients assessed and credit obtained for any client needing credit for the establishment and operation of their businesses.

G. Enhanced decision-making power of female entrepreneurs within their families.

Actual Outputs:

A. Eighteen full time WEDP staff at headquarters and 160 full time field staff hired and trained to manage the twenty upazila/thana field offices.

B. On average, 110 loans disbursed annually from each office. Per field office disbursements averaged about \$10,000 each year.

C. A total of \$1 million (the USAID portion of which was \$296,278) disbursed in about 16,000 small loans averaging \$83 per year to about 11,000 rural women from the lowest 20 percent income group.

D. A loan recovery rate averaging 80 percent achieved.

E. Women-owned or women-managed microenterprises expanded.

13. Checklist:

A. All contract/assistance close-out activities have been completed (see Attachment 1)

B. All financial close-out activities have been completed (see Attachment 1)

C. Official project files have been checked for completeness and organization; when no longer required for implementation, evaluation and/or monitoring have been retired to storage.

PO: Raka Rashid Date: 05 /21/95

14. Drafted by: Sarah-Ann Lynch and Raka Rashid
Date: 05/23/95

15. Clearances:

A. POOD*: Date:

65. CONT: *RL* Date: 6/18/95

E. PDE: *GM* Date: 6/27/95

G. DD: *ca* Date: 1/2/96

B. CO: *see conts attach 1 on* Date: 6/19/95
D. RLA: *RL* Date: 6/18/95
F. PROG: *FS* Date: 21 Jun 95
H. OEE: *RLB* Date: 11/2/96

16. Approved: *Richard M. Brown*

Date: 1/3/96

Name: Richard M. Brown

*POOD = Project Officer's Office Director

Distribution:

Project File
Mission Director and All Clearing Offices
USAID/W:
 PPC/CDIE
 ANE/SA/B
 ANE/SEA/IRM
RIG/A, Singapore

PACR NARRATIVE

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III. Executive Summary

The Women's Entrepreneurship Development Program (WED-1) was a subactivity under USAID's Rural Industries Project, and managed by the WEDP Unit of the Bangladesh Small and Cottage Industries Corporation (BSCIC) authorized in 1981 and beginning in 1982. The initial purpose of WED-1 was to establish within BSCIC the capability to promote and assist women-owned and women-operated microbusinesses, or businesses in which women exercised a major management role. The objectives of WED-1 were:

- (a) to create employment opportunities for women, thereby increasing their cash incomes;
- (b) to promote entrepreneurship among women by improving their technical and management skills and enhancing their participation in the development of small-scale and cottage industries;
- (c) to increase women's participation in family decisions through increased cash income contributions to family income, making women more self-reliant and improving their socioeconomic conditions.

USAID funded one third of the WED-1 loan program and provided operational costs. The remaining two thirds of the loan program was provided by the Bangladesh Krishi Bank (BKB). Also, BKB extended its banking services to WED-1 borrowers, and where there was no BKB, the Krishi Unnayan Bank provided similar services. BSCIC provided for the administrative expenses at WEDP headquarters, and the major share of field office expenditures. All loans were extended by the bank, after extensive screening by the WED-1 field officers. Repayments are generally made to the WEDP office, not the bank.

An evaluation of WED-1 revealed that the loan recovery rate was satisfactory in some centers, but could be improved in others. There was an overall increase in household incomes due to the project, but significant entrepreneurship development was not yet realized.

The most unique feature and strongest point of WED-1 is that it was a women-managed program. Although there were some male field workers and staff at the headquarters, the majority of the staff was female. In addition, both the WEDP headquarters and the field offices were headed by women. These women have been positive role models for the women in the villages. The strong presence of the WEDP women persuaded rural women to assert themselves as entrepreneurs.

WED-1 recruited young female university graduates for its field office positions, and this group provided tremendous dedication to the program. The majority of the training of field workers was done by BSCIC. WED-1's training program was excellent, and continued to be of exceptional quality in the subsequent project.

Evaluations of WED-1 show that the borrowers were better off with WED-1 loans, and many even took a second or third loan. However, the program had problems with record keeping. Record keeping was not always uniform in each center, and often times accounts were not up-to-date. WED-1 depended too much on the bank for accurate accounting of the loans. Efficient program monitoring by WED-1 was an essential component to ensure sustainability of the project. The Project Director worked very hard on this problem, and under the new WEDP program, as the program moves away from the banks and into direct administration, WEDP's record-keeping skills have been much improved.

IV. Project Purpose/Description

The specific aim of WED-1 was to develop female entrepreneurship, thereby assisting both in the development of rural small and cottage industries and increasing cash incomes of women. It was expected that the latter would increase women's decision-making capabilities within the family and ultimately increase family welfare and improve the status of rural women. In addition to credit, WED-1 also provided training, research and advisory services to its clients.

Most WED-1 loans averaged below 5,000 taka, at an interest rate of 16%. WED-1 provided pre- and post-investment counseling, production and marketing advice, and management and skill development training. Field officers met with clients on a monthly basis to collect payments and to discuss the borrower's business opportunities.

Despite WED-1's accomplishments, its performance needed to improve further in order to receive additional USAID funding. Therefore, the following recommendations were made:

- a. High recovery rates must be maintained.
- b. The issue of bad loans must be taken up with the banks. Certain loans should be written off to avoid bad accounting.
- c. Centers with poor performance should be closed.

- d. WEDP should move into a system of direct loan administration.
- e. Client identification should include women who may be more skilled and able to manage a microenterprise.
- f. New lines of activities, including those that are non-traditional and involve a larger asset size should be explored and funded.
- g. The possibility of opening centers in urban and semi-urban areas should be explored.
- h. The idea of "women's markets" should be explored.
- i. All clients should receive financial/management training several times per year.
- j. Headquarters personnel should spend more time in the field, and be responsive to the needs of the field workers.

On June 30, 1990, six months before the USAID Project Assistance Completion Date, the BDG's direct allocations to WED-1 ended. However, both USAID and the BDG had been considering follow-on activities and decided to proceed with designs. This decision relied on positive findings in the external evaluations of WED-1 and favorable observations obtained from Mission field visits and discussions with project borrowers. Political circumstances in Bangladesh and the Gulf War interrupted the USAID design schedule and design did not begin until the summer of 1991. Therefore, WED-1 had interim financing until the new project began in 1992.

V. End of Project Status

a. Current project status, including status of completion of various project elements (e.g., procurement, construction, technical assistance, training).

WED-1, a subactivity under USAID's Rural Industries Project, was funded by USAID in 1981 as a pilot program. USAID was responding to the needs of the rural women of Bangladesh who had little access to credit through formal channels. USAID assistance to this project ended December 31, 1990, for a total of \$886,974 in support.

1. Procurement: all supplies, equipment and services necessary to complete the project objectives were procured.
2. Technical Assistance: all necessary technical assistance for this project was provided to the clients. Technical assistance has continued under the new WEDP.
3. Training: eighteen full-time WEDP headquarters staff and 160 field employees were trained to provide financial and non-financial assistance to the WED-1 clients. In addition, the project also funded a limited amount of training to the clients to enhance

the developmental benefits of the loan program. A two-day management course reached about 4,000 (of about 13,000) active borrowers to strengthen their capacity for operating a subsistence firm and explain how they might engage in more productive and sustainable microenterprise opportunities. Skills training was provided to an additional 3,200 potential borrowers to let them learn new skills and/or teach them to make new products using existing skills.

4. Evaluations: all scheduled evaluations of WED-1 have been completed.
5. Credit & Credit Guarantee: all credit has been disbursed and recovered by the BKB. (A few bad loans had to be written off by the BKB.)

b. Progress toward achievement of project purpose (note original purpose and any revisions, providing explanation of changes)

In 1982, the original project purpose of WED-1 was to set up "within BSCIC a specific capability to promote and assist the establishment and/or expansion of micro businesses owned and operated by women or alternatively owned and operated by families in which women exercise a major management role". The project purpose was revised in 1988 to include the expansion of "profitable participation of women in cottage industries thus improving living conditions of these women, expanding their participation in family and community decision making, and expanding their cash contributions to the family".

At the beneficiary level, even though there was no baseline data collection, there are visible improvements in the quality of beneficiaries' lives, such as improved housing, new tin roofs, new beds, utensils, tools, clothing, more and better food, and savings put aside to acquire land. More specifically, the 1989 evaluation of WED-1 found that, in terms of entrepreneurship development, family incomes have increased, but have done so by absorbing under-utilized family labor. Any expansion through employing labor would entail financial losses for these families. But, although WED-1 had some problems and limitations, the project's final evaluation was very positive, specifically remarking on the success of the project as a women-managed entity. The end of WED-1 marks the end of the initial phase of credit program management, which should then lead to the successful promotion of women entrepreneurship.

VI. Accomplishments Versus Planned Outputs

Project accomplishments to date, including conditions at the outset and changes in the project environment and/or design during implementation.

Poor Bangladeshi women in the early 80's were generally excluded from direct interactions with money, thereby ascribing low status to women's work. Also, as a result of abandonment, divorce, or husbands taking another wife, women are still an economically vulnerable group. Although conditions have improved for women, two basic factors continue to limit women's access to credit. First, since normal banking practice emphasizes the need for collateral for loans, women are excluded because patriarchal dictates exclude them from the ownership of assets. Secondly, activities generally identified as eligible for receiving loans tend to be male-dominated.

Despite the adverse conditions of the poor women of Bangladesh, WED-1 was generally successful in implementing a credit program for women and has contributed to increased family incomes. However, it was not able to aggressively promote women entrepreneurship. Despite this shortfall, evaluations of WED-1 show that the WED-1 work set the stage for further improvement in this area.

Specifically, WED-1 achieved the following:

- a) the average number of disbursements per center was satisfactory, averaging about 150 per year with an average loan size of 2,000 to 3,000 taka.
- b) the overall recovery rate was approximately 80%.
- c) WED-1 had a positive impact on rural women because it was a totally women-managed program. WED-1 women have been able to establish a positive role model for other women, and women entrepreneurs have been more encouraged to assert themselves because of the leadership they receive from WED-1 women.
- d) client identification improved considerably towards the end of the project.
- e) clients receive appropriate training in management and technical skills.
- f) family incomes have increased.
- g) client incomes have increased.

VII. Non-U.S. Contributions (BDG/Donors/Participants)

State what the BDG and other donors have contributed to the project. Compare planned versus actual inputs.

The Government of Bangladesh provided a contribution of \$8,240,000 to the WED-1 program in the form of credit (through

BKB), and the services and physical office of BSCIC. There were no other donor contributions to WED-1.

VIII. Sustainability/Post Project Monitoring

a. Statement on borrower/grantee continuing responsibilities - monitoring and initiatives to further project goals. How will project benefits continue after USAID funding stops? Identify local capacities, resources and leadership to ensure that appropriate "benefit streams" continue. Are the effects of the project likely to have sustainable development impacts?

The challenge for WEDP lies in its ability to successfully develop and promote true female entrepreneurship. Past WED-1 activities have centered around loan disbursement and loan recovery. The new WEDP provides business management and production training to clients and extended extension services. Good clients are identified, sought out, and trained. Follow up services continue through every stage of client development. Field staff take responsibility for individual entrepreneurs and carefully nurture their development. Individual attention is provided to entrepreneurs to assist them in breaking out of the social stereo-type which inhibits their identification as business women.

For WEDP to be a viable program, it must achieve financial and operational independence. The current WEDP program is on its way to achieving this independence. WEDP has improved its management and operating systems and has expanded the number of borrowers and regions that it reaches. By switching to a system of direct administration of loan, the new WEDP is beginning to earn revenue, thereby moving towards financial and institutional self-sufficiency. As USAID funding for WEDP ends in 1997, it is imperative that WEDP continue on this course of self-sufficiency.

Benefits provided under the WEDP will be sustained in two ways: (i) by the Bangladesh Government which, through the BKB and the RAKUB will continue to finance loans to poor women in areas where WEDP currently does not, nor in the future plan to, directly administer loans; and (ii) by strengthening WEDP's capability to manage loans, and thereby enabling it to obtain a line of credit from the formal banking sector. The credit funds thus obtained will be used for on-lending to customers, while interest earned on these loans will cover operational costs. Dependency on donor funds will be reduced in the short-term and make the WEDP a self-financing institution in the long term.

b. Description of continuing and/or post-project USAID/B monitoring responsibilities, including timing and resources:

As mentioned above, USAID/B's involvement with microenterprise lending to the poor women of Bangladesh did not end with the end of the WED-1 project. WED-1 set the groundwork for a focussed

effort of support in the area of microenterprise development for poor women. Since poor women are still an economically vulnerable group, the new project continues to target poor women, expanding its concentration to include semi-urban as well as rural poor. The new WEDP project helps Bangladesh achieve a microenterprise development program that provides equal access to women.

This new project is a five-year, \$5.475 (including \$1.375 million contribution from the host country) that began in FY92 and will end in FY97. USAID funding of WEDP is scheduled to terminate at the end of August, 1997, but USAID already has plans in place to help WEDP overcome some of its barriers to sustainability. For example, WEDP has moved into direct administration of its loans, which will allow WEDP to become independent of its relationship with the Bangladesh Krishi Bank (BKB) and have full control of its operation. WEDP is also receiving formal training in the operation of an automated MIS so that its accounting and tracking systems can be standardized and kept up-to-date.

IX. Lessons Learned

a. Assessment of the appropriateness of any unmet conditions and covenants and grantee reporting requirements:

Project activities under WED-1 did not leave any unmet conditions. As a result of the design of the new WEDP, the USAID/Office of Economics and Enterprise portfolio received a rigorous review of agreements and reporting requirements for activities funded under WED-1 and incorporated revisions in the new project design.

b. Description and assessment of previous and planned evaluations:

The WED-1 project was first evaluated in 1987 by Mr. Syed M. Hashemi and the evaluation was generally positive, although it cited several areas for improvement. The final project evaluation, written in June, 1989 also by Mr. Hashemi, mentioned improvements in those same areas. The areas included increased number of loan disbursements, higher recovery rate, improved client identification, and, most importantly, increased client and family incomes. Despite these achievements, the evaluation recommended further project changes, including increasing the number of enterprises that are truly women-managed. In the end, the evaluation strongly urged continued USAID support of women's entrepreneurship activities.

c. Summary of lessons learned from the project that might be relevant to programming, design and implementation of other activities:

The USAID experience in lending to informal enterprises under WED-1 is considered generally successful, demonstrating that businesses managed by women can succeed in rural Bangladesh. It also shows that a public sector entity, the WEDP Unit of BSCIC in this case, can implement an informal enterprise lending activity at least as well as local and foreign-supported NGOs in similar circumstances.

However, WED-1 also bears witness to the importance of managing informal enterprise lending programs for benefit sustainability -- even when financial self-sufficiency is clearly unattainable. The WED-1 experience suggests that adopting a more businesslike orientation could improve current implementation performance and yield worthwhile progress toward ultimate benefit sustainability. Also, at the beneficiary level, there are visible improvements in the quality of the beneficiaries' lives.

The following are specific lessons learned from the WED-1 experience:

a. The effectiveness of the 20 field offices varied widely, but even the best needed to substantially improve their performance in terms of number of loans, number of borrowers, and disbursements (loan portfolio size).

b. WED-1's cost of lending one taka was too high, and must be brought down if the organization hopes to achieve self-sufficiency.

c. WED-1 set very low targets for client recruitment, stemming from the fact that there were no incentives to motivate the field workers to exceed targets. Also, it is WED-1 policy to limit each borrower to only three loans despite their repayment record. This policy, too, should change to encourage more of the less expensive repeat business.

d. WED-1 focused too much on "industry" and "manufacturing", concentrating on enterprises with tight profit margins. Service and trade enterprises should not be neglected. The number of borrowers served, and the portfolio size per office, should increase if all poor women involved in any legitimate economic activity who desire credit and could pay back a loan on time were solicited as possible project participants.

e. The WEDP Unit did not have, and should have, direct responsibility for personnel management nor for selecting new office sites and closing unprofitable existing offices.

f. WED-1 found it difficult to identify potential borrowers of loans in the 10,000 - 60,000 taka category.

g. There was insufficient attention given to the question of whether the subsector markets in which loan applicants operate can sustain yet another enterprise and support its growth.

h. The accounting system did not treat field offices as profit centers, and so they do not naturally behave financially viable businesses.

i. The loan application procedures are too cumbersome and request information unrelated to whether the loan will be repaid on time. BKB lending practices, in particular, are inappropriate to the needs of small (and often illiterate) borrowers.

j. The disincentive effect of BKB's processing and approval delays was exacerbated by liquidity deficiencies at BKB field branches which delay disbursement after loan approval.

k. BKB's management of and reporting on the WED-1 loan portfolio was a less than ideal arrangement. BKB reports are often late and the information outdated.

l. Training needs to be better coordinated with the lending program. Skills training independent of a credit program yields few benefits either for the project or for the trainees. Also, it was found that management training for borrowers should be mandatory.

X. Conclusions and Recommendations

Statement on the impact of the project and a listing of recommendations for follow-on, future activities, etc.

Impressive levels of foreign assistance to Bangladesh notwithstanding, less than 10% of the women in rural landless households have access to credit through formal and NGO channels. Others, if they cannot borrow from their families, are at the mercy of village money lenders who charge exorbitant rates.

In 1982, USAID responded to this need with its financing of a subsistence industry and microenterprise lending pilot activity for poor rural women, WEDP (WED-1). The BDG matched USAID credit funds at a 2:1 ratio through a local bank. This effort promoted and assisted the establishment and/or expansion of family-based subsistence firms and slightly larger microenterprises in which women were significantly involved. At a minimum, women exercised a major management role; often they operated and/or owned the business. The pilot was based on anti-poverty lending but permitted growth-facilitating lending.

Implementation began in four upazilas applying a field methodology of intensive staff supervision of loans. This preliminary trial was successful and in 1986 the activity was expanded to 20 upazilas.

USAID assistance to the project ended December 31, 1990. The WED-1 project disbursed over \$1 million (the USAID portion of which was \$296,278) in about 16,000 small loans averaging \$83 to

about 11,000 rural women from the lowest 20 percent income group and achieved a loan recovery rate averaging 80 percent. The total USAID support to this project was \$886,974.

As mentioned by Mr. Hashemi in WED-1's final evaluation, "as an efficient public sector agency, as a successful credit program, as a women managed program, the WEDP [WED-1] has played a pioneering role in institution building". As was recommended, follow-on activities have focussed on making WEDP independent of the BKB, using subsector analyses to help clients choose profitable industries, and targeting potential clients who are interested in growth facilitating loans.

Due to the start-up efforts of WED-1, the current WEDP project impacts directly on the lives of at least 200,000 people (including 39,000 women clients, of whom 26,452 are borrowers, and their families). Clients have been assisted through the provision of credit, training, and business advisory services. The original WED-1 project has enabled current WEDP clients to significantly improve their standard of living. While the distant future of WEDP is unknown at this time, it is possible that WEDP may one day thrive as a separate and private organization not affiliated with BSCIC.

APPENDIX A (Cont'd): PACR Attachment 1

Project Financial and Contract/Assistance Close-out Checklist

Project Title: Rural Industries Project
Women's Entrepreneurship Development Program
Component (WEDP)
Project No.: 388-0042

need to list all w/str matter

A. Review all active USAID-financed contracts/assistance instruments to ascertain what, if any, amounts remain to be billed and paid; to discover any disputes that have arisen or are likely to arise and to expedite their settlement to the extent possible.

Completed: PO: RR CONT: *flu* CO: *cu* Date: 11/22/95

B. Review commitments and disbursements under individual commitment documents (L/Comms, DRAs, Letters of Credit, PIL's, etc.) and, where necessary, make appropriate alternative arrangements to ensure that all disbursements will be made during a reasonable period following the PACD.

Completed: PO: RR CONT: *flu* Date: 5/21/95

C. Review disbursements to be made by the Grantee to determine that adequate funds to complete the project will be available from the Grantee or other sources within the framework of the Agreement and the project financial plan, and to begin resolution of any problems encountered.

Completed: PO: RR CONT: *flu* Date: 5/21/95

D. Review the adequacy of the arrangements, including funding, made for the operation of the project (if it has an "operations phase") and agree with the implementing (or operating) agency on any additional steps necessary to assure availability of recurrent cost financing.

Completed: PO: RR CONT: *flu* Date: 5/21/95

E. Review all USAID financing accounts and begin discussions with the Grantee on deobligation of funds not required to complete the project, if any.

Completed: PO: RR CONT: *flu* Date: 5/21/95

F. Deobligate any undisbursed USAID funds that were not needed for the project.

Completed: PO: RR CONT: FU Date: 12/18/95

All required financial and contract/assistance close-out actions for this project have been completed.

✓ CONT: FU
CO: RR
PO: RR

Date: 11/30/95
Date: 11/22/95
Date: 5/21/95