

The Daily Star Roundtable in Association with Prince of Wales Business Leaders Forum (PWBLF)

Towards a Creative Business-NGO Partnership

Bangladesh is now the unquestioned leader of what has been termed as 'social entrepreneurship'. Our non-governmental development sector has come of age and is now ready to play a more effective role in national development.

On the other hand, our private sector has also advanced considerably in the last decade or so. It is our belief that time has come to seriously look into the areas of convergence where our business community and NGOs can benefit from each other's expertise and help generate a stronger thrust for sustainable and equitable growth.

To bring the subject into public discussion The Daily Star, in cooperation with the Prince of Wales Business Leaders Forum (PWBLF) organised a roundtable with leaders from government, business and NGOs of Bangladesh and participants from PWBLF.

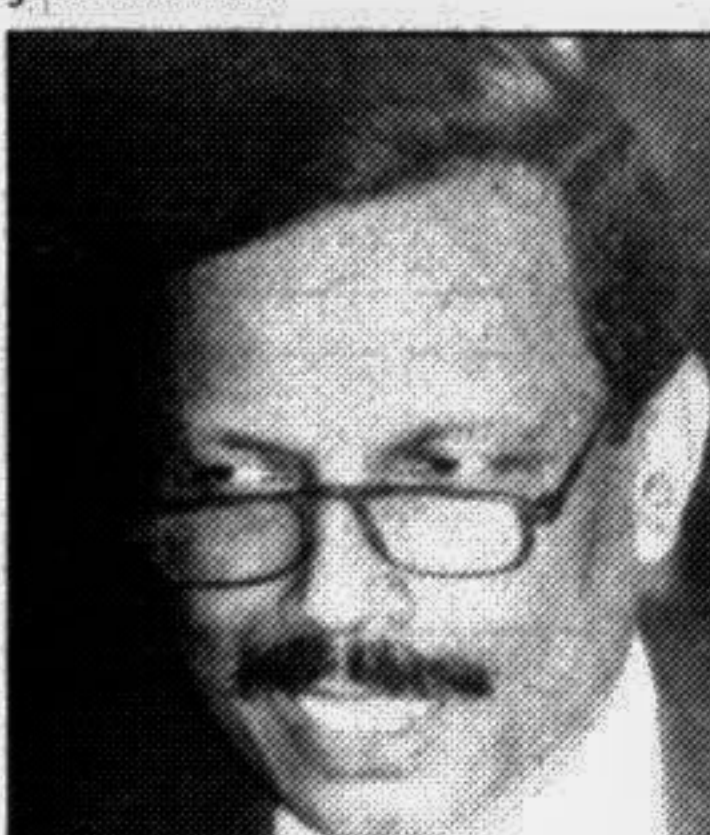
In this page we publish a brief report of the discussion held. We also put forward a few concrete suggestions that we think can form the basis of follow-up actions. We invite members of both the business and NGO communities to further discuss the matter through the columns of this newspaper so that we can form a mutually beneficial partnership of these two vibrant sectors of our economy.

— Editor



Khushi Kabir, the Executive Director of Nijera Kori said that NGO and business collaboration dialogue is at an appropriate time. The NGOs have gone through a transition from relief work to poverty analysis and now, to mobilising resources. The aim of NGOs is to make people self-reliant. In the beginning, there was a lot of funding from abroad, and a lot of younger people began working in the fields to help the poor. Gradually, NGOs grew to become a vibrant and innovative sector. Now this sector has to examine the options to sustain itself. It has three options — outside funds, its own funds, and other sources. It is time to focus on the latter two. The NGOs do have the capacity to build up funds in a collaboration with the business sector. Now is a good time because there were not many industries before as there are today. In the beginning, socialism was one of the four factors, but now there are many many businesses.

One of the obstacles to collaboration is the question of tax exemption. In a recent discussion with the wage commission, the issue of corruption was raised. Just because corruption exists does not mean that one should take the whole system away. There has to be transparency and accountability, otherwise there will be big drawbacks to free support. Until a time we can look at how funds can be generated, there should be collaboration. NGOs are good watchdogs, they are more environmentally conscious and they have more functions than just service.



Saleuddin Ahmed, the Director, Planning of BRAC said that NGOs have come a long way from altruistic to professional do-gooders. In Bangladesh, the NGOs are the best and most vibrant than anywhere in the world. NGOs are forced to do business in extending credit be-

cause of the need for funds and because the people wanted more business services. They are not involved in business for any other reason. We buy a lot of things from the business houses, e.g. pencils, day-old chicks, etc. We also give the private sector contracts. In short, we link the poor to the market. The demand from people has led us to form commercial enterprises that support the producers in the rural areas. We have maintained a good track record and the suspicion against us has reduced.

The government has given us interesting enabling support. The business community has approached us for milk enterprises and other innovations. BRAC has formed a company with an Internet provider, and we are partners with Delta Life in a Housing Finance scheme. All our companies are fully taxed. I agree with Mr Hannan that NGOs should not directly be involved in industries, but we need to do business otherwise we will have a shortage of funds. In the business of dairy milk the private sector did not want to get involved, so we took the initiative on our own and in effect we linked 30,000 poor people to the market.

Business and NGOs can work together in the field of — poultry vaccines, livestock medicines, and tissue culture where the government monopoly prevents private sector involvement in research of livestock feed and seed multiplication as research is only conducted at the universities, and we have to import seed from abroad.

There are many opportunities, as Bangladesh continues to grow.



Aroma Goon, the Executive Director of PRIP said that the Trust had a better experience with the two top bilateral agencies, and in looking for an organisation, it found PBSP. PRIP sent 4 people to a meeting with PBSP and came up with which was a movement that took dialogue to reality.

There must be interaction with the government and the private sector as that is a way for resource mobilisation but people believe that NGOs should be confined. The private sector has to take responsibility for social progress also. Sustainability for NGOs is required, as donor funds are drying up and donors drive everyone. We can through partnership and cooperation of the business community share the burden of improving the per capita income of this country.



Lutfullah Majid, the Managing Director of Grameen Uddoyag said that Bangladesh imports around 40 million USD worth of check fabrics every year. Uddoyag organises weavers to produce check fabrics, since there obviously seems to be a demand for them. We approached the Federation, BGMEA and other business organisations, but the response from them was not very positive. The business leaders said that NGOs cannot function as a business organisations and therefore, no collaboration with us can be permanent. They also said that the clientele of the NGOs were very high, and as a result, the business community would suffer. Further, they said that the Grameen clients are poor and cannot be relied upon to be punctual. However, once Grameen took off, the big business leaders became interested. So I am optimistic of NGO-business collaboration. The NGOs' dialogue with the business community should be a continuous process.

All operations of Uddoyag are now with the business community. The BGMEA is interested in establishing a design institute and has approached Grameen and some other NGOs. We have many advantages as our NGOs are more advanced than others in the world. Once a relationship is established, there is lot of scope. The Philippines model is unique, and along with the South African and Egyptian models it can help us. The Federation and other big business such as BTC can help us. All their donations go to the mosques, and perhaps the government can help us in that respect. It is time to do away with donor reliance and assistance. Once we get into a relationship with a donor, we are trapped.



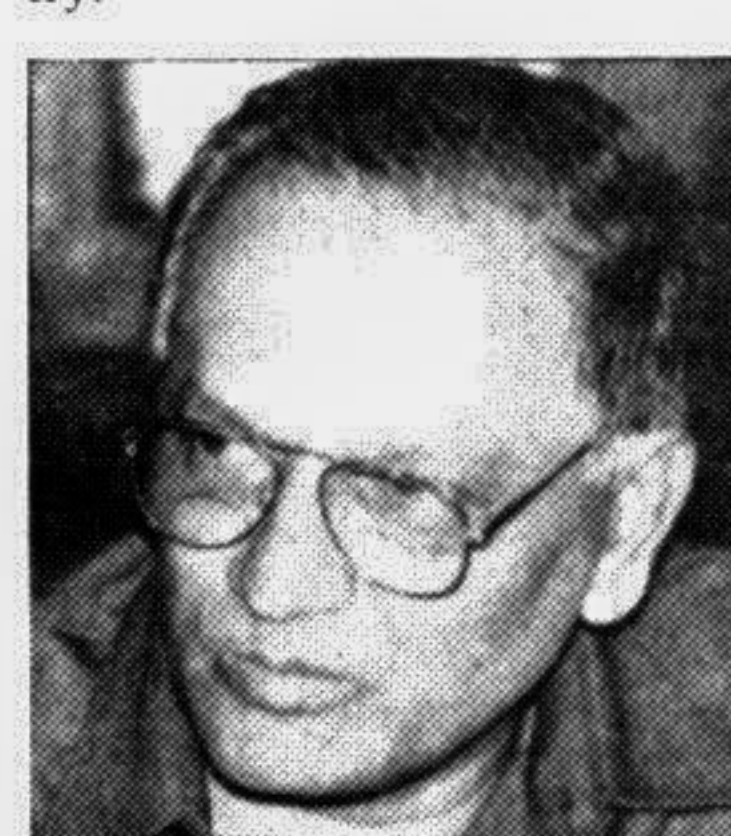
Salehuddin Ahmed, the MD of PKSF said that PKSF, when abbreviated, means Rural Employment Facilitation Foundation. It was set up by the government in 1990 to provide soft fund to the NGOs. We now have 139 partner organisations and we charge an interest of 3 per cent. If the fund is USD 50 million, we charge an interest rate of 5 per cent. PKSF was cited in Washington as a conduit without blocks. We have no interference from the government. We fund the NGOs who extend the same to the landless and assetless. Our rate of recovery is 98 per cent, and at the field level it is sometimes 99 per cent. Of the 500,000 recipients, 92 per cent are women, and so far we have funded 1300 million taka to the NGOs of which 1100 million is from the government.

The NGOs have a lot of flexibility. They charge up to 15 per cent as service charge, and the margin between 3 and 15 per cent is the profit. The PDAP charges 35 per cent, and that is even less than what the money lenders ask for. The PKSF has set a trend. Pakistan is interested to follow the model. We have just been granted a World Bank loan of 10 million dollars on our own terms and not on theirs. The big NGOs such as BRAC and ASA have become partners of PKSF. Our stress is on soft credit and the micro-credit system at the grass roots.



Shah A Hannan, the Chairman of the NBR said that everything but the government may be an NGO, but the latter refers to organisations that work towards humanitarian needs and poverty alleviation. The basic relationship between the business community and the NGOs is the funding of activities. In Philippines and Egypt, the NGOs coordinate the funding and activities, but in Bangladesh if we have said that the government should not be in business, then why should NGOs be playing that role? The NGOs can have two functions — train people and coordinate the funding and activities. They should not have a direct role in industrialisation, but should indirectly support it by promoting health, education, employment, poverty alleviation and microcredit. It is the function of society to fund the NGOs.

As regards taxes, NGOs do not pay taxes, but the business houses do. The business donations were tax exempt, but after years of abuse and misuse, the tax exempt clause was lifted. The NGOs that set up industries have to be taxed, otherwise they will gain an unfair advantage over other firms in the same industry. There is no law that states that NGOs cannot do business, however, their primary role should not be setting up industries, otherwise one day NGO will mean only industry.



Ahmedullah Mia, Executive Director, UCEP, Dhaka, said that UCEP had identified its role for the poorest of the poor in the urban areas. "We impart basic education and provide them with the opportunity for skill learning, hence making the manpower marketable. Training is imparted in fields such as electrical, automobile, etc., with the sole aim of getting the poor out of the vicious circle of poverty." He noted that Bangladesh urgently needed skilled manpower for its industries. "Only 10-20 per cent of its need is fulfilled by the available sources of supply of trained manpower. However, this is grossly inadequate and it is in these circumstances that one feels that Bangladesh needs to develop its poor." He noted that Bangladesh urgently needed skilled manpower for its industries. "Only 10-20 per cent of its need is fulfilled by the available sources of supply of trained manpower. However, this is grossly inadequate and it is in these circumstances that one feels that Bangladesh needs to develop its poor." He noted that Bangladesh urgently needed skilled manpower for its industries. "Only 10-20 per cent of its need is fulfilled by the available sources of supply of trained manpower. However, this is grossly inadequate and it is in these circumstances that one feels that Bangladesh needs to develop its poor."



Rokeya Rahman, Director, MIDAS, Dhaka, briefly stated that MIDAS extended micro-credit and financed micro-industry.



Shahidullah Khan, Managing Director, Business International believes that a lot of information gap still exists — "there is mutual suspicion between NGOs and business groups that can be removed by exchange of ideas." He also stressed the need for strong collaboration between NGOs and business sector. "A lot of private initiative in running schools or building hospitals in the villages does exist in Bangladesh because they are not well organised." Citing the example of Grameen Telecom, he said that it was a good instance of NGO-business partnership where technology was brought in by a private entrepreneur and funds provided by an NGO, in this case Grameen. Referring back to the issue of training manpower he said, "Bangladesh should address the need for human resource development urgently." He said, "NGOs do have a positive role to play here and many apex business bodies would be interested in financing them too."



Major General Amjad Khan, Managing Director, Property Development Ltd. characterised an NGO by the strong and powerful leadership it provided, its resource to credit and its altruistic principles — it aims at doing good to society. However, sustainability and financial viability of such institutions is an important issue. Talking from his experience as an agribusiness entrepreneur he says, "NGOs can play a leading role in this sector." After consolidating the land at the production level NGOs can bring in better technology which costs money. Invest by way of irrigation, high-yielding seeds, pesticides etc., and can extend buy-back facilities to businessmen." This would, according to him, enable many to have strong business base. Referring to his business venture PRAN (Programme for Rural Advancement Nationally) a listed company, he says, "We are engaged in giving formal training to 600 adult girls thus negating the notion that financial viability and rural advancement cannot exist simultaneously."

Alauddin A Majid, Managing Director, Basic Bank, Dhaka, noted that at a time when donor funds were dwindling, banks such as his could finance the NGOs. With 20 branches all over Bangladesh, Basic Bank had signed a MoU with 14 NGOs like ASA to provide credit facilities



Jane Nelson, Director Research and Policy of the Prince of Wales Business Leaders Forum (PWBLF) said similar projects to the Filipino style were functioning in some other countries, including Britain.

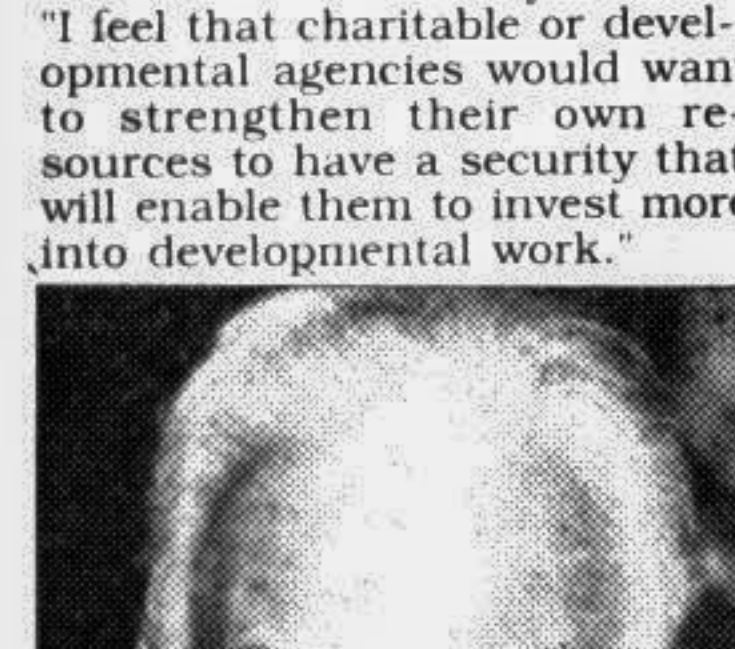
According to her, such projects were contributing in the social development of South Africa, while a similar system has also been initiated in Hong Kong. Besides, Zimbabwe was also planning to undertake such initiatives, she added.

Telling about her experience in some of those countries, she said that leaders of community development projects were also entering into policy dialogue with the government, which also accelerated the pace of development in those countries.

In south Africa, she observed, the community development work also included crime control, and other projects like health and education. She also said that in Britain a total of 250 companies were participating in training of skilled workers giving people apprenticeship in their factories.



Jaya Pati, Kumudini Trust, Dhaka observed that there are 50 organisations in Bangladesh imparting technical training to the poor and the illiterate, street children or school dropouts. They are trained up as technicians, electricians, mechanics, plumbers etc. Sadly, 90 per cent of these students go abroad in search of more lucrative jobs. She also urged for some modified tax policies for businesses whose profits go towards the funding of charitable and rural advancement institutions. Citing her own Kumudini Trust as a case in study she said, "I feel that charitable or developmental agencies would want to strengthen their own resources to have a security that will enable them to invest more into developmental work."



S H Kabir, Chairman of Renata, called for the discrepancies between the NGO and the private sector to be removed quickly to avert any potential risk of conflict between the two. Speaking on this, he said, "In NGO set-up industries, cost of funds is zero as opposed to the private sectors who pay around 25 per cent to the banks." Urging for more business-NGO cooperation, he also at the same time asked for the revival of the apprenticeship programme — "It can be raised in its proper form again."

Jonathan Joson of the Philippines Business for Social Progress said that a total of 183 companies in their country were contributing one per cent of their pre-tax profit for community development.

The Philippines Business for Social Progress (PBSP) was initiated about 27 years ago, he said, adding that the organisation now generates a fund of three million USD per year. Of the total fund generated by the organisation, 80 per cent is returned to the business or-



It comes directly under the Prime Minister's office of her country as an autonomous agency, she added.

Of the total fund generated by the SFD, 40 per cent is channelled through the NGOs, while another equal amount of share is utilised through the Local Government while the rest 20 per cent is channelled through the central government of Egypt, she added.

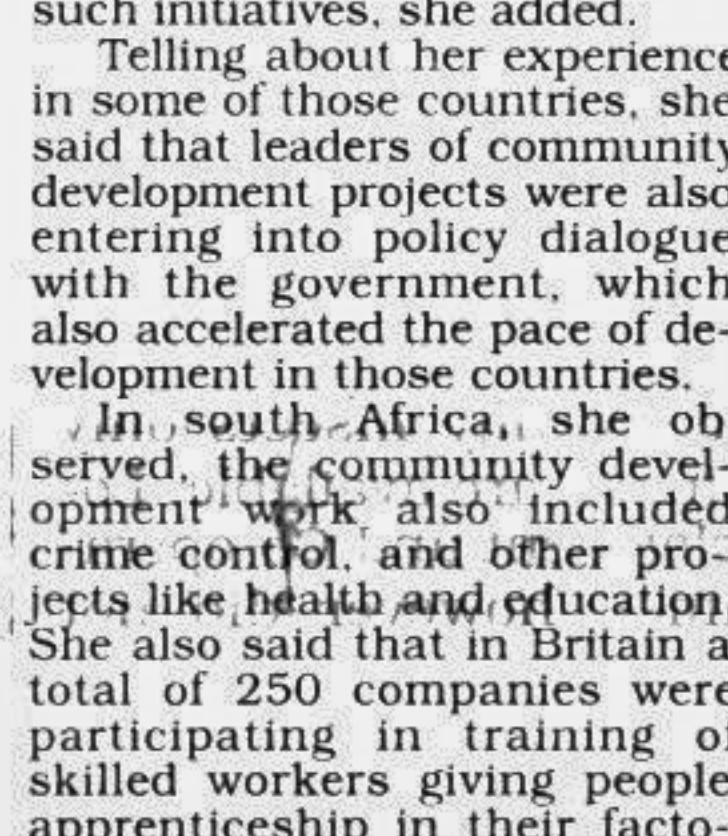
The organisation which took off in 1990, generated scepticism and suspicion among the people in the beginning, Amani said, adding that people were gaining confidence in the work of the organisation with the passage of time.

Credit is given to the small entrepreneurs to set up their own trade and they are given training in various skills, free of cost. The rate of interest for the creditors of the SFD scheme is usually little less than what is normally charged by the banks. The SFD has successfully negotiated with the government and made the business establishment of small entrepreneurs tax-free for a period of five years, she added.



Christene Gent, Fair Shop Department of Body Shop observed that a healthy and educated community helps to the growth of the product in its quality and quantity.

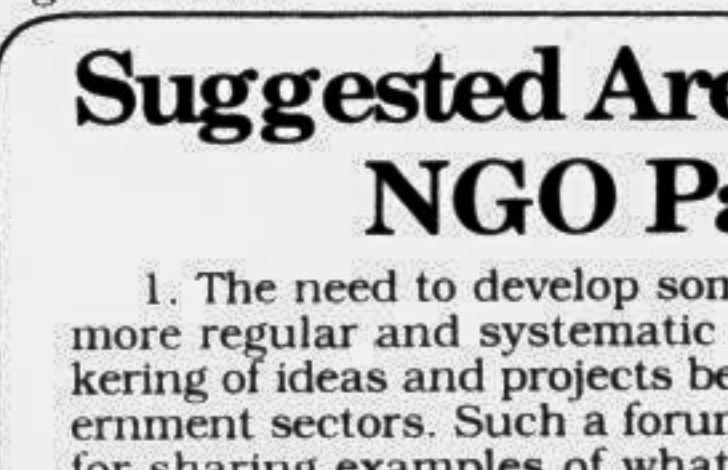
Describing her experience of the Body Shop, which sells its products across the world, she said that the products of her company were not only helping people improve their skills of selling but also innovate new ideas.



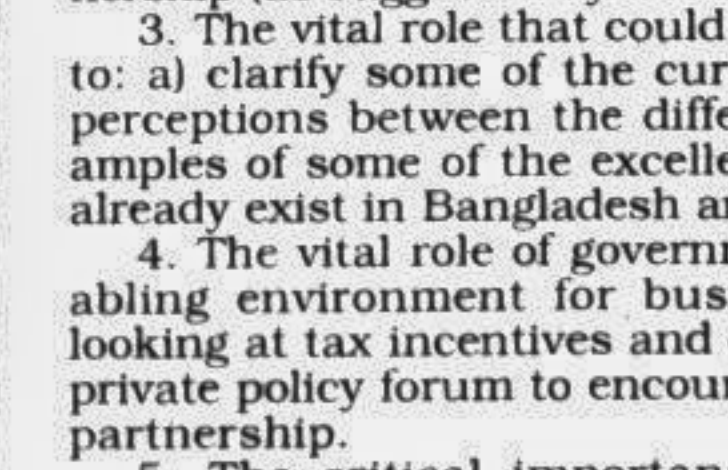
Henry Jackelen, Manager Private Sector Division, stressed on the importance of a dialogue between the rich and diverse NGO sector with the business community.

Citing the example of such bridge where business houses and the NGOs corporate he said the two could complement each other rather than contradicting with themselves. There are instances where the corporate houses trained their management skills to the NGOs and also benefited from the resource mobilisation capacity of the latter, he added.

Terming the NGOs as the developer of 'Social Infrastructure' and 'Social Entrepreneurship', he observed it was time for business houses to collaborate with them in exploring commercial possibilities.



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List of Participants

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| GOVERNMENT | Major General Amjad Khan |
| Shah A Hannan | Managing Director |
| Chairman, NBR | Property Development Ltd |
| Salehuddin Ahmed | Managing Director |
| Managing Director | Basic Bank, Dhaka |
| NON-GOVERNMENTAL ORGANISATION (NGO) | Jaya Pati |
| Khushi Kabir | Kumudini Trust |
| Executive Director | Dhaka |
| Nijera Kori, Dhaka | S H Kabir |
| Saleuddin Ahmed | Chairman, Renata |
| Director, Planning | PRINCE OF WALES BUSINESS LEADERS FORUM (PWBLF) |
| BRAC, Dhaka | Jane Nelson |
| Lutfullah Majid | Director Research and Policy |
| Managing Director | PWBLF |
| Grameen Uddoyag | Christene Gent |
| Aroma Goon | Fair Trade Department |
| Executive Director | Body Shop, UK |
| PRIP Trust | Amani Abu Zied |
| Dhaka | Social Fund for Development |
| Ahmedullah Mia | Egypt |
| Executive Director | Jonathan Joson |
| UCEP, Dhaka | Philippines Business for |
| BUSINESS LEADERS | Social Progress |
| Rokeya Rahman | Henry Jackelen |
| MIDAS, Dhaka | Manager |
| Shahidullah Khan | Private Sector Division, |
| Managing Director | UNDP |
| Business International | |
| MODERATOR | |
| Mahfuz Anam | |
| Editor, The Daily Star | |