

A Long Road

**Experience in designing a
Business Development
Services Programme in
Bangladesh**

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The Donor Guidelines – Implications (page 10)

- **Donor Control** – lower control, shifts focus to approach and impact, more unpredictable
- **Donor Visibility** – shift away from donor logos to the facilitator brand
- **Donor Co-ordination** – ensuring broad consensus to avoid contradictory approaches

New Donor Roles

- **Donor Control** – Risk Reduction techniques, different role
- **Donor Visibility** – Forward & Backward Branding
- **Donor Co-ordination** – Different levels matter, sector wide thinking

Bangladesh at a glance

- Large population – 130 million but small size
- Deep supply chains, with the core export being Garments (RMG) – threat of MFA
- Good economic growth of 6% per annum, poverty reduction 1% per annum, 40% below the poverty line
- Accelerating Government Reforms
- Mega NGO sector in service provision
- Constraints: Poor infrastructure (esp. power), investment climate & law and order

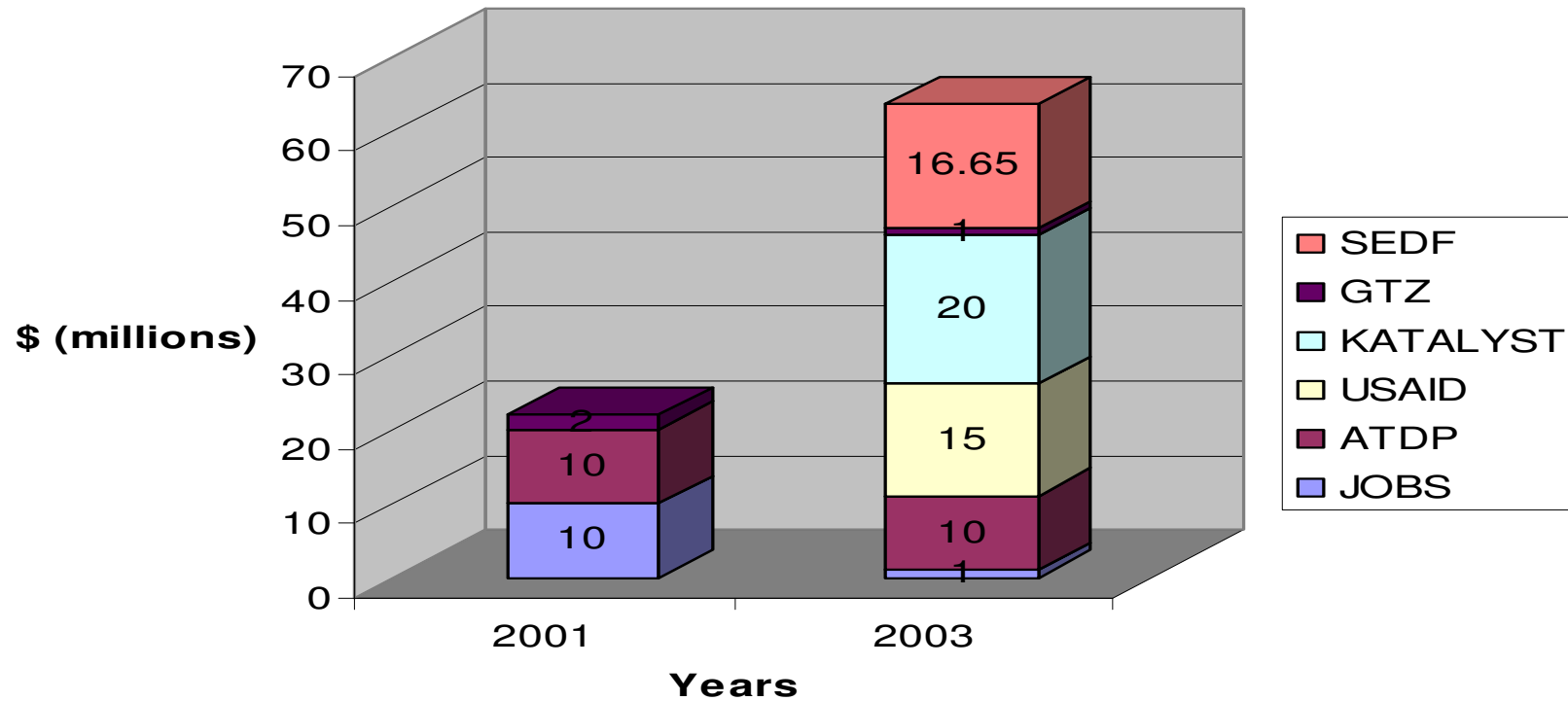
Changes in Bangladesh

- Accelerating emphasis on the role of SMEs to achieve pro-poor growth
- Increasing consensus around market oriented approaches
- The key financial market failure is for SMEs not micro enterprises
- BDS pilots have increased learning and understanding

Effects: Emergence of large scale new programmes

BDS Programmes in Bangladesh

BDS Programmes in Bangladesh



Market oriented programmes supported by DFID in Bangladesh

- **Developing Business Service Markets Programme (KATALYST) – U\$ 20m with SDC & Sida**
- **South Asia Enterprise Development Facility (SEDF) – U\$ 37m with IFC, CIDA, EU, NORAD, Dutch**
- **Livelihoods Programmes**
- **New Enabling Environment Programme**

Example Used : KATALYST

Back to the Donor Guidelines

Control & Risk Reduction

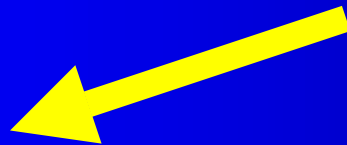
- Realised that we needed to take a process approach – accepted loss of control
- This meant knowing less about the outputs & interventions
- Put major effort into understanding potential impact of the programme
- Developed 'risk reduction' mechanisms to deal with these uncertainties

Risk Reduction during Design

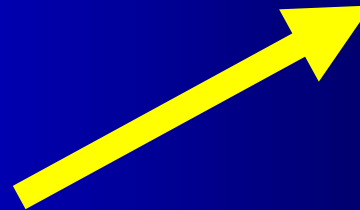
Building Donor Consensus & Understanding



Scoping Study -
Agreed objectives of large scale and impact



Approach Studies in Weaker markets, BMOs, Agribusiness, Technical Training, Gender, ESRB, Media, Generic Services, Clusters, Enabling Environment



Project Approach formulated, Consortium Formed, Upscaled pilot



Eight Offer Drafts to approval

KATALYST APPROACH

Component A:
Generic
Services

Component B:
Sub-Sector
Service
Development
& Rural
Markets

Knitwear

Plastics

Steel

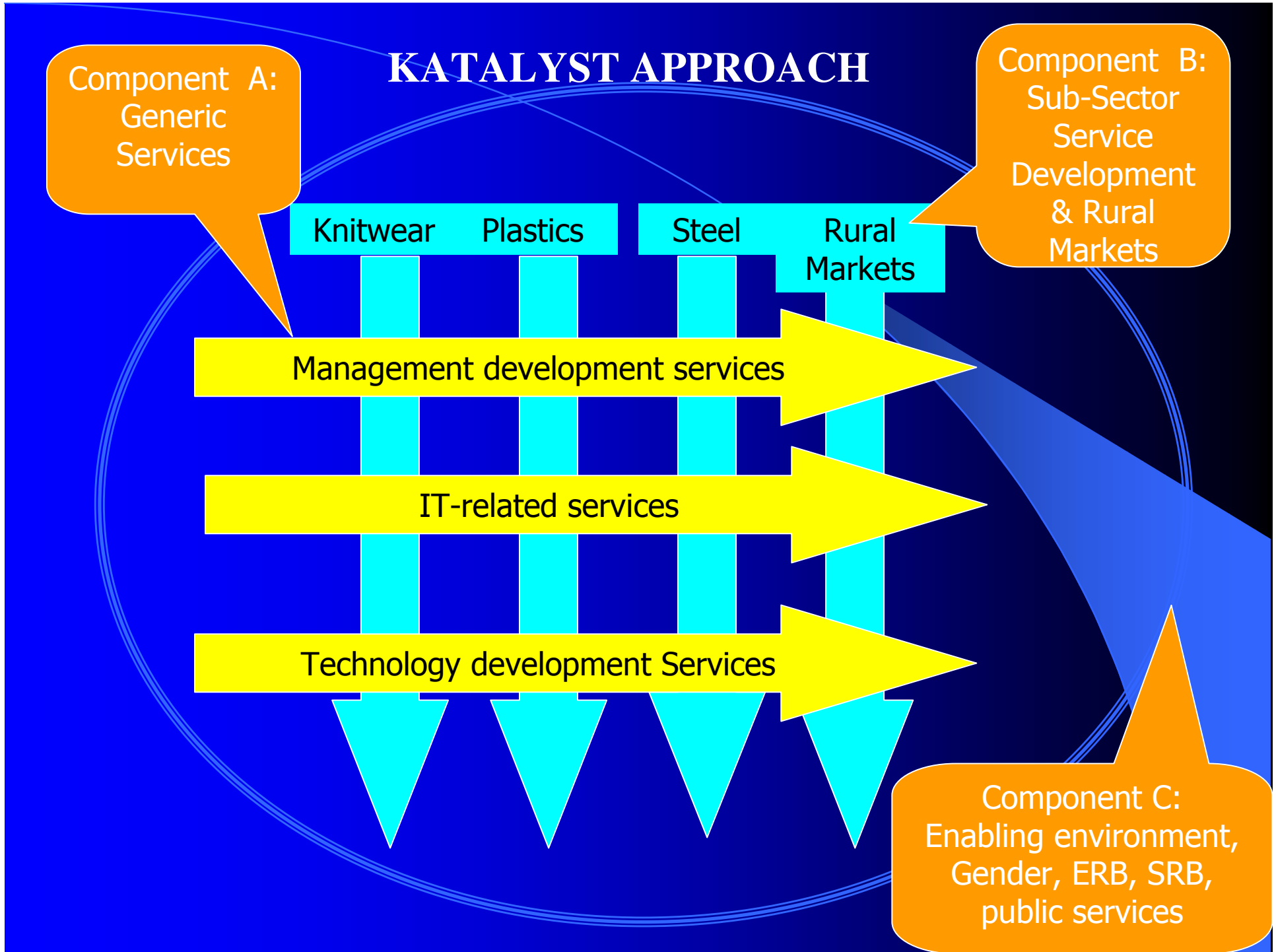
Rural
Markets

Management development services

IT-related services

Technology development Services

Component C:
Enabling environment,
Gender, ERB, SRB,
public services



Control & Risk Reduction (2)

Design Stage

- Researched viability of various BDS approaches and tools
- Design process prioritised several approaches
- Further defined the tools & geographical areas
- Concentration on impact forecasting – based on pilot leverage ratios
- Multi-disciplinary approach with weaker markets added
- Incorporated lessons from pilot

Design stage formulated a coherent approach

Control & Risk Reduction (3)

Inception Period – Research period

- Formed criteria for weaker market & sub-sector selection (poverty elasticity, scale, gender) & set milestones for key outputs
- Created internal process for intervention selection that are impact oriented
- Back stoppers & high level resource people engaged to ensure focus and synergies
- Programme interventions scoped, approaches modified & sub-sectors defined
- Pilot evaluated and lessons incorporated
- Defined roles for donors and Management Board – clarified the responsibilities

Core Process

Do we want to analyze this subsector / segment further?

Which of the business services are we going to assess further?
 What aspect of the issue are we taking further?

Approve intervention proposal?

Is the intervention making progress?

INTERVENTIONS

Select markets/issues for **RESEARCH**

ANALYZE markets/issues, **CONSTRAINTS**, select **BUSINESS SERVICE** for assessment

ASSESS the selected business service [market] (Advocacy?)

INTERVENTION Design

IMPLEMENTATION

M & E



Iterative

CLT INFORMATION

Action Learning can

be at any of the 4 analysis/assessment stages of the Core Process

The focus is on:

- Learning
- Getting Contacts
- Motivation

Stages:

1. Mini Assessment
2. Field activity
3. Feed into Core Process

Criteria:

- Low risk
- Availability of internal and external capacity
- Low time/effort intensity
- Ability to enhance DBSM image and forge partnerships
- Minimal potential for distortion (test marketing, awareness creation, linkages)

Pilots (some impact plus learning) — Fast Track

Mainstream Interventions (Impact Focus)

Control & Risk Reduction (4)

Implementation Period

- Carried out baseline survey for impact assessment & intervention design
- Action research pilots on a smaller scale
- Began logframing sub-interventions
- Designed M&E systems as management accounts – vital function
- Will create 'rolling impact' forecasting
- Removed low potential approaches
- Heavily invested in human resources through training & action research
- Maintain close contact with the programme

Visibility

- Remove 'donor' perception – all of us supported this
- Branding created the facilitator (KATALYST) from the donor project (DBSM) & donor logos disappeared
- Went a stage further - GTZ & Swisscontact accepted lower visibility
- KATALYST defined its own mission statement & core values

Co-ordination is changing

Three levels have emerged

Donor Level – donors agree on broad aims of BDS development

Project Level – greater working together by different types of partnerships

Sub-sector Level – increased joint design and intervention implementation

Co-ordination Mechanisms

Donor Level

- **Private Sector Group – too large and widespread led to ...**

Project Level

- **Formation of the Practitioners' Group**

Sub-sector Level

- **Joint research projects**
- **Partnership agreements**
- **?Working Groups**

But still a way to go....

Outputs of Co-ordination

- **Mainstreaming the Blue Book**
- **National Enterprise (Gemini) Survey – funded by USAID, DFID, SDC and Sida**
- **Trade Study & Impact Assessment (ongoing)**
- **BDS programme inputs into new programme design (Sida LGPP, DFID Rural Growth)**
- **SME Knowledge Centre**
- **BDS web resources**
- **Joint studies in the light engineering sector (SEDF, IDE, REFPI & DBSM)**
- **Partnership agreement with CARE**

Lessons Learnt

- **BDS is management intensive if you're serious about reducing risks & going for scale**
- **Monitoring systems are demanding within a process approach, but essential**
- **Link between research & interventions should be strong**
- **Involve Government early, work with them on the policy level**
- **Facilitators can leverage by being 'supra-facilitators'**
- **Trade-off between scale and complexity**
- **Important to think impact causality in thinking about goals**

DBSM GOALS



**Pro-Poor
Sustainable
Growth**

**SME Growth
and
Competitiveness**

**Development of
BDS Markets**

**Development of a
Conducive Business
Environment**

Impact Issues

Hypothesis

Usual Baselines

DBSM
Additional
Baseline

Poverty
Alleviation

General SME
Growth

Targeted
SME Growth

BDS Market
Growth

Broad private sector
survey (GEMINI:
sample 15000)

private sector survey
(GEMINI+ sample
500)

Specific
enterprise
surveys

BDS market
assessments like the
UAI

Issue of Attribution



Future Challenges

- **Complexity – will require rationalisation?**
- **Monitoring cost effectiveness across the board – proving the paradigm**
- **Local capacity constraints**
- **Flexibility and responsiveness of the team**
- **Government policies and recognition of the service sector**
- **Gender dimensions**
- **Measuring impact on poverty reduction**

Some innovations from Dhaka for next year...

- Combining sub-sector analysis with analysis of the trade regime
- Predictive impact tools developed for specific programmes
- Developed & tested methodologies in SS, clusters & rural markets
- Practical monitoring tools also for embedded services

Other Donors/Projects

Programme Name	Funding Agency/Agencies	Key Emphasis	Size
JOBS	USAID	<ul style="list-style-type: none"> •Micro-enterprise support •ICT sector emphasis •Bank linkages & moveable assets law 	U\$ 10 million 5 years, ending 2003
ATDP II	USAID	<ul style="list-style-type: none"> •Agribusiness development – mainly larger and medium businesses 	U\$ 10 million 4 years, ending 2006
Private Sector Programme	GTZ	<ul style="list-style-type: none"> •Support to DCCI •Design Institute •Micro-enterprise Training 	Variable, most ending 2003/4
SEDF	IFC, DFID, EU, CIDA, Dutch, NORAD	<ul style="list-style-type: none"> •SME Finance - TA (55%) •Regional Trade & Business Association Development (20%) •Capacity Building (25%) •Sector concentration (Agri-business, garments) 	U\$ 30 million 5 years, ending 2007
DBSM	DFID, SDC, Sida	<ul style="list-style-type: none"> •Business Development Services •Cluster development •Enabling Environment 	U\$ 20 million 5 years, ending 2008
SME-DEEP (planned)	ADB, GoB	<ul style="list-style-type: none"> •SME Finance – country risk & trade guarantees •SME Policies (to be defined) •Entrepreneurship Centre 	U\$ 50million 5 years, ending 2009
Rural Towns Development (planned)	EC/GoB	<ul style="list-style-type: none"> •12 rural towns development •Business Development Centres •Participatory planning 	Euro 12.5million 3 years
JOBS II (planned)	USAID	<ul style="list-style-type: none"> •ICT Sector focus •Micro and SME focus 	Uncertain To be designed in 2003