

SMEs show path to jobs

In times of rising unemployment, small and medium enterprises can create jobs and deserve attention from policymakers

TARIQUE AFZAL

WITH rising unemployment and inflation, we need more jobs, and we need them now. The most efficient way to create jobs is by encouraging more small and medium businesses and entrepreneurs to compete in the market and beyond.

The reality is that small and medium enterprises (SMEs) are powerful -- indeed essential -- engines of economic growth and job creation, not to mention additional revenue.

Unfortunately, financial institutions do not give enough attention. The SMEs are not receiving adequate attention to equip and gear them toward competing internationally, despite the vast potential that exists aboard.

All businesses require loan or credit to grow. Our current system of financial institutions is performing its function anemically. The derivatives may be a rare option but the potential of planting long term benefits are for real and durable.

The real problem this nation faces is moral conduct and hence the attitude "I do it my way." One would have to be naive or foolish to believe that individuals in financial power would conduct themselves differently. Neither politics nor law has been able to correct our conduct.

SMEs have traditionally been the province of growth for the economy in countries similar to ours and the nation can depend on it to increase the country's employment rate.

The commitment to grow the strength of the SME sector of Prime Minister Sheikh Hasina is overwhelming.

Let us look at the paraphrase of benefits of SMEs -- these enterprises generally have a greater understanding of cultural and related context, links with society, and a greater commitment to operating in a specific area. In many cases, family-owned companies in particular often exhibit strong ethical approaches that ensure job satisfac-



Mollika Chakma, right, an entrepreneur from Rangamati, showcases her handicraft items at an SME fair in Dhaka last week.

AMRAN HOSSAIN

tion and reduce default on borrowings. They are also able to build a strong business case to improve and demonstrate their social responsibility.

According to statistics from countries such as India, Sri Lanka and even Canada, small and medium-sized enterprises produces about 21 percent of their GDP, encouraging sectors to deal cross borders and become global players.

In lieu, our prime minister urged all entrepreneurs by saying at the opening

ceremony of the SME Fair, "Despite various incentives by the government, you will have to sustain by competing with the outside world, both in quality and price of the products. You also have to be more careful about management and quality control of the goods."

In order to ensure such a vision of employment opportunities, the difficulties confronting high-growth SMEs include obtaining financing, expanding markets, calculating the risks of alliances, finding the

right partners and employees, hiring and training staff.

Governments can help overcome such barriers to growth by simplifying policies and programmes to reduce bureaucracy, by giving more responsibility to private authorities and by evaluating the policies on a regular basis. In this regard, the SME Foundation has played a major role in developing significant methods in modifying the sector via extensive research and fundamental support.

"We will be driven by the vision to increase manufacturing of a variety of products in the local industries and to find new destinations to boost exports," said Syed Rezwanul Kabir, managing director of the SME Foundation. To support the slogan of SME employment, SME Foundation and nine other similar bodies in Asia have recently formed an alliance to foster economic growth and create jobs for the youth. The new platform emerged after the Commonwealth meetings of the government heads in 2009 and 2011 gave mandate to set policies and mechanisms for youth enterprise development.

SMEs operate in almost all sectors, but are more heavily represented in some than others. However, SMEs tend to predominate in service, construction, retail, manufacturing (in the case of medium-sized companies), transport, storage, and others. Today, like in many countries, SMEs remain the backbone to the development of the economy at large.

The economic crisis has affected the economies of a majority of different states in various sectors to varying degrees. The highest export revenue generating sector of RMG and pharmaceuticals had to cut profits. The impact on SMEs has been mixed, and largely dependent on issues such as the sector in which they operate. However, in countries like ours, the impact on SMEs seemed insignificant as they cater mostly to the domestic market.

Considering the modalities, the option shall always be the SME way, and it is clear that the small and medium businesses, which are the bedrock of the Bangladesh economy, need support to boost business confidence and realise their potential.

The need of the time is SMEs, which, I think, should be the focus of all debates and discussions.

The writer is the chief executive officer of a rating agency. He can be reached at tariqueafzal@hotmail.com.

POVERTY AND FOOD

The nutrition puzzle

Why do so many people in poor countries eat so badly -- and what can be done about it?

THE ECONOMIST

IN Eldorado, one of São Paulo's poorest and most misleadingly named favelas, some eight-year-old boys are playing football on a patch of ground once better known for drug gangs and hunger. Although they look the picture of health, they are not. After the match they gather around a sack of bananas beside the pitch.

"At school, the kids get a full meal every day," explains Jonathan Hannay, the secretary-general of Children at Risk Foundation, a local charity. "But in the holidays they come to us without breakfast or lunch so we give them bananas. They are filling, cheap, and they stimulate the brain." Malnutrition used to be pervasive and invisible in Eldorado. Now there is less of it and, equally important, it is no longer hidden. "It has become more visible -- so people are doing something about it."

If Eldorado's slum children today eat better, it is partly thanks to José Graziano da Silva. He ran Brazil's Fome Zero (zero hunger) campaign, a policy that has helped to cut hunger by more than a third in Latin America's largest country. Now Mr Graziano wants to apply the lessons he has learned more widely: he recently took over as head of the United Nations' Food and Agriculture Organisation (FAO). And he stands a better chance of success than his predecessors. His appointment coincides with a shift in the world's approach to fighting hunger.

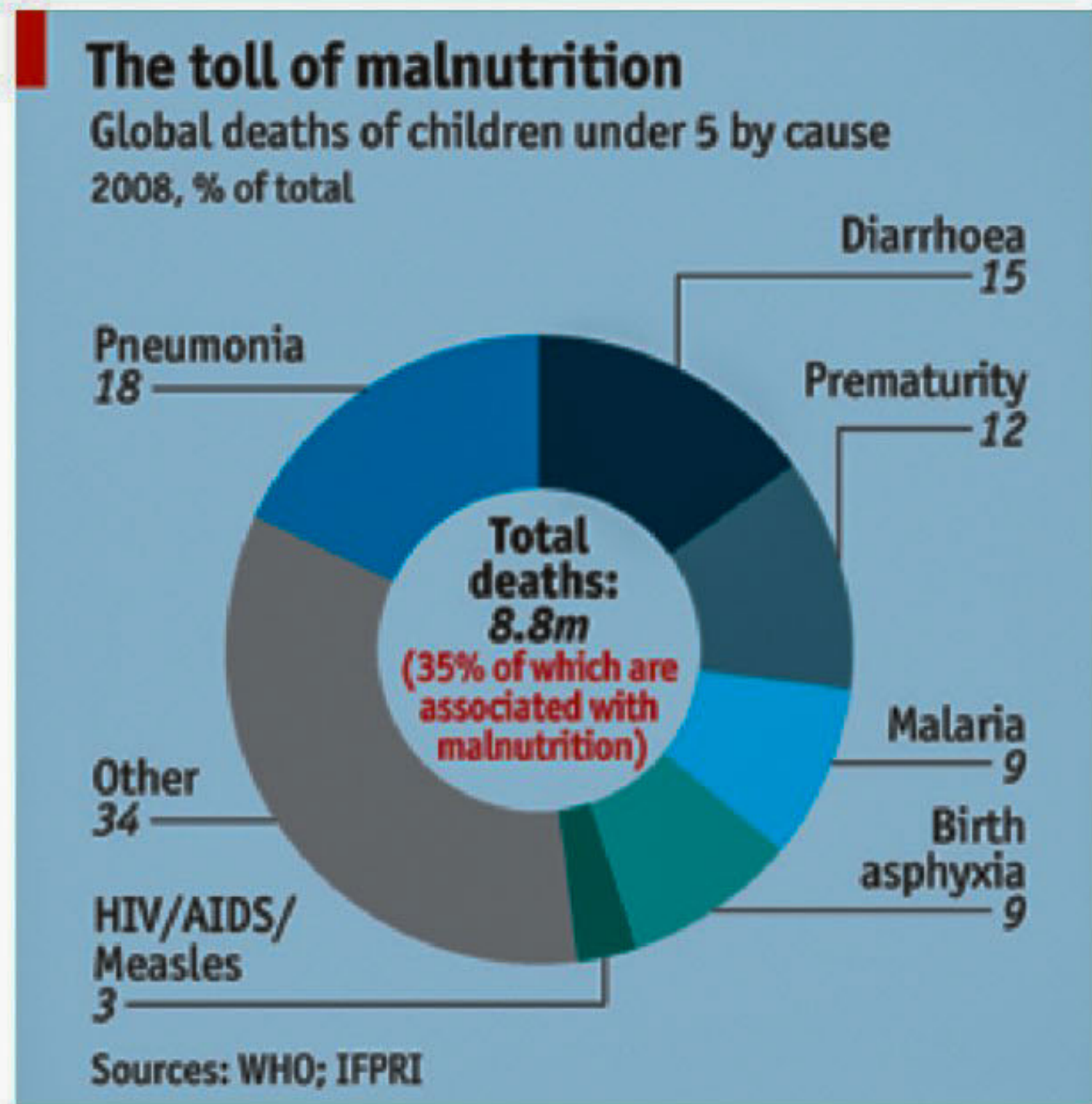
Governments around the world are paying increasing attention to nutrition. In 2010 donors, charities and companies drew up a how-to policy guide called SUN (which stands for scale up nutrition). Brit-

ain's Department for International Development and other aid agencies are devoting more of their money to nutritional projects. The World Bank has nailed its colours to the mast with a book called "Repositioning Nutrition as Central to Development". Save the Children, an international charity, talks about "galvanising political leadership" behind the effort. Underlying all this is a change in thinking about how best to improve nutrition, with less stress on providing extra calories and food and more on improving nutrition by supplying micro-nutrients such as iron and vitamins.

In the 1960s and 1970s, ending hunger and malnutrition seemed relatively simple: you grew more crops. If the harvest failed, rich countries sent food aid. But the Ethiopian famine of 1984 undermined this approach. Here was a disaster of biblical proportions in a country where food was available. It was a reminder of what an Indian economist, Amartya Sen, had long taught: what really matters with food is not the overall supply, but individual access.

So in the 1990s and early 2000s the emphasis switched to helping people obtain food. This meant reducing poverty and making agricultural markets more efficient. Between 1990 and 2005 the number of people living on less than \$1 a day in poor countries (at 2005 purchasing-power parity) fell by a third to 879m, or from 24.9 percent of the total population to 18.6 percent.

Yet the food-price spike of 2007-08 showed that this approach also had limitations. Prices of many staple crops doubled in a year; millions went hungry. The world remains bad at fighting hunger. Experts argue about exactly how many people are affected, but the



number has probably held flat at just below 1 billion since 1990.

Even where there is enough food, people do not seem healthier. On top of 1 billion without enough calories, another 1 billion are malnourished in the sense that they lack micro-nutrients (this is often called "hidden hunger"). And a further 1 billion are malnourished in the sense that they eat too much and are obese. It is a damning record: out of the world population of 7 billion, 3 billion eat too little, too unhealthily, or too much.

Malnutrition is attracting attention now because the damage it does has only recently begun to sink in. The misery of lacking calories -- bloated bellies, wasted limbs, the lethargy of famine -- is easy to spot. So are the disastrous effects of obe-

sity. By contrast, the ravages of inadequate nutrition are veiled, but no less dreadful.

More than 160m children in developing countries suffer from a lack of vitamin A; 1m die because they have weak immune systems and 500,000 go blind each year. Iron deficiency causes anaemia, which affects almost half of poor-country children and over 500m women, killing more than 60,000 of them each year in pregnancy. Iodine deficiency -- easily cured by adding the stuff to salt -- causes 18m babies each year to be born with mental impairments.

Malnutrition is associated with over a third of children's deaths and is the single most important risk factor in many diseases. A third of all children in the world are under-

weight or stunted (too short for their age), the classic symptoms of malnourishment.

The damage malnutrition does in the first 1,000 days of life is also irreversible. According to research published in The Lancet, a medical journal, malnourished children are less likely (all things being equal) to go to school, less likely to stay there, and more likely to struggle academically. They earn less than their better-fed peers over their lifetimes, marry poorer spouses and die earlier.

Paradoxically, malnutrition can also cause obesity later in life. In the womb and during the first couple of years, the body adjusts to a poor diet by squirrelling away whatever it can as fat (an energy reserve). It never loses its acquired metabolism. This explains the astronomical obesity rates in countries that have switched from poor to middle-income status. In Mexico, for instance, obesity was almost unknown in 1980. Now 30 percent of Mexican adults are clinically obese and 70 percent are overweight. These are among the highest rates in the world, almost as bad as in America. India has an obesity epidemic in cities, as people eat more processed food and adopt more sedentary lifestyles. And with obesity will come new diseases such as diabetes and heart disease -- as if India did not have enough diseases to worry about.

Nutrition is also attracting attention because of some puzzling failures. In a few big countries, notably India and Egypt, malnutrition is much higher than either economic growth or improvements in farming would suggest it should be. India's income per head grew more than fourfold between 1990 and 2010; yet the proportion of underweight children fell by only around a quar-

ter. By contrast, Bangladesh is half as rich as India and its income per head rose only threefold during the same period; yet its share of underweight children dropped by a third and is now below India's. Egypt's agricultural value-added per person rose more than 20 percent in 1990-2007. Yet both malnutrition and obesity rose -- an extremely unusual combination.

The good news is that better nutrition can be a stunningly good investment. Fixing micro-nutrient deficiencies is cheap. Vitamin supplements cost next to nothing and bring lifelong benefits. Every dollar spent promoting breastfeeding in hospitals yields returns of between \$5-67. And every dollar spent giving pregnant women extra iron generates between \$6-14. Nothing else in development policy has such high returns on investment. In 2008, as part of a project called the Copenhagen consensus, eight prize-winning economists listed the projects they thought would do most good (they had an imaginary \$75 billion to spend). Half their proposed projects involved nutrition.

If malnutrition does so much damage and the actions against it are cheap and effective, why is the affliction only now being taken seriously? Some countries have successfully tackled it. Brazil cut the number of underweight people by 0.7 percent a year between 1986 and 1996 and reduced stunting by 1.9 percent a year. Bangladesh reduced both rates by 2 percent a year in 1994-2005.

But in many countries the problem of "hidden hunger" is hidden from victims themselves, so there is no pressure for change. If everyone in a village is undernourished, poor nutrition becomes the norm and everyone accepts it.