From Swisscontact and GTZ International Services

KATALYST Project Document

DFID Department for International Development

Sida

KATALYST Project Document

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List of Abbreviations

AFT	Accounting, Finance, and Taxation
ATDP	Agro-based Industries and Technology Development Project
BASIS	Bangladesh Association of Software Information Services
BDF	Bangladesh Development Forum
BDS	Business Development Service
BDSP	Business Development Service Project
BMO	Business Membership Organisation
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSTI	Bangladesh Standard Testing Institute
BSTQM	Bangladesh Society for Total Quality Management
CBO	Commercial Business Organisation
CCCI	Chittagong Chamber of Commerce and Industry
CEO	Centre of Excellence
COE/R	Centre of Excellence/Regulation
CSR	Corporate Social Responsibility
DBSM	Developing Business Service Markets
DCCI	Dhaka Chamber of Commerce and Industry
DfID	Department for International Development, UK
ERB	Environmentally Responsible Business
ESRB	Environmentally and Socially Responsible Business
EU	European Union
FBCCI	The Federation of Bangladesh Chambers of Commerce and Industry
FDI	Foreign Direct Investment
FGD	Focused Group Discussion
GAD	Gender and Development
GDP	Gross Domestic Product
GoB	Government of Bangladesh
GTZ	German Agency for Technical Co-operation
ICAB	Institute of Chartered Accountants of Bangladesh
ICMAB	Institute of Cost and Management Accountants of Bangladesh
ICT	Information and Communication Technology
IDE	International Development Enterprises
IFC	International Finance Corporation
ILO	International Labour Organisation
IT	Information Technology
JOBS	USAID Enterprise Development Programme in Bangladesh
LCG	Local Consultative Group
LED	Local Economic Development
LFA	Logical Framework Approach

M & E	Monitoring and Evaluation
MCCI	Metropolitan Chamber of Commerce and Industry
MNE	Multi National Enterprise
MTR	Mid Term Review
NGO	Non-Government Organisation
OHP	Overhead Projector
PACA	Participatory Appraisal of Competitive Advantage
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
QMS	Quality Management System
REFPI	Research and Extension in Farm Power Issues
RIRA	Reform in Revenue Administration
RMA	Rapid Market Appraisal
RMG	Ready Made Garment
SAFTA	South Asian Free Trade Agreement
SBS	Sub-sector/Business Service
SDC	Swiss Agency for Development and Co-operation
SE	Small Enterprise
SEDF	South Asia Enterprise Development Facility
SIDA	Swedish International Development Agency
SE	Small and Medium-sized Enterprise
SRB	Socially Responsible Business
TAPP	Technical Assistance Project Proposal
TOR	Terms of Reference
UAI	Usage, Attitude and Image Survey
UNICEF	United Nation International Children Education Fund
USAID	United States Agency for International Development
USP	Unique Selling Proposition
WB	World Bank
WEAB	Women Entrepreneurs Association of Bangladesh
WG	Working Group
WIMP	Working Group on Impact Assessment
WTO	World Trade Organisation
YPO	Yearly Plan of Operation

1. Executive Summary

1.1. DfID, SDC and SIDA agreed in 2001 to upscale the BDSP project in Bangladesh. A proposal for Developing Business Service Markets (DBSM) was then prepared by the implementers Swisscontact and GTZ International Services on 18 June 2002 and approved by the donors. The 6 month inception phase of DBSM started on 1 October 2002. It was agreed that the implementers would prepare the project document as an update to the proposal based on experiences made during the inception phase and covering the period up to 30 September 2007. The project is marketed as KATALYST to give it a business like image.

Bangladesh Development Context

1.2. Bangladesh, with an area of 147,570 sq. k.m. and 130 million people, ranks among the world's poorest countries. The GDP growth rate is estimated at 5.3% in FY2003 compared to 4.4% in 2002. There are approximately six million micro, small, and medium enterprises (SEs), which include enterprises with up to 100 workers. About 31 million people are employed in SEs which equals 40% of the country's population who are 15 years and older. SEs contribute 20 to 25% to GDP. Governance and political stability remain major concerns for spurring FDI and private sector investment. The impending expiry of the Multi-fibre agreement could potentially destabilize RMG exports that make up 76% of the country's exports. The growth potential of this sector is constrained by the problems faced by small and medium enterprises in accessing credit, infrastructure, and business development skills. The market development approach promoted by the Donor Committee on Small Enterprise Development is being adopted increasingly by projects in this field. The main projects include SEDF, JOBS, ATDP, BDS for PSP, SE-DEEP etc.

KATALYST Rationale

1.3. The goal of KATALYST is to improve the competitiveness of business especially within sectors where there are most opportunities for development. KATALYST's purpose is to develop more effective markets for business services. This focus emerges from a trend evident in Bangladesh and elsewhere, where the business service sector is emerging as a critical element in a competitive economy and, in many countries, is the fastest growing sector. This dynamism contributes to growth in incomes and employment in the business service sector to SEs and also to the wider economy leading to pro-poor growth.

Objectives & Approach

1.4. KATALYST follows a comprehensive approach to business services markets that reflect their complexity. It chooses a total number of 18 "markets" to work in (3 sub sectors, 5 clusters, 3 rural markets, 6 cross-sector services and 1 media business service = 18,). At the same time KATALYST tackles regulatory issues related to those markets selected. The focus is on issues related to the local implementation of national policies. The core process of KATALYST ensures a logical progression from the stage of market/issue selection to constraints analysis, service assessments and then interventions and M&E.

1.5. In order to gain substantial credibility in an environment where numerous development projects are active, a project like KATALYST needs to have a more business-like brand. It is equally important for KATALYST to carve out a "niche" within the donor community and various partner organizations in Bangladesh. Hence, KATALYST introduces a concept called forward branding – backward branding: forward branding inclined more towards the BMOs, BSPs and SEs and backward branding towards the wider development community, donors, the GOB and practitioners. This branding concept allows selecting the message to be conveyed according to the target audience.

KATALYST is organized into three operational divisions:

Services Division

1.6. The Division uses the sub-sector method to contribute towards the development of 6 cross-sector business services markets. These service markets relate to Accounting, Finance and Taxation (AFT), Quality Management (QMS), Marketing, IT-related and Legal Advisory. It will initially target enterprises in Dhaka, Bogra and Chittagong. In its activities, potential collaboration is foreseen with organizations like the Reforms in Revenue Administration (RIRA) project, Institute of Chartered Accountants of Bangladesh

(ICAB), Bangladesh Society for Total Quality Management (BSTQM), Bangladesh Association of Software and Information Services (BASIS) and other practitioners such as SEDF, JOBS, and GTZ.

Industry and Rural Services Division

1.7. Whereas the Services Division deals with cross-sector business services, this division seeks to contribute to the KATALYST's purpose of developing key services in 3 sectors, 5 clusters and 3 rural markets. The industries include; Plastics clustered in Lalbagh/Islambagh, Knitwear clustered in Narayanganj and Agro-tools and spares clustered in Bogra and Dholaikhal. The Division uses the sub-sector and cluster approaches to identify and develop critical service markets. It also focuses on Greater Faridpur, Greater Rangpur and Greater Rajshahi. The strategy is to use regional sub-sectors, such as Pond Fishery, Onions, Vegetables and Potato, as entry points to local economic activities. This division has already collaborated with IDE, DfID/REFPI, and CARE Bangladesh. It also aims to work together with SEDF, JOBS, GTZ and Winrock among others. It has also been involved in the design of the GEMINI plus surveys, the competitiveness survey and the agro-forestry project formulation of Intercooperation.

Centres of Expertise and Regulations/Media Services

1.8. Centres of Expertise and Regulation (COE/R) seeks to contribute to the project purpose by directing and supporting KATALYST's activities in addressing the Enabling Environment (incl. BMOs), Media, and three cross cutting issues: Gender and Socially and Environmentally Responsible Business (ESRB). The responsibilities of addressing cross cutting issues lies with the other two divisions, while COE/R's role is directive and supportive throughout the project cycle. With respect to regulation, KATALYST will stimulate a business enabling environment by addressing constraints through advocacy and awareness raising campaigns to address several issues on local governance level in several of the regions where KATALYST is active in. Stakeholders like BMOs and GoB, will play an important role in this, and channels will be established through BMOs for them to serve as the 'voice of the SEs'. Media provides important opportunities in advocacy programmes, and these will be explored when addressing constraints related to the enabling environment and cross-cutting issues.

Monitoring and Evaluation

1.9. The scale and innovativeness of KATALYST requires that M&E is accorded a high priority. Given the wide variety of markets KATALYST aims to work in, the traditional and specific service market measures cannot easily be reapplied in a uniform way across the wide range of markets. Hence, M&E is a particular important as well as challenging task. KATALYST addresses this challenge through a flexible framework identifying different levels for M&E including the relationship between these levels. Impact assessment will be done at four levels: intervention, intermediary, service markets and SE competitiveness. The higher level impact (on poverty and SE level) will be outsourced by the Donor Consortium with the objective to assess impact through studies of selected interventions or group of interventions, outsourced by the Donor Consortium.

Sustainability

1.10. Sustainability of KATALYST will be documented in four ways: sustainability of the approach, service, service provision, and HR expertise. Although difficult to predict, it is anticipated that beyond KATALYST time frame, Bangladesh and its SEs, will still require continued assistance to be competitive. Assuming that a) the facilitator approach is validated, b) methods are developed and c) local capacity is built, further phase involving the participation of more local facilitators may be needed to the scaling up of the approach. KATALYST would involve itself with facilitator capacity building, mobilization of donor resources and the monitoring of impact. However, if the aforesaid assumptions do not materialize, project break off points have been determined. The next such point is the mid-term evaluation in the year 2005.

Gender

1.11. KATALYST seeks to take a more systemic view towards addressing gender in BDS market development. This will include addressing gender needs through an emphasis on productivity; including within the KATALYST concept of 'women entrepreneurs' in addition to 'female employees' to optimize opportunities for empowering women to participate effectively in markets. KATALYST recognizes that treating women as 'beneficiaries' does not optimize scope for impact, outreach and sustainability. By treating Gender as a cross cutting issue, KATALYST addresses the issue at all aspects of the project cycle: research, analysis, design, implementation, and M&E. KATALYST plans to address 'gender' as a cross cutting issue: *a) In Selecting Industry Sectors*, *b) In Partner Selection*, *c) Identifying Women as Service*

Provider, *d) In Training and Consultation*, *e) Accessibility of Services, and f) Commitment to Hiring Women***.** Gender will be incorporated by the division COE/R.

Organisation and Management Issues
1.12. Given the newness of the approach KATALYST, will have to rely on a strong internal organization. It will build on the locally available capacity using flexible collaboration models and injecting global best practices, to fine-tune the approach and backstop the team on subject-matter expertise. Industry (i.e. sector) expertise is included, internally by adding staff with pure business background to the team, externally by joining forces with local sector experts.

1.13. *Human Resources:* KATALYST strives to hire the best available resources in the market. The KATALYST team is composed of 5 expatriate staff and up to 48 local professionals and support staff. The team will include some of the best graduates from the leading business schools. KATALYST will invest in capacity building of these resources.

1.14. *Back-stopping & External Experts:* There will be one back stopper who will also be involved in the milestones (such as the Mid-Term Review in May 05) and a pool of 1543 days has been allocated for international short-term consultants.

1.15. *Practitioners Group:* KATALYST will promote a Practitioners' Group to a) adjust approaches in order to minimise distortions of the BDS markets and b) to exchange experiences between local stakeholders.

1.16. *Knowledge Management:* The capture, storage and use of knowledge are central to efficient functioning of KATALYST. This will be done internally, externally through day-to-day activities and through specific action research projects.

1.17. *Head Office Support:* The Swisscontact head office has basically one task: "To ensure that KATALYST outputs are achieved within the budget and on schedule within the frame of Swisscontact's rules and regulations". The GTZ International Services head office allocation of time is similar in nature to that of SC, but it is more specifically targeted to one component of KATALYST, Industry & Rural Services.

1.18. *Budget:* The original budget of KATALYST for 5 years from 1 October 2002 to 30 September 2007 was CHF 27,478,589. The budget presented here is revised and includes the time frame after the inception phase only (from 1 April 2003 to 30 September 2007) amounting to CHF 25,669,326.

1.19 *Capacity Building;* KATALYST is aware that success in building capacity is also a key contribution to the achievement of the project's sustainability objectives. Hence, KATALYST's plan and budget allocate a substantial portion of its human and material resources for local capacity building on several levels.

1.20 *Project Steering;* A Project Steering Committee will be formed with the Ministry of Commerce as the convenor, other government members including representatives from several other ministries, representatives from the Donor Consortium and private sectors. The Committee will have no fiduciary responsibility. Additionally a Management Board will be formed consisting of the representatives of the Donor Consortium. The main function of the Management Board is to steer the project in accordance with the Project Implementation Contract, hence, it endorses the Yearly Plan of Operation (this includes budget) and receives and endorses the Semester and Yearly Project Progress Report. Any changes in the project design and therefore changes in resource allocations need to be approved by the Management Board.

2. Preamble

2.1. The purpose of this document is to define the scope of KATALYST, formerly known as DBSM. The document has evolved over the period of several months as explained in this section.

2.2. The Swiss government conducted a number of studies in the late nineties in Bangladesh that led to "Business Development Services Project (BDSP)". After a project inception phase, a project document was worked out in early 2000 by Swisscontact, the organization implementing the project. While the Swiss Agency for Development and Coordination (SDC) funded BDSP, other donors conducted their own project scoping studies in the field of small business development.

2.3. In the autumn of 2001, the idea emerged to upscale BDSP into a project funded by a donor consortium consisting of DFID, SIDA and SDC. Hence, SDC requested Swisscontact to develop a project proposal for an up-scaled BDSP. Swisscontact and its implementation partner, GTZ International Services, prepared a project proposal for the "Developing Business Services Markets (DBSM)" project. The proposal[1] provided information related to the BDS market development principles in general and particularly in Bangladesh, the scope of DBSM, processes and strategies and human and financial resources. Although the DBSM proposal touched all issues to be addressed by DBSM, the need was still felt for information that would respond better to constraints and opportunities in the Bangladeshi BDS markets.

2.4. The DBSM inception phase was therefore used to obtain more information needed to improve the design of the program in a more meaningful and rational way. Data were collected through different types of studies. Pilot projects were conducted and the networking with BDS specialists was enhanced.

2.5. The BDSP and the DBSM inception phase were concluded by 31st of March 2002. Lessons learned have been documented[2] and evaluated by Alan Gibson[3].

2.6. All these activities finally enabled KATALYST to develop a first draft of a revised project document for the period 1st of April 2003 to 30th of September 2007. The revised draft of the project document was then forwarded to the donors at the end of September 2003. The donors' feedback was received on 23rd of November 2003. This version of the project document has incorporated the donors' comments and is regarded as final project document of KATALYST.

2.7. Since all the basic principles and understanding of BDS market development are professionally elaborated in the DBSM project proposal, the KATALYST Project Document focuses on aspects directly linked to the project[4]. Due to this focus, the project document could be kept to a manageable size.

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[1] Proposal for Developing Business Services Markets (DBSM) Bangladesh, Zurich, 18 June 2002.

[2] DBSM, Final Report for Inception Phase, Prashant Rana and Walter Horn, June 20, 2003, and BDSP, Final Report, Manish Pandey and Walter Horn, April 30, 2002.

[3] Evaluation of BDSP and Review of DBSM, Alan Gibson, April 2003.

[4] Small Enterprise Development, Volume 14, Number 4, December 2003 provides the newest insight on BDS development: *From principles to practise – ten critical challenges for BDS market development, by Marshal Bear, Alan Gibson and Rob Hitchins".

Roadmap for KATALYST Project Document

Bangladesh Development Context		
Economic Growth and Poverty	*SE Environment and Business Services*	*The Aid Context*
• Macro-economic trends • Poverty trends • Links between economic growth & poverty reduction	• SE trends in Bangladesh • SEs as key part of private sector • Constraints impinging on SEs	• Significance of development assistance in Bangladesh • SE development – key projects • Change in thinking

KATALYST Rationale	
Rationale for KATALYST	*Birth of KATALYST*
• Experience in Bangladesh and low-income economies • Poverty reduction in Bangladesh and improved SEs' competitiveness • Develop effective markets for business services	• Developments leading to the new project

Objectives and Approach of KATALYST			
Vision and Mission	*KATALYST Objectives & Strategy*	*The KATALYST Approach*	*KATALYST Branding*
• One of the leading market catalysts • Promoting effective markets for business services	• Using best practices of BDS community and BDS guidelines • Project achievement indicators	• Process-oriented project • Divisions and approach • Concept of interventions • Business look	• Branding strategy • Public relation channel • Market actors

Divisions of KATALYST		
Services	*Industry and Rural Services*	*Centres of Expertise and Regulation*
• Division objectives and strategy • Cross-sector service markets: AFT, QMS, IT, Legal, Marketing, etc. • Geographic focus: Bogra, Dhaka, Chittagong, areas of Industry and Rural Services Division and others • Possible intervention areas • Crosscutting issues • Partnerships	• Division objectives and strategy • Industry sectors and clusters – Plastics; Agricultural tools, machinery and spares; and Knitwear. • Rural services: geographic focus – Greater Faridpur, Rangpur, Rajshahi • Preliminary assessment of services and possible intervention areas • Crosscutting issues • Partnerships	• Division objectives and strategy • Enabling environment • Media for advocacy and business services • Gender and ESRB as crosscutting themes • Possible interventions areas • Partnerships

M&E and Impact Assessment	**Gender Policy**	**Sustainability**
• Shape of the M&E framework • Indicators & instruments • General reporting structure	• Definition and key principles of gender • Gender as a crosscutting issue • Gender in Bangladesh and how it is addressed by KATAKYST • Gender indicators	• Sustainability in current phase (2003-07) • Sustainability after 2007

Organisation and Management	**Budget**
• Capacity building • Human resources • External relations and structures • Knowledge management • Administration & Headquarter	• Overall budget with summary • Division budgets

3. The Bangladesh Development Context

3.1. Bangladesh: An Overview of the Macro Environment and Context of the Programme

3.1.1. Bangladesh, a nation with an area of 147,570 square k.m., ranks among the world's poorest countries with 130 million people crowded onto a small delta plain. Bangladesh had adverse initial conditions at the start of its journey three decades ago. With one of the most vulnerable economies of the world characterized by extremely high population density, low resource base, high incidence of natural disasters, and extremely adverse initial circumstances associated with the inheritance of a war-ravaged economy, the implications for long-term savings, investment, and growth were deemed extremely bleak. Notwithstanding the early negative predictions, Bangladesh has achieved notable success in several spheres such as population control, reduction in child mortality and child malnutrition, disaster mitigation, mainstreaming women into the development process, catalyzing grass-roots activism through NGOs and CBOs, and in making democratic transition.

3.1.2. Bangladesh's agriculture sector has performed remarkably well over the last decade, now providing self-sufficiency in basic grains and serving as an engine for the country's high growth rates. Its export garment sector has emerged seemingly out of nowhere to employ over 1.5 million workers, mainly women. The success of the garment sector and agriculture has contributed to a GDP growth rate that ranks among the best in the developing world. Recent discoveries of natural gas offer hope of revenues to underwrite needed investments in social services and infrastructure.

3.1.3. During FY2003, macroeconomic environment has been strengthened through fiscal and monetary policies and structural and sector reforms. The economy appears to have recovered from a lower level of activity in FY2002. GDP growth rate is estimated at 5.3% in FY2003 compared with a growth rate of 4.4% in the previous year, driven by steady growth in agriculture and industry sectors with stronger domestic and external demand. A rebound in exports and robust remittance growth has led to a balance of payments surplus for the first nine months of 2003. Gross international reserves at nearly US$2.5 billion at end-June have increased significantly during the year to over three months of import cover.

3.1.4. Although growth performance improved in the decade of the nineties compared with the previous decades, income poverty data show a modest reduction only (one percentage per year from 58.8 to 49.8 percent). Moreover, there exists noticeable urban and rural variation in poverty. The pace of poverty reduction in the nineties cannot step up the overall income and human poverty (deprivation in health, education, and nutrition, accompanied by gender inequality, child mortality and the female-male gap in malnutrition). Much leaves to be desired in these areas.

3.1.5. The investment climate remains weak as reflected in low levels of both domestic and foreign investment and recent withdrawals of some MNEs in energy sector. Inflation on a point-to-point basis increased to 6% in March 2003 from 4.4% in December 2002 as the food price index further accelerated to 6.7% from 3.6% during this period. The rising trend in inflation is likely to be contained as rice prices have started falling with the onset of the winter harvest.

3.1.6. Governance and political stability remain major concerns for spurring FDI and private sector investment. Also, the worsening of the law and order situation is an issue which has been raised by donors at the recent Bangladesh Development Forum (BDF) and acknowledged by the Government. Another concern is the impending expiry of the Multi-fibre agreement on ready-made garments that could potentially destabilize RMG exports that make up 76% of the country's exports.

3.1.7. As highlighted in the Poverty Reduction Strategy Paper (PRSP), the overriding national goal of poverty reduction in Bangladesh will require more determined and effective action on a number of fronts[5]. The common theme of such measures is private sector development which is the engine of economic development and growth. Although, growth is not all that is needed to improve the lives of the poor, evidence suggests that growth generally does help reducing poverty and that anyone who cares about the poor should favour the growth-enhancing strategies[6].

3.2. Small Enterprise Environment

3.2.1. Small Enterprises[7] (SEs) in Bangladesh play an instrumental role in generating growth with equity. SE continues to demonstrate high potential for growth and diversification. The output of small-scale industry during FY2003 is estimated at 8%, higher than the 7.7% growth rate achieved in the preceding year. Small-scale industry, which accounts for 30% of total manufacturing output, depends mainly on local raw materials and caters mostly to the domestic market. During the first half of FY2003, output of small scale industry increased by 5.7%. This sub-sector showed strong growth, particularly in rice milling, *bidi*[8] production, paper packaging, metal products, wood products, chemicals, plastic, and engineering products[9].

3.2.2. A recent survey shows that there are approximately six million micro, small, and medium enterprises (SEs), which include enterprises with up to 100 workers. About 31 million people are employed in SEs which equals 40 percent of the country's population who are 15 years and older. About three-quarters of all SEs contribute half of more of the household income in both urban and rural areas. SEs contribute Taka 741 billion to Gross Domestic Product (GDP). Depending on how much of this is already included in the official statistics, SEs contribute anywhere from 20 to 25 percent of GDP in Bangladesh[10].

3.2.3. The industrial structure of the SE sector in Bangladesh consists of primarily wholesale and retail trade and repairs (40%), production and sale of agricultural goods (22%), and manufacturing (14%).

3.2.4. Over three-quarters of all SEs are located in rural areas. The vast majority of SEs is sole proprietorships in both the rural and urban areas. Almost all of the SEs are privately owned.

3.2.5. The average age of an SE is 11 years, with about one-third of all SEs being less than four years old. The average size of an SE is five workers (including the proprietor) and the median size is two. Thirty-six percent of SEs are operated by the proprietor alone and 83 percent have one to five workers. More than half of all workers employed in SEs are adult paid workers. Sixteen percent of all SEs belong to some type of business association.

3.2.6. Only 6 percent of SEs in Bangladesh are owned by women. Furthermore, they represent only nine percent of the workforce within SEs. Female proprietors tend to be most heavily concentrated in manufacturing of clothing, retail sales not in stores, spinning and weaving of textiles, and livestock and dairy production. Female proprietors earn lower profits compared to male proprietors in every sector.

3.2.7. A range of constraints impinging on SEs relate to electricity, road conditions, and access to finance while the most frequent reasons for closing business include lack of finance, personal reasons, and marketing. The growth potential of this sector is constrained by the problems faced by SEs in accessing credit, infrastructure, and business development skills. As the economy opens and Bangladesh accedes to the WTO and to the South Asian Free Trade Agreement (SAFTA), there will be many opportunities for the country's SEs to penetrate new markets. Nonetheless, rationalisation will

[5] A National Strategy for Economic Growth and Poverty Reduction, I-PRSP BANGLADESH, Economic Relations Division, Ministry of Finance, Government of the People's Republic of Bangladesh, DRAFT for DISCUSSION, April 2002.
[6] The World Bank, Growth *Is* Good for the Poor, Dollar and Kraay, Development Research Group, March 2000.
[7] include micro, small, and medium-sized enterprises.
[8] Bidi is a kind of a tobacco mostly consumed by poor people.
[9] ADB, Quarterly Economic Update Bangladesh, June 2003.
[10] National Private-Sector Survey of Enterprises in Bangladesh, 2003.

bring competition when innovation, product quality, productivity, and improved flexibility would be the major factors to shape the competitiveness of Bangladesh's SEs. Availability of business services addressing these constraints is therefore becoming increasingly important for SE development and competitiveness[11].

3.2.8. Development assistance's special significance in Bangladesh is manifested in a number of ways; the high proportion of the government's development budget directly from donor agencies (21.4% of government expenditure); the extraordinary size and prominence of the NGO sector and its direct involvement in many functions "normally" seen to be the preserve of business or government; and - perhaps most important - the way in which development assistance has permeated so many aspects of the economic, social and political processes from the early years of the country's still young life. SE development has been a traditional focus for development assistance for many years. While the intent of those interventions was noble, the failure rate of those programmes to sustain themselves is alarming because most donor-supported programmes have encouraged services to be given to SEs either for free or at subsidised rates. Considering the limitation of the old paradigm of development assistance, with subsidised services perpetuating unsustainable enterprises, a significant change in thinking has evolved recently with the recognition that wider and more sustainable impact might be achieved by developing (and not displacing) BDS markets. This thinking is documented in BDS donor guidelines[12].

3.3. Maxwell Stamp & GEMINI Input as a Link to the Strategy for 2003-2007

3.3.1. KATALYST focuses its analysis and interventions by taking into account findings from recent surveys done in the country. The National Private Sector Survey (GEMINI) was conducted in 2003 to give a snapshot of the 6 million small enterprises in Bangladesh[13]. Similarly, Maxwell Stamp conducted a desk study using trade and tariff data to assess the competitiveness of certain sub-sectors[14]. Both studies provided inputs on future KATALYST activities and the implications for the KATALYST strategy are summarized below.

National Private Sector Survey (GEMINI)

3.3.2. This recent survey has brought out several issues that have implications for KATALYST. The main ones are as follows:

- *Scale and Location*: The majority of the 6 million enterprises are informal, operating in rural areas and out of their homes.
- *Business Services:* The bulk of business service usage is informal and embedded instead of transacted.
- *BMOs:* The voice of business is extremely weak and as such their influence on policy making is insignificant.

3.3.3. These findings correspond with the KATALYST strategy of working in the informal sector, especially in areas outside Dhaka (Faridpur, Rangpur and Rajshahi, Bogra, Chittagong). This also supports the holistic strategy of looking at all types of services not only transacted BDS and the strategy of improving the voice of the business sector.

[11] The data used in 3.2.3 to 3.2.7 have been compiled from National Private-Sector Survey of Enterprises in Bangladesh, 2003.
[12] Guidelines set by the Donor Committee on Small Enterprise Development finalised in 2001- the so-called *Blue Book*.
[13] National Private-Sector Survey of Enterprises in Bangladesh, 2003.
[14] Maxwell Stamp, "Bangladesh: Trade Protection, Comparative Advantage and Competitiveness" 2003.

Trade Protection, Comparative Advantage and Competitiveness Study[15]

3.3.4. The report shows to what extent the sectors like plastic and knitwear are protected by import tariffs of final products and on raw materials. Working in a protected sector will make investments more viable. This could indeed be a reason to choose such a sector. It might also make the sector less competitive in the international markets. Reduced international competitiveness becomes more important when the new WTO trade regime will start in 2005 and when trade barriers will be reduced. The study has helped KATALYST to fine-tune the strategies for the sector.

3.3.5. **Learning from Study Regarding Sector Selection:** The initial choice of sectors has been based on a wide range of criteria, among which the change in trade regime has always been included as a risk factor. The report itself mentions explicitly and implicitly several limitations of it. Beyond this, it does not take into account the degree to which the theoretical protection is really available or used. It was also not the purpose of the report to describe the scenario after the change in the trade regime in 2005. Taking this all into consideration, the reports did lead to a reinvestigation into the risks of the selected sub sectors, but it is unlikely to lead to a reselection of sub sectors. *How will it affect the types of interventions KATALYST is planning?* The strategy for the sectors and the related choice of service assessments will now probably focus more on productivity, specialization and quality improvements than on diversification.

3.4. Background of Other Projects

3.4.1. A number of donors and GoB have recently stepped up their efforts at focusing in on small and medium enterprises (SEs) in Bangladesh, with the rationale that these are the growth businesses likely to create the a) greatest pro-poor gains, b) the highest level of growth, c) the highest levels of job creation, and d) more beneficial linkages 'down' to micro-enterprises and 'up' to larger businesses. In Bangladesh, these businesses have hitherto been neglected in terms of donor development, and the current trend in helping them to grow should be viewed from the historical perspective of neglect over the 1980s and 1990s.

Key Players & Programmes

3.4.2. The key programmes in SE sector are given in table 3.1. There are a number of financial programmes targeting SEs, which look to a) provide TA support to financial institutions (SEDF (finance), JOBS), and b) provide capital and guarantees to SEs (SE-DEEP). There are also a number of programmes aiming to work in specific sectors such as Agri-business (ATDTP II, SEDF), Information & Communication Technology (JOBS, SEDF), product design (GTZ), and chamber development (GTZ, SEDF). Several programmes aim to work on specific areas of the business enabling environment mainly from the perspective of strengthening the 'voice' of business to policy makers (SEDF in regional trade). SEDF also targets medium and large businesses in terms of formal management training and in the IT, engineering and agri-business sectors. JOBS provides training mainly to micro-enterprises. Table 3.1 indicates that BDS spending in Bangladesh has been substantially high.

[15] Maxwell Stamp, "Bangladesh: Trade Protection, Comparative Advantage and Competitiveness" 2003.

Table 3.1. Key Small Enterprises Promotion Players and Programmes

Programme Name	Funding Agency/Agencies	Key Emphasis	Size
JOBS	USAID	• Micro-enterprise support • Bank linkages & moveable assets law • Concentration on footwear and ICT industries	U$ 10 million 5 years, ending 2003
ATDP II	USAID	• Agribusiness development – mainly larger and medium businesses	U$ 10 million 4 years, ending 2006
Private Sector Programme	GTZ	• Support to DCCI • Design Institute • Micro Enterprise Training	Variable, most ending 2003/04
SEDF	IFC, DFID, EU, CIDA, Dutch, NORAD	• SE Finance - TA (55%) • Regional Trade & Business Association Development (20%) • Capacity Building (25%) • Sector concentration (Agri-business, IT, large garments producers)	U$ 30 million 5 years, ending 2007
SE-DEEP	ADB, GoB	• SE Finance – country risk & trade guarantees • SE Policies & work with BSCIC	U$ 50million 5 years, ending 2009
JOBS II	USAID	• ICT Sector focus • Micro and SE focus	Uncertain To be designed in 2004
Rural Towns Development (planned)	EC/GoB	• 12 rural towns development • Business Development Centres • Participatory planning	Euro 12.5million 3 years

Source: SE Programming Landscape, Matsaert, F., DFID-Bangladesh

4. Background on BDS as the SE Development Paradigm

4.1. KATALYST Rationale

4.1.1. KATALYST's approach is built on an analysis that grows directly from the experiences of agencies both in Bangladesh and more widely in low-income economies. This flow of logic that underpins KATALYST provides a coherent link between resources and inputs through to the final objective of poverty reduction (the **SUPERGOAL**). Summarised in each "level" of the Log Frame (Annex C) and similar to those of its predecessor (BDSP), there are a number of pillars that provide the framework for KATALYST.

4.1.2. Poor business performance and lack of competitiveness are key reasons for poverty's persistence in Bangladesh. The poor can benefit from increased business performance in a number of ways: as business *owners*, as *employees* of SEs or as *consumers* of business products. In Bangladesh, poverty has been reduced through each route. Improved incomes have resulted from, for example, improved village-based micro enterprise performance, the large growth in wage employment in the garment sector and access to mobile phones offered by the private sector. More generally, the contribution of business to economic growth[16] is well known and there is strong evidence that growth is the single most important factor (although not the only one) in reducing poverty[17].

4.1.3. The **GOAL** of KATALYST therefore is to improve the competitiveness of business (manifested, for example, in value added for the SE sector, SE contribution to GDP, employment in SE sector, and income of employees and employers in SEs), especially within sub-sectors where there are most opportunities for development.

4.1.4. KATALYST's **PURPOSE** is to develop more effective markets for business services. This focus emerges from two inter-related trends evident in Bangladesh and elsewhere. First, business services are emerging as a critical element in a competitive economy and in many countries they are the fastest growing sector. Increasingly, it is recognised that it is services that provide improved flexibility, innovation, quality and productivity among businesses. In Bangladesh, for example, while the growth of the garment and leatherwear industry may well have been based on low labour costs (and trade agreements), future development will depend on other factors such as better product quality, differentiation, and reliability. Here, as in other industries – whether provided separately or embedded in the supply chain - improved business services are critical to competitiveness; low factor costs alone are not sufficient in a global context where knowledge and information are of growing significance in adding value to products[18].

4.1.5. Second, business services market development has emerged as the logical focus of interventions because of the lessons derived from past experience. In Bangladesh, the norm has been for agencies to support the direct provision of business services – typically by NGOs but also by government agencies (such as BSCIC) – with large subsidies. Overall, the outreach and direct impact of these on businesses has been minimal and their sustainability and growth requires ever-increasing direct subsidies. More fundamentally, where non-businesses have been supported to play market roles, this type of intervention has contributed to a massively distorted and dysfunctional market environment. Incentives, relationships, and motivations have been so skewed as to undermine the development of commercial business services and perpetuate unhealthy dependence on external aid.

4.1.6. The net result of this experience is that the development of business services markets – so critical to SE competitiveness – has not been helped significantly by development assistance. On the

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[16] The project supports the creation of jobs, that jobs remain in Bangladesh, that people stay longer in jobs, and that income is generated. All these leads to a contribution to poverty reduction if the right sectors are selected and the poor benefit.
[17] See Gerster, R (2000); *Alternative approaches to poverty reduction strategies*; SDC Working Paper 1/2000; Swiss Agency for Development and Cooperation.
[18] JOBS.

contrary, in many aspects, the impact of many years of substantial resources has been negative. Addressing this problem requires that the focus of interventions shifts from direct *provision* of services to the *facilitation* of others to offer services; i.e. the facilitation of markets.

4.1.7. This finding in Bangladesh (where, it could be argued, the level of distortion here is especially severe) mirrors a wider reality in low-income economies and wider learning by agencies[19]. KATALYST's priority and focus on the development of markets is therefore shared by a growing number of (new) interventions in other countries. Its indicators – appropriately similar to others – refer to positive changes in different dimensions of markets such as supply-side capacity, demand-side understanding and usage, the regulatory and policy environment and the role of government and membership organisations[20].

4.1.8. KATALYST's interventions to bring about market change are defined in relation to its **OUTPUTS**. While all being consistent with the underlying analysis, these show an approach that is *comprehensive* and *multi-facetted*. Business service markets are delineated with respect to different criteria: commodity/product markets (such as plastics and knitwear), services (e.g. accounting, finance, and taxation); clusters (a physical and sectoral of firms) and location (rural areas). Within each market, environmental, social, gender and regulatory issues will be considered formally. Special provision is made for additional interventions of relevance to beyond individual service markets and for the development of media services, recognising the latter's potentially broad impact. Uniting these is a general principle that interventions are shaped by an understanding of market constraints.

4.1.9. The steps of logic that define KATALYST's rationale and approach – summarised in the log frame - are clear. They illustrate a hierarchy of impacts and objectives. **Interventions** *should* address constraints in the institutional environment – the so-called *rules of the game* – for **business service markets**. These *should* stimulate positive change in these markets, which, in turn, *should* contribute to improve **SE** competitiveness and which *should* help to reduce **poverty**.

4.1.10. There are of course risks associated with this analysis. Various factors do impinge on each link and can undermine the flow of cause and effect from intervention to markets to business to poverty. While the overall analysis is completely within the domain of mainstream views on how market economies "work" and the approach is endorsed as "best practice" by all leading development agencies, this is still substantially new and innovative. Moreover, ill-considered actions by others can easily undermine the market development process. For these reasons, a commitment to rigorous monitoring and evaluation and to dissemination and learning underpins KATALYST (Section 7). KATALYST, actively, will engage with other stakeholders to influence them and, through the provision of an action-research fund, provide an opportunity for additional experimentation.

[19] Manifested most obviously in the guidelines set by the Donor Committee on Small Enterprise Development finalised in 2001- the so-called *Blue Book*.
[20] KATALYST distinguish between potential commercial services and public goods. The first is addressed with BDS market development approach whereas the latter can be supported to increase the efficient delivery of business services by GoB. The potentially commercial services and the public goods together provide the SE all services they need.

5. Objectives and Approach of KATALYST

5.1. Introduction

5.1.1. This section outlines how KATALYST interprets the above rationale and basic approach to SE development. It starts with a summary vision & mission statement which then is more detailed in the succeeding section "KATALYST Objectives and Strategy". An elaboration on how these objectives will be pursued, using the KATALYST approach, rounds the section off.

5.2. Vision and Mission

5.2.1. KATALYST is a leading market catalyst improving the competitiveness of the Bangladeshi economy measurably. It envisions growth of small enterprises based on vibrant and effective markets for business services. KATALYST is convinced that there are more new, successful, and competitive SEs in Bangladesh by 2008. This will lead to greater opportunity for economic growth and poverty reduction.

5.2.2. To achieve its vision, KATALYST promotes effective markets for business services. It believes that in Bangladesh – as in other countries - business services are a key factor in growth of small enterprises. Through its knowledge of business and innovative methodologies KATALYST will specialise in developing:

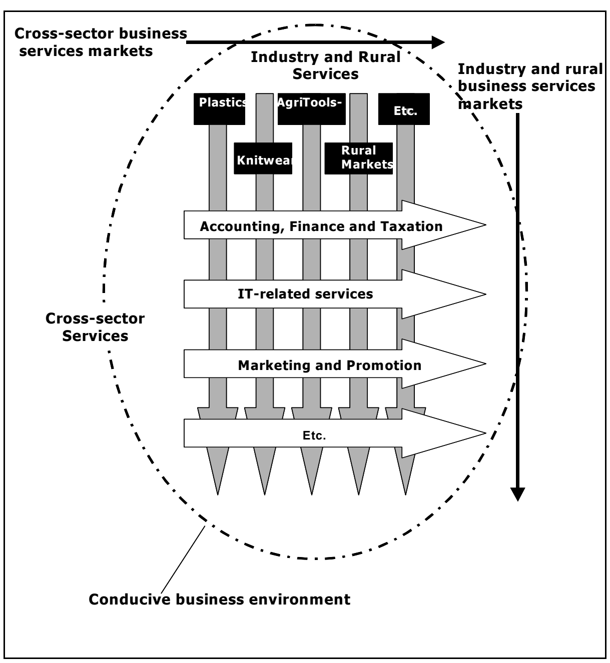
- cross sector services,
- industry specific services,
- rural market services, as well as
- the regulatory framework related to those services.

5.2.3 KATALYST concentrates its resources on making these markets work more effectively by offering technical assistance and grants to businesses that help others to improve their businesses

5.3. KATALYST Objectives and Strategy

5.3.1. KATALYST follows a comprehensive approach to business services markets that reflect their complexity, multi-facetted nature and different angles/dimensions. The approach is represented by the figure 5.1.

Figure 5.1. Delineating the Market



5.3.2. The different angles/ dimensions are:

- Services that are cross-sectoral/horizontal,
- Services that are contained within specific vertical sub-sectors
- Services that are especially important in rural areas
- The regulatory environment impinging on business services generally
- Services that are fee-based or embedded within other commercial relationships
- The wider gender, social and environmental impact of services.

5.3.3. These different dimensions of business services markets are shown in KATALYST's objectives. They are also mirrored in structure and processes of KATALYST as elaborated below.

5.3.4. These are the specific objectives of KATALYST (for details see LFA Annex C):

5.3.4.1. Within 24 months of the intervention start, positive market change (relative to the overall economic trend) for business services in 14 out of the 18 selected markets/sub-sectors where 75% of the following is achieved[21]:

1. **Demand side change:** Increase of 10-15% in Awareness, Understanding, Usage / consumption, Retention rates and Satisfaction. The Components will collect baseline data on such indicators, preferably, through UAI (Usage, Attitude, and Image) survey tool.
2. **Supply side change:** Improved sustainability of service providers[22]
3. **Awareness of policy / regulation / ESRB&G issues**

5.3.4.2. For 5 major issues out of the 7 selected (in overall business services market) related to the creation of a conducive business service environment, 75% of the following is achieved:

4. **Change in stakeholders perception** of regulatory environment / BMOs
5. **Business regulations changes**
6. **Changed roles** of BMOs and public business service providers

5.3.4.3. Structurally KATALYST chooses an organization of *three* divisions:

- Division Services, with the objective to impact on 6 generic service markets
- Division Industry and Rural Services, with the objective to impact on 3 industries or sub-sectors, on 5 clusters and on 3 rural areas[23].
- Division COE/R – Centres of Expertise and Regulation, with the objective to impact on the related enabling environment (Regulation), to impact on the media market and to include cross-cutting issues in the overall projects impact. The cross-cutting issues on which KATALYST will work on are Gender, Environmentally Responsible Business (ERB) and Socially Responsible Business (SRB).

5.3.5. A key element is that these three divisions make one project, and are not three separate ones. This allows synergy on resources, process, specific markets and hence impact. The management structure is setup accordingly.

5.3.6. Process wise, KATALYST selects the markets in which it will work with a reference to a number of criteria (thoughts on market selection shown in next section). Within each of these markets, KATALYST follows a standard process to developing interventions (also next section).

5.3.7. Finally, an important strategic element is that KATALYST in its internal and external perception strives to have a *business look* and feel which is further elaborated in Section 5.5.

5.4. Operationalizing the Strategy

5.4.1. KATALYST has not only concentrated on developing a strategy for the project period. It has also developed a framework to operationalise this strategy. In other words, how can the theory described in the above section be brought down to the ground realities of the markets KATALYST is in. Figure 5.2 illustrates the management framework for this.

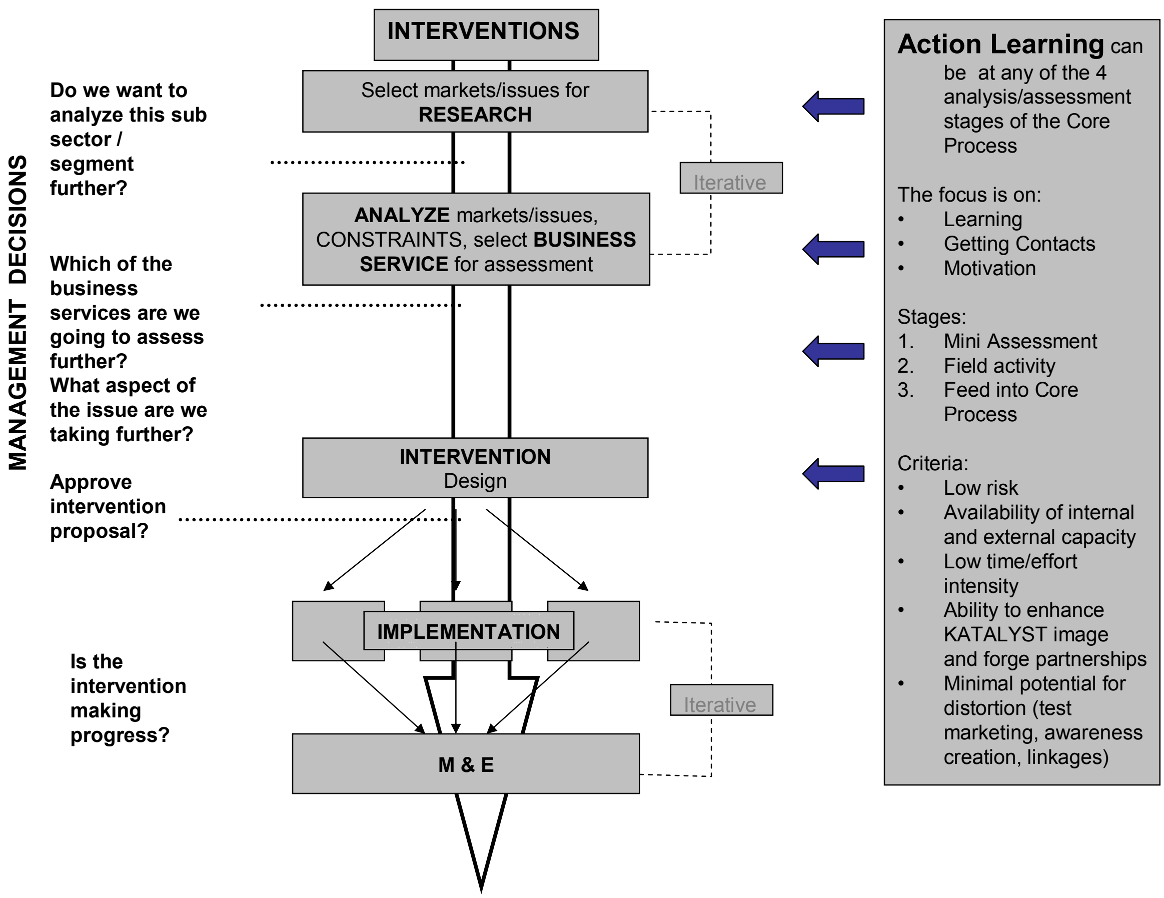
5.4.2. It is KATALYST's objective to increase sector competitiveness by improving the functioning of service markets. For this, it first has to analyze:

- In which sectors it is likely that KATALYST's interventions have a large impact?
- How to improve sector competitiveness in the selected sectors by selecting the essential service markets? and
- Which interventions are most likely to improve the functioning of the service markets?

[21] 10,000 SEs as service consumers.
[22] This will be defined with respect to specific markets.
[23] Clusters and subsectors are not mutually excluded, i.e. they could overlap.

This process of narrowing down from sector selection to intervention design is the "process oriented approach". The research process is designed to leads to the most efficient interventions. In more traditional projects, where outputs are predefined, the change that the interventions indeed make the required impact on competitiveness is more based on the personal judgment of the one who defines the outputs and not on the constraints identified by knowledge in the sector.

Figure 5.2. The KATALYST Approach



5.4.2. The KATALYST approach was formulated during the inception phase review conducted by Alan Gibson in March 2003. This process ensures a logical progression of the following stages:

- Selecting markets/issues for research
- Analysing these markets and issues to identify constraints and select business services for assessment
- Assessing these business services
- Designing Interventions
- Implementing interventions , and finally
- Monitoring & Evaluation

5.4.3. It is crucial to follow this logical progression because any exception could lead to a disjointed analysis and intervention design and thereby put at risk impact and outreach. In other words, it ensures that the best possible interventions are undertaken given the analysis on hand. There are fixed points in the approach where collective management choices are made based on the following questions:

- Which markets/issues should be analysed?
- Which business services should be assessed in detail?
- Based on the above, which interventions should be approved?
- And is the intervention making progress?

5.4.4. Following this process can take some time. There is always a need to balance the design of fine tuned interventions and getting things on the ground and learning from the trenches. In addition, although it appears linear there are many iterative steps with feedback loops. KATALYST has therefore devised a multi-pronged approach for the targeted markets and issues it wants to tackle.

Mainstream Interventions
5.4.5. These interventions, depicted by the broad arrow, constitute the bulk of KATALYST's activities. They will be chosen on the basis of having far-reaching impact and outreach on the markets selected by the KATALYST. As a result they are relatively complex interventions and require time and effort to understand the intricacies of the situation and the stakeholders. The key issue is that these interventions through careful analysis and design would use the scarce resources of KATALYST in an optimum way by leveraging its knowledge and input with those from other actors.

Fast Track Interventions
5.4.6. These interventions follow the same steps as in the mainstream activities but are undertaken relatively quickly. The idea here is to gain the benefits of some impact and also learn about the market. Each of the steps of the core process will be adhered to but the tools used in the analysis will be more qualitative and less time intensive. KATALYST will start some of these fast track interventions fairly early in the project.

Action Learning
5.4.7. The action learning stream is represented by the box on the right. These are activities conducted with the sole purpose of learning more about the market. They can be undertaken at any stage of the process to feed back into that stage, or they can feed into the process from one stage to the other. This type of activity changes the appearance of KATALYST from a research project to an implementer. First experiences with this have been highly positive.

Selection Criteria for KATALYST Approach

5.4.8. Criteria for selection of service markets / issues:

Table 5.1.A. Criteria for Selection of Service Markets / Issues

Markets for generic services, industry services, rural services and media	Enabling environment issues
a. **SIZE:** Is the market sufficiently big? • Market demand and potential for growth • Outreach • Market size in terms of TK. value b. **WIDER RELEVANCE:** Is the market of sufficient relevance to wider development issues? • Link to poverty • ERB • SRB • Gender c. **POSITIVE MARKET PROSPECTS:** Are the prospects of the specific market for business growth/economic development, business improvement sufficiently positive? • Employment generation • Income for government • Opportunities for linkages • Potential increase in income and wealth d. **OTHER ACTORS:** Other donors'/implementing agencies' involvement. Opportunities for synergies, niches, and coordination.	a. **INTERNAL RELEVANCE:** Is the issue of sufficient relevance to identified markets? • Relevance within KATALYST markets • Outreach (SEs affected by the issue) b. **WIDER RELEVANCE:** Is the issue of sufficient relevance to wider development issues? • Link to poverty • ERB • SRB • Gender c. **PROSPECTS OF STAKEHOLDERS TO BUY IN:** Are stakeholders (e.g. BMOs) willing to participate / buy in into interventions which will address the identified issue. d. **OTHER ACTORS:** Other donors'/implementing agencies' involvement. Opportunities for synergies, niches, and coordination.

5.4.9. The Table 5.1.B. presents criteria for decisions later in the process. If there is already knowledge gained at this stage, it can flow into the market selection decision as well.

Table 5.1.B. Criteria for Selection of Service Markets / Issues

Markets for generic services, industry services, rural services and media	Enabling environment issues
e. **KNOWLEDGE OF CONSTRAINTS:** Are market constraints identified clearly? f. **BDS OPPORTUNITIES:** Likelihood of finding viable business services g. **INTERVENTION OPPORTUNITIES:** Is there potential for interventions that can be successfully implemented?	e. **KNOWLEDGE OF CONSTRAINTS:** Is the issue identified clearly? f. **BDS OPPORTUNITIES:** Likelihood of finding viable business services g. **INTERVENTION OPPORTUNITIES:** Is there potential for interventions that can be successfully implemented?

Interventions & Selection

Definition of intervention

5.4.10. "Interventions" have been described in a broad way to allow KATALYST the necessary flexibility as is recommended in the BDS world. It has unfortunately led to quite some confusion that might be reduced by the following description: An intervention is any significant allocation of

KATALYST resources (manpower or money) which is invested in a well-defined project, with a limited duration (month, rather than years), of a partner (Businesses, BMOs, and Government Agencies), and which is aimed at either improving the ability of the partner to provide better services (public or private) to SEs or at stimulating the demand for services from SEs, with a view to addressing a major constraint of BDS market.

Guiding Questions of Intervention Selection

5.4.11. The offer provides a list of criteria why a certain intervention should be selected or not. The selection criteria allow KATALYST to choose between several options and are as such not absolute. They will most likely include the following ones:

- How well does it address the constraints?
- Is it in line with the donor guidelines?
- How big is the impact on the targeted SEs?
- How many SE will benefit?
- How does this relate to the cost of the intervention?
- Does KATALYST have at this stage the capacity to intervene?
- Can KATALYST find a good partner?
- What is the best sequence to intervene? (e.g. rather start with awareness raising interventions and do potentially distorting ones at a later stage)
- Does it cause distortion of the market?
- Are the risk of failure of intervention and its impact high?
- Does it comply with the Gender policy of KATALYST?
- Does it improve ERB SRB practices among SE/partners?

5.5. KATALYST's Branding

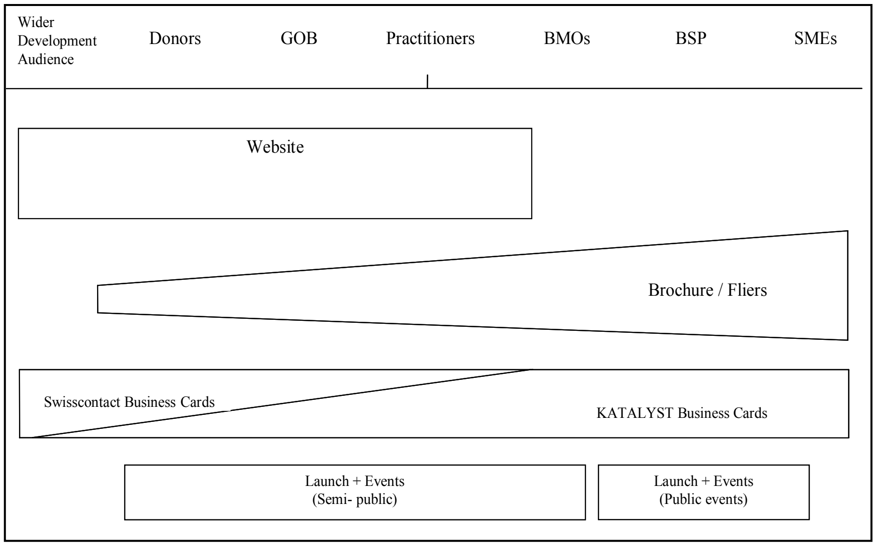
Numerous development projects, a high number of local NGOs of all shapes and sizes, with sometimes non-transparent links to the business community, require KATALYST to have a distinctive branding. Due to the size and the forefront BDS approach, KATALYST is a high profile project. Specific attention needs to be paid to communicate the appropriate message depending on the target audience (such as SEs, BDS providers, donors, practitioners, BMOs). This will allow the highest level of collaboration and finally success with all the involved parties.

5.5.1. The Branding Strategy

5.5.1.1. Three key factors to consider here are: the **image** projected (who are we); addressing the right **target audience** (to whom) and what **medium** of communication is being used to convey the message (how). Being marked as a project of a donor consortium is somewhat in contradiction with the values which promotes entrepreneurship, self initiative and competitiveness. BDS providers target customers (SEs) should look at KATALYST as being an **appealing business partner** to further develop their business. The image of a donor project needs to be shed. KATALYST becoming a recognized brand / value proposition out in the market will significantly add to the progress of the project in the later stages. In order to gain substantial credibility in the **market,** the project needs to change from its previous branding DBSM to a more business like brand. KATALYST (with a distinctive capital K) is selected as the project brand. Internally (and when appropriate, externally as well), there is a need to create more business awareness through for e.g. corporate identity titles – General Manager instead of Project Manager.

5.5.1.2. Having said that, it is equally important for KATALYST to carve out a "niche" within the donor community and various partner organizations in Bangladesh. The propensity of this would be to strike a balance between the two target ends and also to maintain an amount of flexibility in regards to who is being targeted. Hence, KATALYST introduces a concept called forward branding – backward branding which allows to select the message to be conveyed according to the target audience. Figure 10.2 shows an example of which PR-channels KATALYST may use depending on the target audience.

Figure 5.3. Example of Which PR-Channels KATALYST May Use



5.5.1.3. The backward branding (towards the wider development community, donors, the GOB and practitioners) and the forward branding (inclined more towards the BMOs, BSPs and SEs) are the **ultimate target ends**.

5.5.1.4. Specific focus is being made to launch a distinctive forward brand (KATALYST), positioning it as a business organization without an explicit NGO character. The new forward brand will also be linked to the backward brand (which is currently being reworked).

5.5.1.5. Learning from the BDSP and actual sister projects (such as SEDF) show how important it is to use the right project profile at the right time. The mere fact that there are a large number of donor projects requires a cautious management of expectations. Table 5.3 outlines how specifically KATALYST plans to work with the different actors on the market. As to its public appearance KATALYST will use well planned but highly focused PR activities such as press coverage etc. to increase the awareness for the project. In short, the project will promote itself on a specific sector involvement or a specific agenda for the enabling environment.

5.5.1.6. Table 5.3 shows eight different actors on the market, the different roles they play, and how KATALYST plans to interact with those actors.

Table 5.3. Actors on the Market[24]

Actor	Type and Role of actor	How KATALYST works with these actors
SEs – demand side	<u>Private</u> sector. The SEs are the primary target group in markets selected by KATALYST.	<u>Indirectly</u>, through intermediaries. Depending on the identified demand side constraint/bottleneck KATALYST may, for instance, stimulate service awareness of SEs (through media campaigns, associations or any other partners having easy access to targeted SEs). The media campaigns, wherever possible, will be owned by market players and not KATALYST *per se*.
SEs and larger companies as service	<u>Private</u> sector. Representing the	<u>Directly (with providers) or indirectly (with intermediaries)</u> depending whether intermediaries with a large outreach exist or not. KATALYST, for instance, could support service

[24] See 5.4.7 for market selection criteria.

Actor	Type and Role of actor	How KATALYST works with these actors
providers – supply side	supply side of service markets providing generic or embedded services.	providers in a better understanding of their customers (the demand side), in the development of demanded service products etc. KATALYST pays particular attention to strengthening the provider capacity for *embedded* services which in traditional approaches is not considered. As a basic rule KATALYST only gets involved with providers/intermediaries if a clear commitment from the provider/intermediary can be recognized (and contractually agreed upon), e.g., in the form of time and/or budget involvement. The final ownership needs always to remain with the provider and KATALYST needs to carefully select possible providers.
Private sector in general (complementing the above)	Private sector. They may be enabler or disabler in KATALYST's agenda.	On market / sectoral level KATALYST needs to build its legitimacy by proving its expertise and the validity of the approach. This is achieved through informal networking or sector specific advisory teams established by KATALYST. On an overall project level, KATALYST involves key representatives of the private sector by establishing an advisory committee.
BMOs (Business membership organizations)	BMOs provide a set of public services to their members (usually not exclusively SEs). They usually also represent the members interests.	KATALYST can work with BMOs usually directly on two levels: 1. with sector organizations representing businesses of specific markets (like the Plastics BMOs): KATALYST may help the BMOs to strengthen their capacity to better execute their role; also KATALYST may work with them as a leverage to improve sector specific enabling environment issues. 2. Non sector specific, bigger BMOs (like DCCI, FBCCI or CCCI): the project may work directly with some of those BMOs to leverage impact on local enabling government. On overall level, the project may work with them as enablers for overall messages and 'legitimacy'.
Government of Bangladesh (GoB)	Provider of public services	Directly as partners for interventions by the COE/R division. Indirectly on lobby initiatives through BMOs. On overall project level selected bodies of the GoB are involved directly in KATALYST's activities as chair and participants in the policy steering committee.
Other projects and donors	BDS Market facilitators[25]	Directly through formal and informal networks and interest groups and bodies.

[25] Facilitator in this context refers to the role a typical BDS project is assuming in catalyzing vibrant business development service markets.

Actor	Type and Role of actor	How KATALYST works with these actors
	('public')	Where of mutual benefit, KATALYST collaborates with other projects, through resource and intelligence sharing, on jointly agreed initiatives for service market development. KATALYST also participates in the local BDS practitioners group.
The KATALYST donors	Funders of the project ('public')	See Section 10 for an outline of the different interactions: - Donor consortium and - Management Board
NGOs	As a particularity in Bangladesh, NGOs may not only offer public services not provided by BMOs or the government, but they may also provide private services.	Depending on which role an NGO has, KATALYST may work with NGOs according to the above categories for instance as intermediaries to reach SEs. However, KATALYST will hardly use NGOs for provision of services (i.e. supply side) in order not to further distort a non-sustainable situation.

6. Divisions of KATALYST

6.1. Introduction

6.1.1. The next three sections are the heart of KATALYST outlining the three Divisions: The division SERVICES, the division INDUSTRIES and RURAL MARKETS, comprising as well cluster services, and the division COE/R, consisting of Regulation, Media Services and Centres of Expertise for cross-cutting issues. Each of the sections guides the reader from the division objectives, to the resulting strategy, listing the specific deliverables, plus the necessary schedule and budget to reach those deliverables.

6.2. Division – Services

6.2.1. Objectives

6.2.1.1. This Division aims to contribute to the KATALYST purpose of developing selected markets for cross-sector business services. The development of markets is gauged by the positive changes in awareness, understanding, use, retention and satisfaction from service consumers and improved sustainability of service and providers. Cross-sector business services are solutions which improve the performance of individual enterprises across all sectors and geographic locations, their access to markets and their ability to grow and compete. The markets for the services are promoted to target the 1.4 million SEs in the urban and metropolitan areas and a good number of the 4.5 million enterprises in the rural areas of Bangladesh. The aforesaid enterprises' combined contribution to the economy in 2002 was around Taka 741 billion or 25 percent of GDP.

6.2.1.2. Based on the survey conducted by Business Development Services Project (BDSP), the rapid market assessments undertaken by the Division and the experience so far, the Division is looking to develop the following wider service markets, which include differentiated services:

- Accounting, Finance and Taxation (AFT) Services
- IT Services
- Legal Advisory Services
- Marketing Services
- Quality Management Services

6.2.1.3. In addition to the wider service markets mentioned above, the Division will continually be on the look out for opportunities in other service markets.

6.2.2. Strategy for Services Division

6.2.2.1. With the goal of contributing to KATALYST purpose of developing six (6) cross-sector business services markets, the Division uses the sub-sector method for developing those markets. The approach consists of undertaking thorough assessment of demand and supply sides for each service market using tools such as Rapid Market Assessments (RMAs); focus group discussions (FGDs); Usage, Attitude and Image (UAI) survey; secondary data research, in-depth interviews, etc. These tools lead to constraints impinging on the demand side, supply side and the policy and regulatory fronts, which are then equated with opportunities for KATALYST. Based on these, interventions are designed, implemented and monitored.

6.2.2.2. Although cross-sector business services traditionally have been regarded as being transactional and stand alone in nature, the findings of the GEMINI survey 2003 indicate that a good number of businesses may have received embedded services. This means the Division will have to find ways to unravel the type, nature and scope of those embedded services, identify the providers and the target customers, and work to develop the markets for the same. The Division will focus on both stand-alone, transacted cross-sector services as well as embedded services.

6.2.2.3. The GEMINI findings indicate, among others, that one of the oft-cited reasons for business closure is lack of marketing. This justifies division's decision of selecting marketing service.
6.2.2.4. A DfID commissioned Study points to food products and beverages, textiles, wearing apparel and leather dressing and tanning as export sectors which receive relatively little effective protection[26]. Given Bangladesh's impending accession to WTO, the Division can target these sectors with the aim to strengthen them and contributing to their competitiveness.

6.2.2.5. As a starting point and based on the BDSP's survey, Dhaka and Bogra seem attractive locations for the Division[27]. The BDSP mid-term review of 2001 pointed to Chittagong as an area which could be attractive for KATALYST. Based on the above and Industries Division's activities around Bogra, Services Division will target enterprises in Dhaka, Bogra and Chittagong at the onset of the KATALYST with the intent to expand its activities in other parts of the country. The Division will also capitalize on existing synergies with other divisions by expanding in the geographic areas where they are active, namely, Rajshahi, Faridpur and Rangpur.

6.2.2.6. *Interventions:* The specific purpose of interventions is to address market constraints that are inhibiting the more effective functioning of markets. The number of interventions in the LFA should be seen in this light.

6.2.2.7. *Partnerships:* The Division continually seeks to identify potential partners with whom it can collaborate during various stages of its operation. Possible collaboration with the Reforms in Revenue Administration (RIRA) project, Institute of Chartered Accountants of Bangladesh (ICAB), and Institute of Cost and Management Accountants of Bangladesh (ICMAB) is being discussed for the AFT service market. Likewise, arrangements are coming to a close in securing collaboration with Bangladesh Society for Total Quality Management (BSTQM) to initiate work in the QMS service market. Discussions are also underway with Bangladesh Association of Software and Information Services (BASIS) to initiate activities in the IT-related service market. The Division also seeks opportunities to collaborate with other practitioners such as SEDF, JOBS, and GTZ.

6.2.2.8. *Gender, ERB and SRB*: The Division incorporates, with advice and support from Centre of Excellence (COE), the gender, ERB and SRB strategies formulated by the KATALYST at these stages of its operational process: research of service markets, selection of service markets, intervention design and monitoring and evaluation of interventions. The division will take ownership of service market specific interventions, while the Centre of Excellence (COE) will implement intervention which covers several sectors. Further information on Gender, and ERB and SRB are presented in Sections 6.4.4.1., and 6.4.4.2. respectively.

Possible Intervention Areas for the Division

6.2.2.9. The preliminary probes the Division undertook into various wider service markets led to the possible intervention areas for the Division enumerated below. Though it must be noted that the intervention areas need to be validated, added to, or modified through further in-depth research, and analysis.

6.2.2.9.1. Accounting, Finance and Taxation (AFT)

- Improving suppliers' capacity to develop new products to target new customers
- Improving SEs' awareness about the benefits of using AFT services
- Improving SEs' access to proper financial planning services

6.2.2.9.2. Quality Management System (QMS)

- Increasing enterprises awareness about the benefits of using QMS

[26] Maxwell Stamp, "Bangladesh: Trade Protection, Comparative Advantage and Competitiveness".
[27] BDSP, Swisscontact – Bangladesh, "Awareness and Usage of Business Development Services by the Private Sector of Urban Bangladesh", July 2001.

- Increasing number and capacity of providers to deliver QMS
- Facilitating separation of the certification, accreditation and consultancy functions to reduce conflicts of interests and to improve image and quality of QMS

6.2.2.9.3. Marketing Services

- Improving distribution/supply chain service by introducing concept of franchising and branding in different geographic locations
- Improving SEs' access to better design services.

6.2.2.9.4. IT-related Services

- Improving capacity of providers enabling them to offer "complete solutions"
- Improving awareness among SEs about benefits of using IT-related services
- Improving advocacy capacity of BMOs to help usher in intellectual property rights Act

6.2.2.9.5. Legal Advisory Services

- Improving SEs' access to arbitration services as a viable means of settling disputes lawfully through BMO s or other trade associations
- Improving SEs' awareness about the benefits of using legal services

6.2.2.9.6. Examples of potential KATALYST interventions for Cross-sector Services are presented in Table 6.1.

Table 6.1. Potential KATALYST Interventions for Cross-sector Services

Objectives	**KATALYST Activities**
Improving SEs' awareness about the benefits of using AFT services	• Using media (radio, TV, and alternative media) to embark on social marketing campaigns with BMOs (e.g., MCCI, CCCI, WEAB, etc.)
Improving SEs' access to proper financial planning services	• Tying up with ICAB to identify market potential and motivate its membership to develop new products to cater to SEs • Provide technical assistance to market leaders like Hoda Vasi Chowdhury, and Rahman Rahman Huq, among others, to develop new products and go "down market"
Increasing enterprises' awareness about the benefits of using QMS	• Organize buyer-seller meets by tying up with BSTQM whereby decision makers of 40 to 50 SEs are brought together with 15 to 20 service providers • Using media to embark on social marketing campaigns with BMOs
Facilitating separation of the certification, accreditation and consultancy functions to reduce conflicts of interests and to improve image and quality of QMS	• Federating the suppliers to form an association to handle the accreditation issues
Improving capacity of providers enabling them to offer "complete solutions"	• Product concept test with champion providers in collaboration with BASIS

6.2.3. Deliverables

6.2.3.1. Through the deliverables listed below, the Division will contribute to meeting the KATALYST purpose, i.e., "to develop more effective markets for business services in the Bangladesh economy." Indications of positive developments at the service market level are: increased awareness, understanding, use, retention and satisfaction on the demand side while improved sustainability of service and providers measure the positive change on the supply side.

6.2.3.2. **Output A1:** Market development approach for developing business service markets is implemented for 6 service markets.

- Constraints and opportunities for 6 service markets clearly identified by December 2004
- Service markets stakeholders are aware of constraints and opportunities (7 workshops held by December 2004; 6 social marketing campaigns, one in 2004, 4 in 2005, 1 in 2007)
- Business service assesSEnts in the selected service markets conducted on a regular basis
- 30 interventions designed and implemented: 7 by 2004, 9 in 2005, 9 in 2006, and 5 in 2007

6.2.3.3. **Output A2:** The cross-cutting inputs are included appropriately within interventions for business service market.

- Cross-cutting themes are integrated (as per ERB, SRB, Gender strategy in Section 6.4) into the decision making process within the component and key stages of research, analysis, intervention design, implementation and M&E
- 10% of the interventions are specific to cross-cutting themes and implemented in A1

6.2.4 Timeline and Milestones for Services Division

6.2.4.1. Table 6.2. represents the timeline for the Division. Major activities, with special references to stakeholder workshops, social marketing campaigns, and interventions are the milestones.

Table 6.2. Timeline and Milestones for Services Division

Major Activities		4 to 12/2003				2004				2005				2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
A1: Business Service Markets																				
Design/Service Markets/Intervention	S/T International																			
Demand Side Surveys	In-country Survey		1		1	2	2													
Supply Side Surveys	In-country Survey			1		1	1	1	2											
Stakeholder Workshops	In-country				1	1	2	1	2											
Social Marketing Campaigns	In-country							1		1	1	1	1					1		
Interventions	In-country				3	4				9				9				5		

6.2.5. Budget Summary for Services Division

Table 6.3. The Budget Summary for Services Division

Code	Function/Designation	Inception Costs	2003 (April - Costs	2004 Costs	2005 Costs	2006 Costs	2007 Costs	Total CHF
	PART 1: BUDGET SERVICES							
	TOTAL PART 1: BUDGET SERVICES	0	261,850	337,398	339,181	340,965	255,947	1,535,341
	PART 2: BUDGET FIDUCIARY							
2.1	PROJECT COSTS							
2.1	TOTAL PROJECT COSTS	-	131,274	247,613	228,921	219,840	102,252	929,900
2.2	OTHER FIDUCIARY							
2.2.A1	Developing Business Service Markets	-	61,200	472,340	438,600	309,400	217,920	1,499,460
2.2	TOTAL OTHER FIDUCIARY	-	61,200	472,340	438,600	309,400	217,920	1,499,460
	TOTAL PART 2	-	192,474	719,953	667,521	529,240	320,172	2,429,360
	TOTAL COMPONENT A	-	454,324	1,057,351	1,006,703	870,205	576,119	3,964,701

6.3. Division – Industry Services and Rural Services

6.3.1. Objectives

6.3.1.1. Whereas the Services Division deals with a range of services used by businesses from various industries, this division seeks to contribute to the KATALYST purpose of developing key services in selected sector, cluster and rural markets to unleash their growth potential in a sustainable way. Positive market change will be demonstrated by increased awareness, use, retention and satisfaction rates from service consumers and improved sustainability and delivery capacity from service providers. Based on the studies and experience of the inception phase onwards, it is initially targeting the following markets.

Industries (Sectors and Clusters):

6.3.1.2. A sector is defined as "a group of vertically linked enterprises (both large and small) which deals with the same product group. A sector includes enterprises which produce or procure raw materials, enterprises which process them, and enterprises which sell the finished products (both on a wholesale and retail basis)"[28]. Often in Bangladesh a concentration of a sector or trade group springs up within a particular geographic area, this is often called an "enterprise cluster". Clusters are agglomerations of enterprises in the same sector, and related firms from other sectors, which operate in close proximity to one another. Compared to other countries, Bangladesh is unique in the size of these clusters. Instead of a few hundred enterprises in a cluster, there are thousands of such enterprises in the clusters in the country.

6.3.1.3. **Plastics**: There are about 4000 plastic goods manufacturers[29]. The total rises to above 10,000 when we count the importers, wholesalers and recycling enterprises in the value chain. The industry, which is quite young, expanded rapidly in the 1990s and now employs approximately 200,000 people[30]. While the polythene bag segment was affected by the ban on local use of this packaging material, the molding firms have reasonable technology and seem to be doing well. Current exports are valued at over $100 million. Lalbagh/Islambagh is the main cluster with over 2000 manufacturing enterprises and another 3000 related firms. Small enterprises predominate in this location.

6.3.1.4. **Agricultural tools, machinery and spares**: There are nearly 5,000 enterprises involved in manufacturing. The total rises to over 12,000 if the wholesalers and retailers and other market players are included[31]. The 1980's saw dramatic growth with liberalization and modernization especially in the areas of irrigation and land tillage and the sector provides employment for at least 180,000 people[32]. 140,000 households use power tillers and tractors. 15,000 power tillers, 200 four-wheel tractors and 5,000 sprayers are imported annually. As per IDE, Bangladesh farmers use 1.5 million treadle pumps and another million use deep and shallow wells and low-lift pumps. Large quantities of spares are produced domestically. This industry is clustered in Dholaikhal of Old Dhaka – the centre of light engineering - and Bogra focusing on spares for pumps. Smaller clusters are in Dinajpur and Jessore.

6.3.1.5. **Knitwear**: There are about 3,300 firms involved in the domestic knitwear market[33]. The total rises to above 10,000 when related firms are taken into account. The knitwear industry, employing approximately 200,000 people, is quite competitive (even internationally according to the Maxwell

[28] Lusby (1995).
[29] Based on a review of 13 sub sectors and 12 clusters commissioned by KATALYST in 2003.
[30] Based on the number of enterprises in the above study and the average employment figures mentioned in A.M. Uddin's Sub sector study on Plastics, 1998.
[31] Sub-sector Analysis & Market AssesSEnt of Agricultural Machinery, Tools and Equipment Sub sector. Prepared by IDE Bangladesh from DFID/REFPI. April 2003.
[32] M.M. Huq et. al., Machinery Manufacturing in Bangladesh, Dhaka 1993.
[33] Based on the KATALYST review mentioned above.

Stamp report) and is able to supply most of the underwear and vests for the domestic market[34]. It also produces polo-shirts and T-shirts but they face increased competition from cheaper imports (China, India) and also leakages from the exporting knitwear producers. These have duty free facilities but regularly dump their excess production into the domestic market. This industry is clustered in Narayanganj where nearly 90% of the producers are located and is therefore one of the few industries with a centre outside Dhaka.

Rural Services

6.3.1.6. **Greater Faridpur**: This area, comprising of 5 districts and about 6 million people, was chosen on the basis of SIDA's long term involvement in the region[35]. It would provide a good basis for initiating the KATALYST initiatives through better networking and baseline data. First interventions will be in Pond Fishery. This industry is spread around in Greater Faridpur with a focus on the services in Faridpur city. Other sectors that potentially have an impact on the region will later be targeted. The Onion sector is one such possibility.

6.3.1.7. **Greater Rangpur**: This area, comprising of 5 districts and about 9 million people, was chosen on the basis of DFID's long term involvement in the region. It would provide a good basis for initiating the KATALYST initiatives through better networking and baseline data. First interventions will be in Vegetables. This industry is found all across Greater Rangpur. Other sectors that potentially have an impact on the region will then be targeted. The Potato sector is one such possibility.

6.3.1.8. **Greater Rajshahi**: This area, comprising of 5 districts and about 7.5 million people, was chosen on the basis of SDC's long term involvement in the region. It would provide a good basis for initiating the KATALYST initiatives through better networking and baseline data. Silk or horticulture would probably be areas of focus in this region.

6.3.2. Overall Strategy

6.3.2.1. This division primarily uses the sub-sector approach across its breadth. The approach aims to analyze how these industry groups operate, what the nature of the value chain is, and how growth and competitiveness can be accelerated by focusing on developing business service markets.

6.3.2.2. This division also uses the sector development strategy as an entry into the rural markets. Having gained experience in these areas, KATALYST then will widen its scope to other promising sub-sectors or potential service markets that cover more than 1 sector. For example, after working on chemical use in vegetable in Rangpur, KATALYST could then see how this issue affects other crops and then seek opportunities for interventions.

6.3.2.3. **Gender, ERB and SRB**: The Division incorporates, with advice and support from Centre of Excellence (COE), the gender, ERB and SRB strategies formulated by the KATALYST at these stages of its operational process: research of service markets, selection of service markets, intervention design and monitoring and evaluation of interventions. The division will take ownership of service market specific interventions, while the Centre of Excellence (COE) will implement intervention which covers several sectors. Further information on Gender, and ERB and SRB are presented in Sections 6.4.4.1., and 6.4.4.2. respectively.

6.3.3. Strategy for Industry Services

6.3.3.1. The division seeks to develop service markets in 3 sub-sectors and 5 clusters related to the 3 sub-sectors. The Division will analyse the selected sub-sectors and clusters using both the sub-sector analysis and cluster analysis tools. KATALYST will carry out in depth diagnostic research, such as the mapping of the sub-sectors, identification of key constraints, validation of service opportunities, and

[34] CR Hatch and CERBET, SE Participation in Selected Growth Industries in Bangladesh, 2002.
[35] All population figures are from Preliminary Report of the 2001 Population Census published by BBS.

design of supply and demand-side intervention strategies. The key to successful clusters, besides innovation, is the availability of a wide range of services and information leading to lower costs and better products. The approach draws upon experience from the first world (Italy and Denmark) but also from work in India, and involves working with enterprise networks possibly through network 'brokers' that commercially identify cluster products and services[36]. The sub-sector approach has been used in a number of countries with good levels of success[37]. KATALYST is pioneering the combination of sub-sector and cluster approaches to develop business service markets.

Preliminary AssesSEnt of Services & Interventions in Industry Services

6.3.3.2. KATALYST started the industry studies and constraint analysis in the inception phase of the project. Furthermore it has gone forward and analyzed selected service markets. Based on the information it has collected so far the following areas of intervention will be focused on in the implementation phase of this project.

6.3.3.3. **Plastics:**

- Improving the access of plastic enterprises to better quality moulds
- Improving machine productivity (including minimizing waste and improving energy efficiency)
- Improving the advocacy capacity of the fragmented business membership organizations to promote the industry

  In a later stage more areas will be added, potential candidates are:
- Improving the knowledge on the quality and volume of recycled plastics
- Stimulation of mechanisms that enhance entry in more competitive product ranges
- Working conditions in the plastic sector

6.3.3.4. **Agricultural Tools, Machinery and Spares:**

- Improving access to improved production technologies (spares for pumps, threshers and sprayers)
- Improving access to information on basic operation and maintenance
- Improved capacity utilization

6.3.3.5. **Knitwear:**

- Improving repair and maintenance services
- Improving machine productivity

6.3.3.6. The table 6.4 shows objectives and activities for potential interventions for industry services.

Table 6.4. Potential Interventions for Industry Services

Objectives	KATALYST Activities
Improving the access of plastic enterprises to better quality moulds	• Identifying alternative mechanisms for import of better quality steel • Supporting the BMOs to lobby for a rationale tariff structure for high quality steel
Improving the advocacy capacity of the fragmented business membership organizations to promote the industry	• Supporting the formation of a Plastics Forum comprised of the 7 separate BMOs • Supporting position papers and joint activities of the forum
Improving access to information on basic operation and maintenance	• Training retailers on basic operation and maintenance so that this knowledge is passed on to the farmers

[36] See various publications by Hatch 2001-2002
[37] See for example the Agent Programme in Zimbabwe (funded by DFID) that worked with specific agricultural input markets.

6.3.4. Strategy for Rural Services

6.3.4.1. The donor consortium felt that a specific approach to looking at rural markets would be necessary to balance the urban focus of business services, and to ensure that lessons regarding development of secondary towns and rural districts be generated. In the design of the KATALYST the rural/weaker market component was based on two approaches - Local Economic Development (LED) and Sub-sector/Business Service (SBS)[38]. These 2 approaches were combined in the inception phase by starting with a short Local Economic Development (LED) activity to identify potential sub sectors, and then continuing with the SBS approach where, during the selection of service markets, KATALYST looks beyond the specific product range. During the interventions stage, KATALYST will move towards a LED project again (e.g. not only transport of vegetables, but transport of all agro-products). This strategy is supported by a study centred on SIDA's main area of operation (Greater Faridpur) that was conducted during the design of KATALYST to explore this more fully[39] and Bear's work in Faridpur[40]. DfID's parallel work in the agri-business sector corroborated these results, and concluded that rather than a separate 'stand-alone' agribusiness project any pilot should be handled under KATALYST. One of the key challenges in rural areas will be leveraging high levels of private sector investment (due to small markets), and ensuring programme cost effectiveness (due to programme costs in pioneering market analysis). The donor consortium has recognised this, and due to the positive potential for rural pro-poor benefits, will accept a longer pay back period for the investment in this part of the programme.

Preliminary AssesSEnt of Services & Interventions in Rural Services

6.3.4.2. The KATALYST started the preliminary industry studies and constraint analysis in the inception phase of the project. Rapid Area Studies, a variant of the PACA study, were conducted first in Faridpur and Rangpur to identify strong sectors that could drive the local economy. The Silk sector was studied in Rajshahi to explore opportunities for intervention. In addition, KATALYST was involved in formulation stage of the SDC Intercooperation agro-forestry sector project. Indications are there that work in some of these agro-sectors possibly with Intercooperation will be a starting point in Rajshahi. In addition, KATALYST worked with the GEMINI survey team to design a mini-GEMINI for Rajshahi. This will for the first time give data on economic life within that area. KATALYST has also conducted 4 sub sector studies in cooperation with IDE and has moved forward and analyzed selected service markets. Based on the information it has collected so far and interactions with stakeholders the following areas of intervention will be focused on in the implementation phase of KATALYST.

6.3.4.3. **Faridpur:** First interventions will be in Pond Fishery. Other sectors that potentially have an impact in the region will later be targeted. The Onion sector is one such possibility. Services in pond fishery could include:

- Access to proper brood fish
- Access to a variety of quality fingerlings

In a later stage potential areas of interventions could be:

- Information on pond preparation and use of chemicals
- Availability of modern technology in Hatcheries
- Training for new pond farmers

6.3.4.4. **Rangpur***:* First interventions will be in Vegetables. However, other sectors that potentially have an impact in the region will then be targeted. The Potato sector is one such possibility. Services in vegetables could include:

- Access to information on proper use of chemicals and pesticides

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[38] LED is a participatory approach to determine the economic potential of an area and what needs to be done to utilize this potential. The interventions go beyond just business services.
Sub sector analysis (SBS) is a tool where the whole value chain (from inputs to final customers) is studied to look for constraint or bottle necks and opportunities. Constraints and opportunities can then be addressed by stimulating Business service markets that positively influence these constraints and opportunities.
[39] Bear (2002).
[40] Montgomery et al (2002).

- Access to quality seeds and chemicals

In a later stage potential areas of interventions could be:

- Introduction of new varieties
- Access to storage and post harvest technology
- Access to technology that reduces the waste during transport
- Improved working conditions for pesticide sprayers

6.3.4.5. **Rajshahi**: The extended GEMINI study in Rajshahi will allow KATALYST to select important sub-sectors in the region. Production of Silk yarn, with a large impact on poor women or horticulture would probably be areas of focus in this region.

6.3.4.6. The table 6.5 shows objectives and activities for potential interventions for rural services.

Table 6.5. Potential KATALYST Interventions for Rural Services

Objective	**KATALYST Activities**
Access to proper brood fish	• Supporting entrepreneurial hatcheries to commercially rear brood fish
Access to information on proper use of chemicals and pesticides	• Working with the chemical suppliers and main dealers to train sub-dealers on application of chemicals and pesticides

6.3.5. Deliverables

6.3.5.1. The division has the following deliverables and indicators which will contribute to the objective of positive market change outlined above. Achieving these deliverables contributes to the project purpose of "developing more effective markets for business services in the Bangladesh economy". The indicator of more effective markets is increased awareness, reach and retention on the demand side and improved capacity and sustainability on the supply side.

6.3.5.2. **Output B1:** The "sub-sector approach" for developing business service markets is implemented for 3 sub-sectors.

- Constraints and opportunities for 3 sub-sectors clearly identified by January 2004
- 25 interventions designed and implemented: 7 by December 2004, 7 in 2005, 7 in 2006 and 4 in 2007

6.3.5.3. **Output B2:** The "cluster approach" to developing business service markets is implemented in 5 selected enterprise clusters.

- Constraints and opportunities in 5 selected enterprise clusters clearly identified by June 2004
- 25 interventions designed and implemented: 3 in 2003, 5 in 2004, 7 in 2005, 7 in 2006 and 3 in 2007

6.3.5.4. **Output B3:** An approach to developing business service markets in 3 weak-rural markets is developed and tested.

- Comparative advantages in 3 selected weak/rural markets identified (5 PACA area studies, 3 by Jan 04)
- Market structures of 3 agro-enterprise sub-sectors are known by January 2005 (1 in 2003, 2 in 2004)
- Sustainable access to BDS in the selected sub-sectors and areas chosen can be registered (30 promotional interventions by March 2007: 10 by 2004, 9 in 2005, 10 in 2006, 1 in 2007)

6.3.5.5. **Output B4**: The cross-cutting inputs are included appropriately within interventions for business service market.

- Cross-cutting themes are integrated (as per the ERB, SRB, Gender workshop during the Inception Phase) into the decision making process within the component and key stages of research, analysis, intervention design, implementation and M&E
- 10% of the interventions are specific to cross-cutting themes and implemented in B1 to B3

6.3.6. Timeline and Milestones for Industry and Rural Services Division

6.3.6.1. Table 6.6. represents the timeline for the Division. Major activities, with special references to stakeholder workshops, social marketing campaigns, and interventions are the milestones.

Table 6.6. Timeline and Milestones for Industry and Rural Services Division

Major Activities		2003				2004				2005				2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
B1: Sub-Sectors																				
Design/sector/intervention	S/T international																			
Sub-sector studies	In-country survey		3				1													
Stakeholder workshops	In-country				3		3													
Social Marketing	In-country							1			1				1					
Market studies (UAI etc.)	In-country survey		3				2				2							3		
Interventions	Promotion			2			5				7				7				4	
B2: Clusters																				
Design/Intervention	S/T international																			
Cluster surveys	In-country survey				5						1									
Market Surveys	In-country survey		1				3					1								
Social Marketing	In-country											2				3				
Interventions	Promotion		3				5				7				7				3	
B3: Rural Markets																				
Design/Intervention	S/T international																			
Sector Studies	In-country survey				3															
PACA/Area studies	In-country survey		2				1													
Stakeholder workshops	In-country																			
Market Surveys	In-country survey		2		2				1		1				1				2	
Training Market Agents	Training							3					2			2				2
Interventions	Promotion				2			8				9				10			1	

6.3.7. Budget Summary for Industry and Rural Services Division

Table 6.7. Budget Summary for Industry and Rural Services Division

Code	Function/Designation	Inception	2003 (April -	2004	2005	2006	2007	Total
		Costs	Costs	Costs	Costs	Costs	Costs	CHF
	PART 1: BUDGET SERVICES							
	TOTAL PART 1: BUDGET SERVICES	0	747,904	991,959	915,396	919,713	458,043	4,033,014
	PART 2: BUDGET FIDUCIARY							
2.1	PROJECT COSTS							
2.1	TOTAL PROJECT COSTS	0	211,752	291,816	280,521	288,350	118,267	1,190,706
2.2	OTHER FIDUCIARY							
2.2.B1	Total B1 sub-sector strengthening	0	144,840	242,440	260,150	267,410	221,325	1,136,165
2.2.B2	Total B2 development clusters	0	97,920	251,845	338,625	383,435	233,810	1,305,635
2.2.B3	Total B3 development of weaker markets	0	173,576	402,325	547,175	560,235	175,925	1,859,236
2.2	TOTAL OTHER FIDUCIARY	0	416,336	896,610	1,145,950	1,211,080	631,060	4,301,036
	TOTAL PART 2: BUDGET FIDUCIARY	0	628,088	1,188,426	1,426,471	1,499,430	749,327	5,491,742
	TOTAL COMPONENT B	0	1,375,992	2,180,385	2,341,867	2,419,142	1,207,370	9,524,756

6.4. Division – Centres of Expertise and Regulation

6.4.1. Objective

6.4.1.1. This division seeks to contribute to the project purpose by directing and supporting KATALYST's activities in addressing Enabling Environment (incl. BMOs), Media, and two cross cutting issues: Gender and Socially and Environmentally Responsible Business (ESRB). It does so in two complementary ways:

1. Directly, the Division designs and implements Enabling Environment and ESRB interventions;
2. Indirectly, the Division directs and supports cross sector, industry specific and rural market services to deal efficiently with Gender and ESRB issues in KATALYST's interventions.

6.4.1.2. The Division's responsibilities, role, and approach with respect to the cross cutting issues provides it with a distinctive role within KATALYST: Division Centres of Expertise and Regulation (COE/R) operates on issues that have relevance across all KATALYST's activities. Hence, COE/R is different from the other Divisions in relation to the sectors KATALYST is operating in. The Division has a demand-led role for direct involvement on cross cutting issues with the other Divisions: COE/R will undertake specific tasks in the other Divisions' project cycle at the requests of those Divisions. Consequently, the responsibilities of addressing cross cutting issues lies with the Divisions, and COE/R's role is directive and supportive throughout the project cycle.

6.4.2. Strategy for the Enabling Environment

6.4.2.1. KATALYST's rationale and approach is premised on the view that the role of development agencies is to influence the underlying systemic context for business – the so-called "rules of the game". SEs exists in a complex, dynamic environment. Business services markets are a critical part of this environment – and influencing them and small businesses directly are the actions of governments. Processes of economic reform and increased global trade have both placed the business environment in many countries high on the agenda. With the private sector being regarded as the engine of growth, governments' priority is seen as being to create an enabling environment where SEs have the chance (are *enabled*) to establish and grow.

6.4.2.2. Although regarded as important, the enabling environment is, typically, used as a vague term. The Donor Working Group on Enabling Environment (WG) concluded that most donors define the Enabling Environment loosely and the WG's own definition reflects a broad view: *'environment in which SEs can be enabled in their establishment and growth so that they become more competitive'.*[41] The WG also found that it is difficult to identify a common understanding among donor agencies as to what element does the business environment encompass. For this reason, in developing a strategy for KATALYST's work on the enabling environment it has been important to develop clarity over concepts and roles.

6.4.2.3. KATALYST's work on the enabling environment within sub-sectors and markets is the direct responsibility of the other two Divisions with COE/R providing direction and support as required. However, "beyond" this market-sub-sector specific role, KATALYST will address the wider enabling environment impinging upon business services and, complementing this, the role of BMOs. As with other parts of KATALYST, from the outset the strategy has considered BMOs within the enabling environment rather than as a separate area.

Strategy Rationale

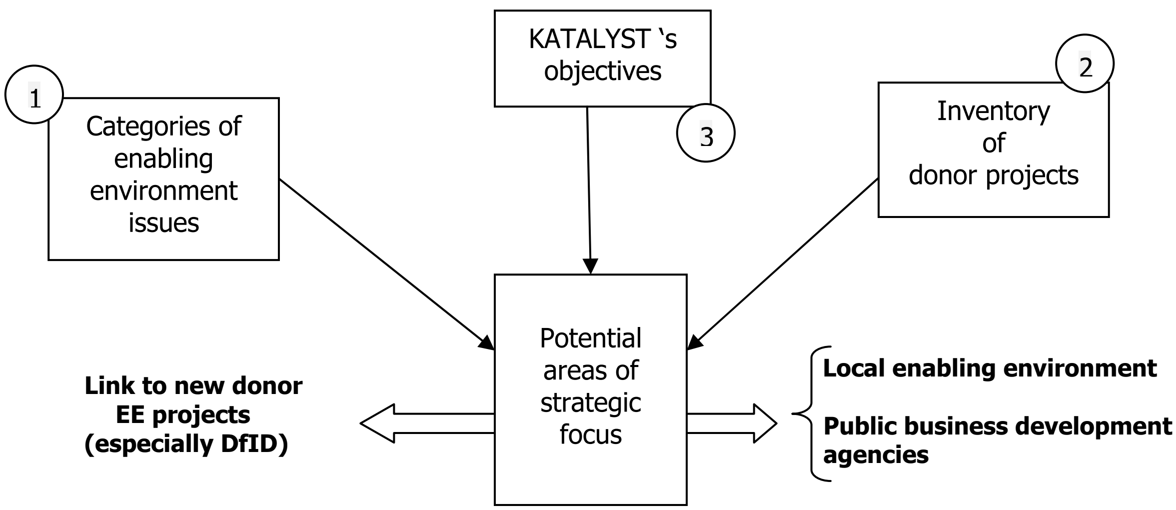
6.4.2.4. In developing the strategy for the enabling environment for SEs, three sets of factors have been taken into account (see figure 6.1):

[41] Working group on Enabling Environment (Nov 2002).

1. The key sets of issues that could be said to be within the enabling environment heading in Bangladesh: setting out the "universe" of potential areas of involvement
2. The activities of other donor agencies
3. The overall objective of KATALYST of service market development

6.4.2.5. From these, potential areas of strategic focus emerge that are valid (for Bangladesh and for KATALYST) and which offer a distinctive opportunity for intervention in the donor context. The process undertaken to arrive at these involved setting out (1) above and matching this with (2) to identify potential areas of interest and aligning this with KATALYST's overall objectives (3).

Figure 6.1. Key Factors in Developing KATALYST's Enabling Environment Strategy



Enabling Environment Issues

6.4.2.6. A broad definition of enabling environment has been adopted to include the wider role of the state (and of BMOs) in delivering public functions. Grouping these into neatly defined headings is difficult given the inherent overlap of many public functions but a very rough categorisation is as follows:

- Macro-economic policy and overall government functions related to trade, financial management, governance etc. This is the set of "big" government responsibilities that impinge upon the whole economy and country.
- National business-specific regulations: the set of regulations from government relating to entry and exit of firms, contract enforcement, hiring and firing of labour, assert ownership etc.
- Local implementation of national government policies and/or local government responsibility: infrastructure, utilities, licensing, taxation, law and order, inspections, planning and economic development tasks. This is the set of government functions that, either in decision-making or (more usually) enforcement, have a strong, identifiable local dimension.
- Sector-specific laws and regulations: this includes standards, certification, codes, co-ordination, information, buying policies and tariffs that are undertaken by government (and particular ministries within it) or by the private sector through industry associations (BMOs).
- Public business development functions: this is the set of public goods tasks undertaken to promote the development of business, some being industry or commodity specific and others

with a different remit for example, to promote small business, regulate standards or provide testing facilities.

The Donor Context

6.4.2.7. The enabling environment is emerging as a principal focus of donor activity in Bangladesh. Certainly, compared with the time of KATALYST's original design, the amount of activity has increased and is likely to further increase throughout the life of KATALYST[42].

6.4.2.8. While it is difficult to be precise given the early concept and design stage of some of these engagements, and therefore there is an element of arbitrariness in the analysis of matching interventions with enabling environment issues. The following general comments can be made about the focus of interventions in relation to the five broad areas identified above:

- Strong focus on national policies and regulation: for example, the WB's interventions on judicial reform and customs reform, the EU's programmes on trade, ports reform and intellectual property rights, and DfID's new EE programme dealing with a range of national issues such as investment promotion.
- A strong focus in some sectors: specific sector programmes includes the WB's on telecom and SEDF's on banking, ICT and agri-business.
- Limited focus on local implementation of national policies
- Limited focus on public business development agencies: it is possible that the ADB's new programme will work with the government's SE development organisation – BSCIC – and the EU may be contemplating a link with BSTI in the future but apart from this there appears to be no significant donor engagement.

In addition there appears to be very limited substantial donor activity aimed at BMOs.

KATALYST objective

6.4.2.9. From the above analysis, the areas where intervention is *possible* (unoccupied donor niche with high demands from SEs) appear to be in local implementation of national policies and public business development agencies.

6.4.2.10. For the local enabling environment, the key arguments are as follows:

- A poor local enabling environment inhibits business services and businesses;
- Many local enabling environment issues are the direct responsibility – in planning or implementation – of local government, which government is under-performing;
- BMOs have a critical role to play in the enabling environment in advocating to local government (and in offering other services to their members), but they are under-performing[43].
- Addressing these issues offers a means of improving business services markets.

6.4.2.11. For public business development agencies, the key arguments are:

- These are substantial, well-established organisations that play a variety of prominent roles in the economy.
- They impinge upon business services in many ways; while they "should" offer public goods/supporting services such as information and research – these are often provided ineffectively. Moreover, their range of activity and scale has often displaced private providers.
- While many of these organisations have received significant donor support in the past, most are now regarded unfavourably – as moribund and hard to change. In particular,

[42] The summary (from DfID) of current and predicted donor activity suggests that over $200m could be targeted on enabling environment interventions in the next few years.
[43] In working with local BMOs (such as chambers) KATALYST, might also form a link with the national chamber movement of which local chambers are a part.

encouraging them to focus on core competence and move out of non-core functions (and thus reduce in size) is seen as extremely challenging

- This combination of factors – on the one hand, their undoubted potential relevance to and impact on business services contrasted with, on the other, their poor image and pessimism over the feasibility of working with them to bring about change (which has resulted in reduced donor interest) - defines the high risk opportunity for KATALYST.
- Addressing public business development agencies' performance in a useful way therefore offers a potential means of improving business services markets

Implementation strategy

6.4.2.12. For the implementation of the Enabling Environment strategy COE/R will focus on the geographic areas in which KATALYST is operational. COE/R's initiatives will thus be complementary to the activities undertaken in service markets and sub-sectors by the other Division in these areas.

6.4.2.13. The precise focus of activities within the sphere of local enabling environment and public business development agencies (as with other areas of KATALYST's work) will be shaped by more intensive research. This will include discussions with key stakeholders, analysing existing survey data (for example from GEMINI and the Asia Foundation) and undertaking a detailed survey among SEs, BMOs and Local Government and Local Government agencies. This will provide direction on possible interventions (see Table 6.8) to address core constraints.

Table 6.8. Potential Interventions for COE/R on Local Enabling Environment

Objectives	Activities
Increased awareness on VAT and Tax issues among SEs	• Develop information package w/ local Income Tax and Customs Authorities and disseminate through BMOs
Improved dialogue between Local Government (institutions) and Chamber of Commerce and Industry	• Based on Local Government issues establish dialogue and communication • Strengthen Chamber on the development of advocacy programs
Improved network for Samities to address constraints to Local Government	• Develop partnership with Chamber to act as 'high level' advocate and intermediary for Samities[44] • Strengthen Samities on constraint analysis and advocacy

6.4.3. Media Services

Background on Media

6.4.3.1. Media techniques are nowadays more and more being used to bring social messages across. Not only governments, also UN-agencies (like UNICEF) and NGOs (like CARE and Grameen) use modern (radio and television) and alternative media (cinema, mobile units) for their social campaigns.

6.4.3.2. Recent developments from ILO in mainly Africa show that media is a powerful tool to improve the flow of information to the benefit of the Small Enterprises as well as to provide enterprises with a national voice. These targeted programmes combine radio as an advocacy tool and tool for service delivery.

[44] Samities are local association of businesses.

KATALYST Findings for Media

6.4.3.3. In general in Bangladesh, various media, like TV and newspapers, are rapidly growing and finding a bigger audience. A National Media Survey showed that the number of TV viewers has increased in both rural and urban areas from 24% in 1995 to 50% in 2002, and 31% nationally in 1995 to 61% in 2002[45]. Interestingly enough, radio coverage was estimated at around 25%.

6.4.3.4. When taking into account that the majority of SEs have no or only primary education (and the high illiteracy rate of 58%), then media - radio as well as TV - can play an effective role in reaching especially these non / low educated and illiterate people[46].

6.4.3.5. The Gemini Survey[47] showed that there are approx. 6 million SEs in Bangladesh and depending on the service chosen, media programmes could have these as an initial outreach (audience).

6.4.3.6. However, commercial radio is not developed in Bangladesh, and programmes focus on Dhaka mainly. Commercial TV is on the other hand reasonably developed with several commercial TV stations; however, they are mainly satellite-based, and therefore have low coverage. The only aerial-based private TV station with national coverage was closed due to regulatory issues.

Strategy for Media

6.4.3.7. COE/R divides Media in two clearly distinct opportunities. The first is using media for advocacy campaigns and the second is media as a service market.

6.4.3.8. Media will be an important tool for COE/R and KATALYST to advocate for change, not only related to the Enabling Environment and cross-cutting issues but also for issues identified in the other Divisions. Various alternative media, such as mobile units and cinema, and modern media techniques are being used for advocacy programmes in Bangladesh. Media has to be strategically chosen and has to take into account issues like illiteracy and low education of audience. Stakeholders play an important role in this process, not only in the identification of issues, but also in the implementation of advocacy campaigns.

6.4.3.9. Data available to KATALYST picture the media landscape in Bangladesh but don't provide an in-depth assesSEnt of the media service market. COE/R will initiate an assesSEnt, and depending on the development stage of the market, this can be followed by a full fledge assesSEnt through KATALYST's sub-sector approach. Through this strategy, media can be developed as a advocacy tool and service market.

6.4.4. Cross-cutting issues:

One of the objectives of COE/R is to ensure integration of the cross-cutting issues, Gender and Socially Responsible Business and Environmentally Responsible Business, into the other Divisions of KATALYST.

6.4.4.1. Gender in COE/R

6.4.4.1.1. KATALYST's strategy on addressing Gender is explained in detail in Section 9. Within KATALYST Gender is a cross cutting issue, the participation of women as well as men is being looked at into throughout the planning cycle and the integration of their respective priorities and needs. A toolkit of SDC provides a detailed description of the latest thinking on how to implement Gender as cross cutting issue in a project[48]. KATALYST follows a similar approach. By addressing Gender throughout the project cycle, KATALYST is committed to look at gender in a more systemic and

[45] National Media Survey (2002), SMC and BCCP.
[46] GEMINI Survey (Bangladesh 2003).
[47] National Private-Sector Survey of Enterprises in Bangladesh, 2003.
[48] Gender in Practice – A tool-kit for SDC and its partners (2003) SDC.

meaningful way within the context of KATALYST's overall, distinctive strategy: Gender in the context of market systems.

6.4.4.1.2. Gender will be incorporated by COE/R in two complementary ways: directly and indirectly. The indirect role of COE/R is theoretical and practical in nature. The more theoretical role will look into questions like: *'What do we mean by Gender within the context of markets?'* As mentioned above Gender in BDS markets is a new concept, and COE/R developed a Gender Strategy for validation and discussion, which is summarized in Section 9. By addressing Gender in all aspects of the project cycle, KATALYST tests these questions and validates its strategy.

6.4.4.1.3. The practical role of COE/R in KATALYST is demand-led oriented, only for direct involvement with the other Divisions. COE/R will only undertake specific tasks in the other Divisions' research-design-intervention process at the specific requests of those Divisions. Staff will be assigned on task-basis to address Gender issues identified by those Divisions (see the box entitled "**Gender as a crosscutting issue in the AFT service market",** in Section 9).

6.4.4.1.4. The second role, directly through Gender interventions, will be addressed by COE/R with respect to the Enabling Environment and ESRB service market. A survey by the Asia Foundation in Mymensingh showed that constraints related to the Local Government are significantly larger for women-owned enterprises than for men-owned enterprises. Initiatives on the Enabling Environment and ESRB service market will address Gender issues during the research, design and intervention process. See table 6.9 for possible interventions on Gender by COE/R

Table 6.9. Potential Interventions for COE/R on Gender

Objective	Activity
Improved understanding by women entrepreneurs on local government services	• Information dissemination among women entrepreneurs on local government services through BMOs

6.4.4.2. Socially Responsible Business and Environmentally Responsible Business

Background
6.4.4.2.1. Corporate Social Responsibility is placed high on the donor agenda over the last couple of years. However, there is no overall consensus on what exactly is meant by Corporate Citizenship, Ethical Business or Sustainable Business, and often CSR is used as shorthand for the whole debate.[49] The United Nations' Global Compact initiative was launched in 2000 which seeks to advance CSR through *Nine Principles*[50]. The European Union will initiate its European Business Campaign on CSR in 2005. Also for Swisscontact CSR, is a priority concern, which is strengthened by the positive feedback they receive from various donors, UN agencies and Governments. KATALYST uses the terminology 'Environmentally and Socially Responsible Business' to stress its focus and interest.

6.4.4.2.2. One of the major differences in the BDS approach is that market forces, not donor and partner values, will be the major force behind the project accomplishing its social and impact goals. The market will demand ESRB practices from larger businesses and some businesses interested in exporting goods, but it will be far from all businesses. In order to accomplish its environmental and social goals, it will need to use principles of market forces (improved productivity and profits) and enlightened self-interest, instead of moral appeals.

49 .Moving the Corporate Citizenship Agenda to the South (2002) Ward, H. and Fox, T.
50 See www.unglobalcompact.org.

6.4.4.2.3. It is critical that SEs in the South are able to go beyond a compliance-based reactive mode to ESRB to engage in the ongoing development what effective, appropriate ESRB means at all levels. Many SEs are already undertaking some kind of 'silent social responsibility'. A critical factor for successfully introducing ESRB practices in selected sub-sectors at the SE level is the establishment of a "business case" [51]. For example, benefits of ESRB for SEs might include improvements in productivity or alignment with consumer concerns.

6.4.4.2.4. The threat of sanctions (Harkins Bill) was the dominant force behind persuading "Bangladesh" BGMEA garments manufacturers to change from bad to very progressive ESRB practices. These "stick-approaches" emphasizes economic sanctions resulting from the non-compliance with various ESRB practices. On the other side, "carrot-approaches" emphasize improved productivity, a more efficient use of resources and improved profits which also result from improved working conditions and more satisfied, productive employees.

6.4.4.2.5. The Gemini survey showed that only 20% of the SEs have some kind of environmental procedure in place. Furthermore almost 50% of the SEs indicated that 'employment benefits' were not applicable for them. Although many enterprises (approx. 6%) mentioned 'free food', 'transportation' and 'bonus', it is clear that for many SEs Social issues are still unfamiliar. In comparison, out of the Large-scale Enterprises, approx 65% have some kind of environmental procedure in place and 63% adhere to labor standards or have systems in place in relation to overtime, health care, maternity leave, or safety clothing and equipment.

6.4.4.2.6.
During a project workshop (February 2003) it was concluded that ESRB interventions should be based on a win-win situation for SEs, focus will be on 'carrot-approach' (e.g. cost reduction, productivity, profitability, etc.) and less on the 'stick-approach' (international Code of Conducts, Certifications, SA8000 etc). However, the initial implementation of a 'stick-approach' with the ultimate goal to develop to a 'carrot-approach' (enforcement as a first step towards voluntarism) is a viable strategy. Furthermore ESRB interventions should be implemented through BDS market stimulation, in line with the overall approach of KATALYST.

ERSB Strategy in KATALYST

6.4.4.2.7. ESRB will be incorporated by COE/R in two complementary ways:

1. Indirectly, the Division directs and supports cross sector, industry specific and rural market services to deal efficiently with ESRB issues in KATALYST's interventions;
2. Directly, the Division designs and implements ESRB interventions.

Indirect Incorporation: ESRB as a Cross Cutting Issue

6.4.4.2.8. The Division has an indirect role with respect to the implementation of ESRB as a cross cutting issue by the other Divisions of KATALYST. COE/R's role is demand-led for the involvement on cross cutting issues with the other Divisions: COE/R will undertake specific tasks in the other Divisions during the research-design-intervention process at the requests of those Divisions.

Direct Incorporation of ESRB by COE/R

6.4.4.2.9. The experiences of KATALYST in 2003 and regional initiatives showed that ESRB has a different meaning depending on the size and market of the enterprises. COE/R will address ESRB from:

1. Service market perspective, aiming mainly at the bigger (medium and up) enterprises in Bangladesh;
   ESRB practices are particularly present at larger and medium sized enterprises but has potential to trickle down to top-end small enterprises. Focus on different enterprises in size and sector provides insights in opportunities for application to SEs;

[51] UNIDO (2002).

2. Workplace improvement at SEs, e.g. those in the plastic, light-engineering and agro-machinery and tools sub-sectors in which KATALYST is currently operating.

6.4.4.2.10. However, due to the novelty of especially ESRB for SEs, this Division will be open for ESRB opportunities that may come across.

ESRB Service Market

6.4.4.2.11. The acknowledgement of enterprises to adhere to *good business practices* in Bangladesh started in the mid-nineties when foreign companies introduced the Codes of Conduct. Companies are more and more conscious about issues as 'quality', 'good business' and 'sustainable business', which can also be seen in the implementation of ISO9000 and IS014000 and SA8000 to a lesser extend. However, ISO is only a small portion of ESRB but can be an initial step for an enterprise to address sustainable business. The ESRB service market looks at those services which contribute to sustainable business practices.

6.4.4.2.12. To address the ESRB service market, COE/R applies the approach of undertaking thorough assessment of demand and supply sides of the ESRB service market using tools such as in-depth interviews, focus group discussions (FGDs) and secondary data research. By using these tools, in-depth knowledge will be acquired of the constraints in the service market and these will be analyzed by the Division. Based on the data collected and analysis, interventions will be designed and implemented.

6.4.4.2.13. The preliminary analysis of surveys the Division undertook into ESRB service markets led to the possible intervention areas for the Division enumerated below. Though it must be noted that the intervention areas need to be validated, added to, or modified through further in-depth research, and analysis.

6.4.4.2.14. Possible areas of interventions:

- Improving suppliers' marketing tools to market their services to customers;
- Improve enterprises' awareness of benefits of using ESRB services for sustainable business
- Develop platform for providers and entrepreneurs to advocate for and stimulate ESRB practices
- Develop show cases / good practice as models for other business

Workplace Improvement as 'ESRB' for SEs

6.4.4.2.15. Especially for the *micro-enterprises* it difficult to adhere ESRB practices, particularly those which are not part of an exporting supply chain.[52] Furthermore, for the micro-enterprises - which are abundant in the sub-sectors in old Dhaka and Bogra where KATALYST is operating – ESRB has no meaning and issues like bad working conditions, dangerous work and child labour are still the norm. The bottom line, however, is the 'do-not-harm' approach. Through strategic linkages, e.g. with ILO IPEC, and in collaboration with the Industry Division, COE/R will develop creative interventions with the aim to mitigate dangerous working conditions by improving the work place, addressing child labour and establishing links to increased competitiveness for these enterprises.

6.4.4.2.16. COE/R's interest in workplace improvement is to establish opportunities for ESRB for the micro-enterprises KATALYST is working with, to be applied by the Industry Division. During the sub-sector assessments, it was noticed that bad working conditions and workplace environment are major stumble blocks for the operation of especially the micro-enterprises. Furthermore, to ensure connectivity to the project purpose of developing key services in selected sector, the Industry Division will participate with the aim to develop a possible service market for workplace improvement in the sub-sectors it is working in.

[52] The size of the enterprises in the sectors KATALYST is operating in (e.g. Old Dhaka) ranges between 1-10 employees, incl. apprentice; therefore, to emphasize the difference, these paragraphs refer to micro-enterprises instead of SE.

6.4.4.2.17. Possible areas of interventions:

- Improved understanding of workplace improvement as a means to improve business among SE
- Awareness campaign, though e.g. development of showcases of 'good practice' for improved competitiveness through workplace improvement.

6.4.4.2.18. Table 6.10 presents some potential interventions on ESRB.

Table 6.10. Potential interventions for COE/R on ESRB

Objectives	**Activities**
Improving suppliers' marketing tools and skills to market their services to customers	• Develop marketing skills of providers to address USP of their service
Improving enterprises' awareness of benefits of using ESRB services for sustainable business	• Awareness campaigns; • Communication of 'good practice' through media, presentations, exchange programmes
Establish platform for providers and entrepreneurs to advocate for and stimulate ESRB practices	• Workshops, FGDs, to establish common framework; • Capacity building of lead institution
Establish show cases / good practice as models for other business	• Develop promo material and make use of Champion as showcase
Improved understanding of workplace improvement as a means to improve business among SE	• Campaign through media to raise awareness among SE
Establish showcases of 'good practice' for improved competitiveness through workplace improvement	• Pilot activity with selected SEs • Workshops and localized media programme to disseminate learning among SE

6.4.4.2.18. In addition to the above possible interventions from Division COE/R, the Divisions Industry and Rural Markets and Division Services, both expect to address ESRB in 10% of their interventions (see Log Frame Output A2 and B4).

6.4.5. Deliverables

The division has the following deliverables and indicators which will contribute to the objective of positive market change outlined above. Achieving these deliverables contributes to the project purpose "to develop more effective markets for business services in the Bangladesh economy."

6.4.5.1. Output C1: Approaches to a more conducive business service environment are implemented for 7 specific issues.

- Business environmental constraints to SEs competitiveness identified through research and sub-sector, cluster, rural market, and service market analysis
- Seven issues for a conducive business services environment are identified and taken up (through appropriate advocacy channels) with local or national governments
- 20 interventions designed and implemented

6.4.5.2. Output C2: Interventions to develop the role of mass media in the business service market are undertaken

- Constraints and opportunities of media business service markets identified
- Five interventions designed and implemented: 1 by 2004, 2 in 2005 and 2 in 2006

6.4.5.3. Output C3: Measures to increase awareness of the relevance of ESRB/Gender are introduced to KATALYST's interventions and stakeholders

Within KATALYST

- Core competence and strategy developed in gender in business, environmentally and socially responsible business, to support activities in A and B
- Awareness of other components within KATALYST of ESRB and gender principles increases

Outside KATALYST

- Other stakeholders are aware of the crosscutting issues
- Four interventions planned and implemented

6.4.6. Timeline and Milestones for Centres of Expertise and Regulation

6.4.6.1. Table 6.11. represents the timeline for the Division. Major activities, with special references to stakeholder workshops, social marketing campaigns, and interventions are the milestones.

Table 6.11. Timeline and Milestones Centres of Expertise and Regulation

Major Activities		1 to 12/2003				2004				2005				2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
C1: Enabling Environment																				
Design, research	In-country		1					2		1		1		1						
Study of Constraints																				
Stakeholder workshops									2		1		1		1					
Interventions								4			4				4				2	
Social marketing campaigns								1			2				2				1	
Concept for Advocacy Fund																				
Implementation of Fund									1		1				1				1	
C2: ESRB																				
Issue surveys				1				1				1				1				
Interventions							3				3				3				1	
Stakeholder workshops						2														
Social marketing campaigns							1				1				1				1	
C3: Media																				
Design																				
Market Survey								1												
Stakeholder workshops									2											
Interventions									1					4						
Social marketing														1						

6.4.7. Budget Summary for Centres of Expertise and Regulation

Table. 6.12. Budget Summary for Centres of Expertise and Regulation

Code	Function/Designation	Inception Costs	2003 (April Costs	2004 Costs	2005 Costs	2006 Costs	2007 Costs	Total CHF
	PART 1: BUDGET SERVICES							
	TOTAL PART 1: BUDGET SERVICES	0	370,662	442,007	444,328	446,648	315,023	2,018,668
	PART 2: BUDGET FIDUCIARY							
2.1	**PROJECT COSTS**							
2.1	**TOTAL PROJECT COSTS**	0	145,095	202,479	201,305	206,480	145,178	900,537
2.2	**OTHER FIDUCIARY**							
2.2.C1	**Total Enabling Environment**	0	46,920	254,980	230,050	319,345	185,005	1,036,300
2.2.C2	**Total Media**	0	0	150,480	82,775			233,255
2.2.C3	**Total socially responsible business (SRB)**	0	10,200	226,765	233,275	239,785	52,210	762,235
2.2	**TOTAL OTHER FIDUCIARY**	0	57,120	632,225	546,100	559,130	237,215	2,031,790
	TOTAL PART 2: BUDGET FIDUCIARY	0	202,215	834,704	747,405	765,610	382,393	2,932,327

7. M&E and Impact Assessment

7.1. Introduction

7.1.1. Due to the nature of a BDS project, an M&E system with very specific indicators and rigidly predefined forms and processes has the risk to steer the project away from the reality found on the ground. Service markets are rich in appearance and characteristics, beyond the basic separation in transacted and embedded services. The traditional and specific service market measures (as outlined for instance in the PMF literature[53]) cannot easily be applied in a uniform manner across the wide range of markets in which KATALYST is engaged. Still a BDS project needs strategic guidance through the higher level goals that are the final motivators for donor funding.

7.1.2. For KATALYST – its scale, its facilitation approach and its innovativeness – it is imperative that a high priority is placed to M&E and impact assessment of its activities. For the same reasons, M&E is a challenging and complex task. KATALYST addresses these challenges through a flexible framework, identifying different levels and the relationship between these levels. This results in some of the following key features:

1. Usage of nested log-frames assuring the linkage from the intervention purpose to the higher level goals
2. Rolling reporting structure answering questions such as:
    - What is being done (which interventions in which markets)?
    - How does this relate to higher level goals such as competitiveness, i.e. how does a set of interventions target at strategic weaknesses and opportunities (!) of a market or sector?
    - What is the value for money through efficiency monitoring and initial input/output assessments?
3. Impact assessment will be done at several levels. The higher level impact (on poverty and SE level) will be assessed through studies of selected interventions or group of interventions. This part will be outsourced to an outside contractor. The project will provide the baseline data and, depending on the scope of the outsourced contract, also the market level assessments. The lower levels (on intervention and service market level) will be assessed by the project itself as an integrated part of the methodology.

7.1.3. The following section elaborates

- based on which data or indicators KATALYST continuously steers and corrects its course?
- how the success (or failure) of a complex project like KATALYST can be measured at various levels? and
- which reporting structure is used to communicate on M&E matters?

7.1.4. The following section explores a basic framework for M&E which also links back to the LFA and other key concepts. Additional questions (including system and tool design considerations) are addressed in detail in Annex E. Annex B shows a draft of an intervention report, which will help understand how M&E is already embedded at the operational level.

7.2. Key Characteristics of an M&E Framework

7.2.1. The strength of an overall framework lies in linking concepts into one logical context, or into one model (as opposed to creating several models). For this, the project uses the following working definitions, the purpose of which is not to get an alignment on the specific definitions but on the model per se:

- M&E is broadly defined as the variety of tasks required to assess the project's progress and its results (or the impacts) at different levels

[53] PMF = Performance Measurement Framework, see "PMF for Business Development Services", 2001, Mary McVay, Alexandra Overy Miehlbradt, and Tim Canedo.

- Impact is broadly defined as the result, respectively the object that monitoring tries to measure (among others)

7.2.2. The M&E, at least at project and intervention levels, is an integral part of the project cycle management, allowing steering and correction in the course of actions[54]. The BDS literate reader will notice that the same learning element is also inherent of the BDS specific approach.

7.2.3. Finally, any M&E framework should be practical and financially viable. Given the close link between a BDS approach and monitoring (as part of management cycle), a significant amount of cost and effort are already being covered through adopting such approach (e.g., an initial UAI for a service is used to determine the specific BDS strategy for the service, while simultaneously serving as the baseline for impact assessment).

7.3. Overall Framework

This Section presents the overall M&E framework of KATALYST. Figure 7.1 builds on the information and logic the Log Frame; highlighting three key elements, namely;

- Impact levels: the "hierarchy" of impacts
- Indicators: what needs to be measured at each impact level
- Instruments & responsibilities: the means through which M & E tasks will be undertaken

7.3.1. Impact levels and responsibilities

7.3.1.1. Based on the LFA, four *levels* of impact have been identified: Intervention → Markets → SE → Poverty, which again can be classified into two broad categories:
(1) the "higher"' - SE and poverty level impacts, and
(2) the "Lower" interventions and market level impacts.

While M&E at lower levels will be a key priority and direct responsibility of the project, the impact measurement on higher level goes beyond the project's direct responsibility.

7.3.1.2. As stated the impact assessment of the lower level (intervention impact and market impact) is the expected and direct deliverables of the project. On these levels, KATALYST assesses its performance continuously against the defined objectives:

- Interventions are designed and launched, their impact is assessed with possible intervention indicators such as outreach, qualitative improvements etc. (see below).
- On the market level the measuring of the project success (or in other words – the monitoring of the impact on a specific market, for instance AFT[55] *starts* with the initial market assessment). This initial market assessment which is step one of the BDS approach represents at the same time the market *baseline*. Subsequently executed comparative assessments – again for each of the 18 individual markets – and their comparison with baseline data conclude on the projects performance against its LFA targets[56].

7.3.1.3. One critical issue within the M & E system that needs to be addressed directly is how to define markets? KATALYST's objective is to achieve substantial, positive change in 14 out of a total of 18 markets (3 industry sectors, 5 clusters, 3 rural markets, 6 generic service markets, and 1 media market) and clarity over what is meant by market is important. While the LFA purposely simplifies markets into one concept, the framework in figure 7.1 schematizes a differentiation between 'LFA markets' and 'identifiable submarkets'. Annex E contains detailed definitions and examples of markets.

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[54] The process to steer and manage all steps, starting from identification till completion, through planning implementation, monitoring, feedback and evaluation, see English Glossary / SDC, 2002.
[55] AFT = Accounting, Finance and Taxation services.
[56] For instance the LFA foresees a 15% increase in awareness. If the initial UAI on AFT states an awareness level of 37% and the comparative survey after the projects interventions reveals a new awareness level of 72%, the project would have reached, respectively over-achieved its objective (in respect to awareness).

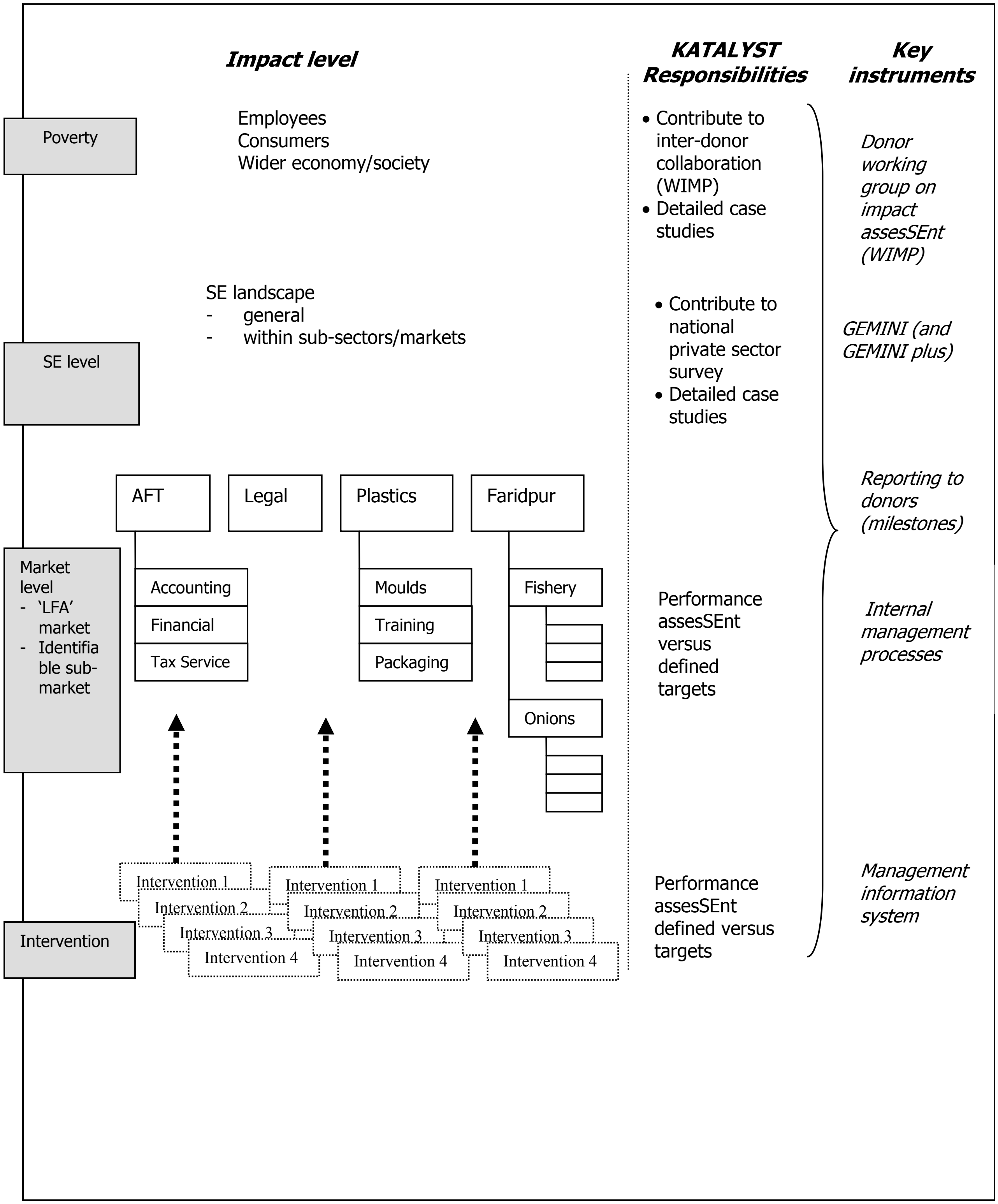
7.3.1.4. The two ‘higher’ impact levels (SE and poverty level) go beyond the specific and clearly attributable project achievements. So do the responsibility for measurement and the development of the instruments for evaluating the higher level markets. Impact assessment on these levels needs wider studies and inter-donor collaboration (as materialized through the nationwide enterprise survey, GEMINI). The attribution issue as well as proving the logical link can only be solved partially, namely through detailed, limited case studies. Although these impact levels are beyond the projects responsibilities, the outlined framework allows an integrated view on the whole M&E/Impact question.

7.3.2. Indicators – or What and How to Measure?

7.3.2.1. This section elaborates the type of indicators that will be used for assessment of impacts at the two key lower impact levels – intervention and markets. This section is illustrative only, trying to deepen the readers understanding of the real indicators as per LFA.

7.3.2.2. On the market level, the typical and standard BDS indicators are used, such as changes in awareness and usage etc. Standard instruments are used such as UAIs (for the quantitative measures) complemented by FGDs (for the qualitative understanding). These instruments are well known and established for the typical generic service markets (Marketing, AFT etc.). For markets with a high number of embedded services (where awareness of the specific service per se is and may stay at a low level), KATALYST will further develop the basic instruments to the mark (UAI, FGDs) for understanding the markets performance. This task has been done already as part of the BDS market research stage – elegantly satisfying M&E requirements at the same time. The supply side M&E would be slightly less straight forward as specific supply side indicators are required to be selected for each of the specific markets as part of the research or intervention design.

Figure 7.1. Outline of KATALYST M & E Framework



7.3.2.3. Table 7.1 summarizes the complete set of indicators at market level. It should be noted that each of these indicators are measured separately for every market. For detailed specification of the measures see M&E in Annex E.

Table 7.1. Illustrative Example of What to Measure on Market Level

Input	Output (Indicators)
• Direct **cost** • • Indirect cost share based on proxies/ allocation keys such as **time** spent for specific market	Change in • Awareness • Understanding • Use / consumption • Retention rates • Satisfaction • • Supply side • Improved sustainability of service providers

7.3.2.5. As for indicators at *intervention level*, the different types of interventions do not allow to fix the indicators beforehand[57]. They need to be identified with the specific intervention designs. Yet, for further understanding Table 7.2 lists a number of inputs – output indicators as illustrative examples. The output measures of the interventions need to be identified as an integral part of the intervention design, as the interventions can be very different in nature.

Table 7.2. Illustrative Example of What to Measure on Intervention Level

Input	Output (Indicators)
• Direct **cost** • • Indirect cost share based on allocation keys such as **time** spent for specific intervention	• Number of people / SEs reached • • Intervention specific measures (leverage) • • Qualitative output •

7.4. General Reporting Structure

7.4.1. The following reporting formats (table 7.3) will be used for reporting to the key stakeholders. Annex E contains the details of the contractually agreed 'Milestones'.

[57] Indicators to measure the success of a trade fair vary substantially from indicators of the product development for a service provider.

Table 7.3. Types of Reports to be prepared for Stakeholders

Stakeholder	Report/Meeting format	Key information	How often
Donors	Semester Report (fact report)	KATALYST progress, highlights of market reports and intervention sheets. (2nd semester report with figures for the whole year)	Half yearly
Donors	Rolling reporting	Market summaries and intervention overviews.	Quarterly
Wider Environment	Sector briefs	Sector/Market characteristics and intervention potentials, market impact measures	With every new market/sector, and after completing interventions
GoB	TAPP reports	KATALYST Progress	Quarterly
KATALYST Management	Internal status reports	Status, formal and informal thoughts	Monthly
KATALYST Management	Intervention Sheet	Intervention impact	With every completed intervention

7.4.2. Rolling Reporting

7.4.2.1. As mentioned above, a process oriented project like KATALYST is usually pulled in two directions. In one hand, donor oversight and prudence requires pre-determined outputs and indicators. On the other hand, by commercializing business services and acting as a facilitator requires entrepreneurial management. KATALYST has developed a Rolling Reporting Framework to reconcile these two aspects.

7.4.2.2. This system generates a quarterly update on

1. markets which are being dealt with,
2. a summary list of potential interventions,
3. detailed intervention plans,
4. Intervention reports at the start and end of interventions.

7.4.2.3. The intervention plans and reports which form the backbone of the system include elements like; an analysis of the market, a log frame for every intervention and strategic outlook. It also includes a framework for anticipated impact at the service market level (linked to the Purpose level of KATALYST's LFA) and a baseline for impact analysis by external contractor for the impact at SE level (related to the goal level of the KATALYST LFA) as well as the integration of cross-cutting issues (ERB,SRB and Gender). A sample is provided in Annex B.

7.4.2.4. These interventions and reports are consolidated and analysed in a quarterly intervention summary and a market summary which looks at inputs and outputs.

7.4.3. Sector Briefs

In the research stage, KATALYST collects information from several sources like the sub-sector studies, UAIs, cluster analyses, service assessments, key informant interviews, external documents, GEMINI study, etc. (see Table 7.3., third row). Some documents are prepared by KATALYST, while others are by partner organizations. The sector briefs are summaries of all the information; it also includes KATALYST's strategy to improve competitiveness of the sector.

8. Defining "Sustainability" in KATALYST (2002 – 2007) and what happens to KATALYST beyond 2007?

8.1. Introduction

8.1.1. The BDS market development approach arose from donor dissatisfaction with SE promotion initiatives that were fundamentally unsustainable. In many cases the projects themselves were built up as providers of services directly to SEs. KATALYST recognizes that while it is not in the business of sustaining itself as a facilitator, its primary focus is to make business service markets grow and become more sustainable. KATALYST considers the business service markets sustainable when it can develop and deliver appropriate services for an extended period of time after major financial, managerial and technical assistance from an external donor is terminated.

8.1.2. To establish the fact of sustainability, it will be necessary to return to Bangladesh some years after the present donor funding has ended. However, it is important now to have a vision of how sustainability could look like and to define a path leading to accomplishing this vision. Against this background, the usefulness and accuracy of indicators of sustainability depend on their ability to create a yearly "snapshot" of KATALYST's contribution towards a sustainable business service markets grow.

8.2. Sustainability in the Current Phase (2002 – 2007)

While KATALYST's impact will be monitored at four levels: intervention, intermediary[58], service markets and SE competitiveness, sustainability will be documented in four ways: sustainability of the approach, sustainability of the selected service, sustainability of the service provision, and sustainability of HR expertise.

8.2.1. Sustainability of the Approach

This will be measured by answering three fundamental questions: 1) what kind of impact has been recorded in selected BDS markets? 2) What impact has this had on SE competitiveness? Is this an affordable approach? and 3) what is the experience of KATALYST assisted facilitators? Information relating to these questions will be gathered from KATALYST impact assessments and from operational budgets. The knowledge management of the project, particularly the international networking and linkages, will assure the appropriate dissemination of lessons learnt. This will contribute to a wider strategic coherence and the sustainability of the BDS approach[59].

8.2.2. Sustainability of the Service

This will be determined at the intervention level. Each intervention will assess the service market in which it is intervening and measure the selected service's usage by SEs. If the purchase or consumption of the service is increased without subsidies and further interventions are not required, the service will be deemed to be sustainable within its existing context. Since profitability is difficult to measure, a proxy indicator for profits, i.e., growth of the market will be used.

8.2.3. Sustainability of the Service Provision

Each service needs a service provider, but these providers can easily enter and exit the market place at any given time. What is more important than the sustainability of any one service provider is that

[58] Intermediaries can be of two main types: "A" Facilitators (Local and international NGOs and other donor projects) and "B" Service Providers (Mainly Local, Regional). The Service Provider category can be broken in two basic sub types: Private Benefit SPs either Generic or Cross Cutting SPs (accountants, legal advisers etc) or Embedded SPs providing services within their existing supply chain. Public Benefit SPs consist of Business Membership Organisations (advocacy, local economic development, networking etc.) and Government (public information, area or sector promotion, often in partnership with a BMO).

[59] see section 10.5. on Knowledge Management.

the service is available from a qualified provider[60]. Sustainability will be measured in terms of the increase in number and quality of providers in the markets selected for the services promoted by KATALYST.

Within the current phase KATALYST will concentrate more on the sustainability of the approach, the selected services and its provision in the market place rather than on the sustainability of KATALYST itself.

8.2.4. Sustainability of HR Expertise

KATALYST trains, guides, supports, counsels and mentors its staff and staff of partner organizations to master the BDS approach which includes research, analysis, design, implementation and monitoring and evaluation. These valuable skills and knowledge imparted remain in Bangladesh and the professionals will continue to contribute to developing various aspects of the economy using those skills and knowledge long after KATALYST's existence.

8.3. Beyond 2007

8.3.1. It is impossible to predict what our collective thinking on market development will be in 5 years time, however, it should be anticipated that Bangladesh and its SEs, will still require continued assistance to be competitive. Assuming that a) the facilitator approach is validated, in the context of Bangladesh, b) methods are developed and c) local capacity is built, one could envisage a further phase in which the focus would shift to the scaling up of the approach. This may involve the participation of more local facilitators (local and international NGOs like the ones that are currently co-financing some of KATALYST's interventions) both nationally and regionally. The role of KAYALYST would be to move one step further up the development chain and concern itself more with facilitator capacity building, mobilization of donor resources and the monitoring of impact.

8.3.2. However, if the aforesaid assumptions do not materialize, project break off points will be determined. The next such point is the mid-term evaluation in 2005.

[60] The quality issue has to do with improving the value of the information (BDS) communicated. For example, if the information passed on is better than before. This will be measured in "customer satisfaction" with the service. This evaluation is now built into the intervention design.

9. Gender Policy in KATALYST

9.1. Introduction

9.1.1. **KATALYST** recognizes that overall, there is a lack of comprehensive understanding of 'gender issues in businesses amongst donors, government, implementers and other stakeholders in Bangladesh that has resulted in gender being treated as an 'annex' to their core focus[61]. Most project activities are dominated by a misleading perception that increasing the number and working conditions of female employees (addressing them as 'beneficiaries') is perhaps the best way to address gender in business. KATALYST recognizes that treating women as 'beneficiaries' does not optimize scope for impact, outreach and sustainability.

9.1.2. KATALYST is committed to learn from these lessons by looking at gender in a more systemic and meaningful way within the context of KATALYST's overall, distinctive strategy: Gender in the context of market systems.

9.1.3. By treating Gender as a cross cutting issue, KATALYST addresses the issue at all aspects of the project cycle: research, analysis, design, implementation and M&E[62].

Gender in Bangladesh context

9.1.4. A recent GEMINI survey revealed that only 6% of all SEs in Bangladesh are women-owned. This comparatively low number of women-owned enterprises is, among others, influenced by cultural issues like ownership being on the men's name while the women 'manage' the business. The survey furthermore showed that 84% of all women-owned enterprises operate from their respective homes, and 33% start their business because they consider having the skills (compared to 22% of male-owned enterprises). Perhaps not surprisingly, almost 50% have a business in the manufacturing sector.

9.1.5. In Bangladesh, some of the gender-specific constraints for women in business result from:

- **Legal provisions**
  For example, many women must have the approval of a male relative in order to conduct financial transactions or to obtain land.
- **Access to finance**
  In the formal sector, many women encounter difficulty in obtaining start-up financing and credit from banks due to absence of collateral. Financial institutions are not very responsive to giving financial assistance to women, especially when their business activity is new. Women's capabilities are generally questioned and comparatively harsh guarantee terms are imposed. Women's lack of a "track record" or proven performance in dealing with lending institutions also is frequent obstacles to credit acquisition. Consequently, women most often use only personal assets at start-up and employ no or minimal external funding.
- **Socio-cultural, moral and ethical codes**
  Cultures have established patterns of behaviour and activity considered typical for women or men, respectively, which sometimes severely limit the choice of activities open to women. Also in Bangladesh, women's enterprises are traditionally bound to the household.
- **Women's family and social obligations**
  Among other things, the role of women in the family and in society results in a greater workload for women, limited freedom of choice regarding the location and the nature of an enterprise, and limited mobility.
- **Institutional constraints**
  Women's interests are poorly represented in small enterprise promotion, and they lack access to information systems, professional networks, and education and training in modern, dynamic economic sectors.

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[61] This Section is a summary of key issues taken from *'A Synthesis Report on Gender in Business in Bangladesh'* a document that outlines KATALYST's Gender Strategy and was presented at a Workshop on Gender and ESRB Strategies for DBSM, (Feb 2003).
[62] See ToolKit SDC.

Gender in KATALYST
KATALYST involves a different paradigm and a new approach to the way BDS have traditionally been delivered. In essence, the project is aimed at private sector development in order to strengthen SE development, employment and economic pro poor growth. A private sector BDS approach to SE development requires thinking differently about gender as outlined below.

9.2. Definition of Gender for KATALYST

"Empowering women to participate more effectively in markets".

9.3. Key Principles for Gender Strategies in KATALYST

- Focus on Gender and Development (GAD) as opposed to 'Women in Development' (WID).[63]
- Turning 'practical gender needs' into 'strategic gender needs'.
  - Addressing practical needs tends to involve women as beneficiaries and perhaps as participants. By addressing strategic interests KATALYST involves women as agents or enables women to become agents of change, principally as entrepreneurs.
- Address gender need through an emphasis on productivity.
  - A particular focus on productivity will contribute to the initiatives of women-owned enterprises since the majority of women-owned enterprises are in agriculture and manufacturing.[64]
- Include 'women entrepreneurs' and 'women as consumers' within the project concept of 'Gender' in addition to 'female employees' to optimize opportunities for empowering women to participate effectively in the markets.
  - The idea is not to take an 'either-or' focus but to consider both possibilities in selecting interventions, and market research should be able to identify gender-specific constraints impinging on participation of women in the market.
- Identify 'gender needs' when conducting research.
- Stress interventions where women would have the opportunity to appear/graduate as 'agents of change'.
  - To address where possible women as 'agents of change' in interventions – e.g. as entrepreneurs or provider - provides them a role on the forefront and positively contributes to the position of women in business.

9.3.1. It is the Division's task to validate the strategy and adopt it continuously according to the different and ever changing situations in the markets in which KATALYST is operating, and furthermore, it is driven by opportunity and circumstances. Some of the criteria against which the performance of interventions of KATALYST shall be assessed include:

- The extent to which the interventions that will offer more opportunities and long-term benefits to women are based on clear systemic constraints of sub-sectors
- The extent to which there is a clear picture of how gender responsive services (in terms of content, or in delivery) will work sustainably beyond the period of an intervention
- The extent of outreach achieved
- The extent to which interventions are facilitating wider activities or crowding out others, etc.
- The extent to which interventions 'do-not-harm' the position of women (as employee, entrepreneur or provider).

9.4. How KATALYST Address Gender as a Cross Cutting Issue

Gender is addressed as a cross cutting issue in Divisions Services and Industry & Rural Services. The following guiding principles are applied:

[63] In the 1980s, parallel to the progress of WID approaches, appeared "empowerment" on the basis of the GAD approach that builds on the relations between the sexes (in contrast to the WID approaches that target women only).
[64] See Gemini survey.

a) In Selecting Industry Sectors - Consider including sub-sectors with relatively higher percentage of female involvement, which will offer more opportunities and long term benefits to women in terms of their strategic needs.
b) In Partner Selection – Use screening criteria that favour service provider/partners who are positively focussed towards targeting female clients.
c) Identifying Women as Service Provider – Ensuring that some women are selected as service providers to enhance participation of women in the mainstream project activities.
d) In Training and Consultation – Promoting gender sensitivity in content and delivery, with an emphasis on improving sustainability of services.
e) Accessibility of Services – Through both supply and demand stimulation (such as information platforms, social marketing etc.) ensuring that women entrepreneurs in all socio-economic classes gain information and access to training and other business services with a view to enhance market development.
f) Commitment to Hiring Women – Choosing partners who show a clear commitment to hiring women though the actual percentage of female employees will vary from industry to industry; it will be difficult to make generalizations with regard to evaluating a particular service provider.

9.4.1. Services Division

Cross-sector services, by definition, have relevance for all enterprises irrespective of their industry type and the gender ratio of the enterprise owners. The Services Division plans to incorporate Gender as follows:

9.4.1.1. Research: Gender will be addressed in the research design of demand- and supply-side studies of the cross-sector service markets. For instance, the focus group discussions will target women entrepreneurs while the UAI questionnaires will be developed with input from COE/R to ensure that gender-related issues are identified. Furthermore, the research findings will also focus on highlighting pertinent gender issues. Likewise, the supply-side research will address gender in the questionnaires, with input from COE/R, and in the reporting. Female interviewers, wherever deemed necessary, will be employed mainly to interview women entrepreneurs.

Gender as a crosscutting issue in the AFT service market

In 2003, the Services Division undertook various research activities (supply side and demand survey, and FGDs) of the Accounting Finance and Taxation (AFT) service market to identify the constraints for development and competitiveness in this market. Particular effort was given to identify Gender constraints in this service market. The tools which were being used for both the supply and demand side of the survey addressed Gender in various ways. Besides a statistical base of women entrepreneurs which were interviewed, the demand-side questionnaire had a separate page with additional questions to identify constraints particular for women-owned enterprises.

The supply side survey among AFT service providers included questions in relation to women-owned enterprises, e.g. women-owned enterprises as market opportunity. Furthermore, attempts were made to interview female AFT service providers, as manager or owner. It was found that the AFT market is dominated by male service providers and women constitute less than 5% of the total supplier universe, a fact which may explain that women-owned enterprises constitute only 2% of the total client base of AFT services.

During the analysis and intervention design sessions of the Division, it was decided that it was justified to undertake additional research to probe deeper into the Gender issues in the AFT service market. The goal of the further probe is to identify specific constraints faced by women entrepreneurs in availing the AFT services and measures to address those constraints.

Furthermore, it is KATALYST's aim to - as much as possible – apply the 'do-no-harm' principle, also in relation to Gender issues in a market. Although AFT interventions can be Gender neutral, measures will be taken during the design phase to ensure that the interventions are not creating new, adverse Gender issues.

9.4.1.2. Interventions: Based on the market constraints (delivery mechanism, pricing, accessibility, etc.), suitable products will be developed to target women-owned enterprises or sectors where women are employed in large numbers. Various services will be targeted to women-owned enterprises and clusters. The Division will actively seek women service providers as agents of change.

9.4.2. Industry and Rural Services Division:

Based on the principles and potential ways of integrating gender outlined in section 6.3.2.3, a multi-pronged strategy will be used to integrate gender issues in this division. This will ensure a more responsive project approach depending on the situation and explore relevant methodologies in the Bangladeshi context.

9.4.2.1. In Selecting Sectors: The division will select product markets that have significant outreach and potential to increase employment and incomes for both men and women. However, within the sectors the project will focus on segments that could potentially have a positive impact on women. For instance, the plastic scrap collection and sorting segment has a high percentage of women workers but few entrepreneurs.

9.4.2.2. In Improving Access to Service Markets:
Within the selected sectors the project will seek to identify opportunities for promoting women's participation in the key service markets. Ways of changing women's involvement from workers to entrepreneurs would be looked into.

9.4.2.3. In Designing Interventions:
The division will seek to implement interventions that in the first instance do not negatively affect women. As a next step, the division will select interventions that seek to promote women as market participants. The division will also favour partners that are positively disposed towards gender issues. In a training of retailers of farm inputs, for example, KATALYST added a female trainer to raise the issue of reaching more female farmers. Several input suppliers were reluctant to supply pesticides to women because they were afraid some women might commit suicide. Her intervention reduced the myth and gave suggestions how to build stronger buyer supplier relations with women.

9.4.3. Division Centre of Expertise and Regulation

A more elaborate description on how COE/R implements Gender and its responsibilities on Gender to the other Divisions can be found in Section 6.4.4.1.

9.4.3.1. In summary, gender will be incorporated by COE/R in two complementary ways:

1. Indirectly, through the influence the Division can bring to bear across KATALYST to take Gender issues more effectively into its interventions.
2. Directly through interventions the Division designs and implements related to e.g. Enabling Environment and ESRB.

Indicative Gender Indicators
The indicators presented in Table 9.1 are meant to make the integration of gender in the KATALYST's planning process easier. It is by no means complete but can and should be complemented.

Table 9.1. Indicative Gender Indicators

Fields	Indicators	
	Quantitative Indicators	**Qualitative Indicators**
MACRO	No. of ♀ in key positions (politics / business)	Decision makers consider gender topics (law, regulations, politics, etc.)
	Increase No. of ♀ members in interest groups	
SE	**Entrepreneurs**	
	Ratio ♀/ ♂	Repeated participation of ♀/♂ users/clients
	Ratio of jobs created for ♀& ♂	Satisfaction level of ♀/♂ users/clients
	Average salary / job created ♀and ♂	% of ♀/♂ on the board of directors and on the management board
	No. of trades with relevant women participation	
	BDS-Providers	
	% of ♀/♂ Provider Manager	Partners have adapted their offer to gender specific needs (time, schedule, place, costs, etc.)
	No. of gender sensitive services offered	Gender neutral language / documentation
	♀ are accepted and get jobs as consultants or trainers	Consultants by ♀/ ♂

10. Organisation and Management

10.1. Capacity Building

10.1.1 Principles

10.1.1.1 Human Resource Development means the integrated use of training and development, organizational development and career development to improve individual, group and organizational effectiveness. KATALYST's human resource development will focus on problems related to:

- A deficiency in knowledge and skills, causing a gap in human performance.
- A performance that is required by the organization to meet KATALYST's purpose and goal.

10.1.1.2 KATALYST human resource development measures are addressing two entirely different types of organizations and target groups, the project with the project staff and the project partners with its employees. For the project with the project staff, HR measures are aimed at enabling project staff to deliver the expected results. There are two qualities central to enabled staff:

- A skilled staff is able to perform professional work independently and to complete tasks well under realistic conditions of business, and;
- Skilled staffs have distinct working attitudes[65] that form a fundamental "ingredient" of a successful professional career.

With respect to the second target group, the project partners with its employees, KATALYST is to promote the approach and build local BDS capacity assuring the sustainability of the investments on the HR side. The next two sections outline on those two target groups.

10.1.2 Strategies to Develop KATALYST's Human Resources

10.2.1. Former development efforts have been using the traditional or 'organizational' development approach, substantially different from the market development approach inherent to BDS. Consequently, local organizations and NGOs approach and philosophy are hardly compatible with the BDS approach. Also, highly qualified local BDS experts are scarce in Bangladesh labour market. In a nutshell, a project with a new approach will have to make substantial investments in building an organization and invest into its environment so that they help deliver on the projects objectives.

10.2.2. Based on the above background, the following four strategic choices form the HR strategy of KATALYST:

- KATALYST uses a **strong internal organization** as opposed to have a small team and outsourcing most of the work to qualified partners. Training and continuous skill enhancements are essential. For this the **core skills** have been identified which the team needs to build up.

- Build on the locally available capacity, using **flexible collaboration models** such as part-time contracts, joint-venture like agreement (for instance the joint implementation of an intervention), partial outsourcing or co-sourcing (following some of the latest entrepreneurial models being used in the business environment). This part will allow us to flexibly join forces and link directly with the local business world.

- **Inject global best practices** to fine-tune the approach and backstop the team on subject-matter expertise.

- Have involvement of **industry (i.e. sector) expertise**, internally by adding staff with pure business background to the team, externally by joining forces with local sector experts.

[65]Discipline, precision, cleanliness, motivation, responsibility and loyalty are classical but still modern examples in order to develop durable working attitudes.

Where appropriate (for instance IT), regional or international sector expertise will be brought in.

10.2.3. These strategic choices will have following implications:

- The identified core competencies need to be developed specifically and through different channels (local providers, in-house training, consultants of global best practices etc.)
- Attractive working conditions to attract and retain the KATALYST staff need to be setup. Similarly entrepreneurial conditions need to be established for external staff and partners
- A big professional team requires a strong leadership. Swisscontact and GTZ-IS propose a leadership nucleus of five expatriates, involving diverse regional and international background, under the leadership of an expatriate business professional. As per the nature of a project where its organization is constituted from scratch, KATALYST will not only need to build the team spirit-wise, but, and far more importantly, has to constitutionally calibrate and align its leadership team on fundamental subject matters and approaches. This translates into upfront training and external backstopping efforts, combined with a local, strong 'start-up'-type of management
- KATALYST, using one of the forefront development approaches, has to rely on continuous input from global best practitioners. Rather than just using them for training, the project will involve them also in the process which permits fine-tuning the approach during its implementation. This will require substantial external input, particularly at the early stages of the project.

10.1.3 Strategies to Develop Partner's Capacity

10.3.1. Overall, KATALYST is aware that success in building capacity is also a key contribution to the achievement of the project's sustainability objectives. Hence, KATALYST's plan and budget allocate a substantial portion of its human and material resources for capacity building on several levels. Table 10.1 outlines how this capacity is built for each level.

Table 10.1. Capacity Building at Different Levels

National Staff of KATAYLYST	KATALYST has identified the required core HRD competencies needed for a successful project. The project is "not starting from scratch" as the country has a wealth of talented and motivated professionals from which KATALYST can recruit its staff. However, BDS concepts, tools, instruments and operational procedures are new even for many seasoned SE promotion practitioners. This will be the main focus for the expertise development of the national staff. To build a basic understanding of up-to-date market development promotional approaches, most of the local professionals will participate in formal training, where applicable, either in the region, at ILO or at Springfield Centre. The day-to-day coaching and specific training will be imparted by the expatriate staff. This will be supplemented by much focused on-the-job training sessions by international short-term experts to assure the best possible inputs for successful capacity building.
Partners, NGOs, BMOs and other Co-Facilitators	Facilitation is the key role of KATALYST. This can only be successful if local partners and co-facilitators pick-up and sustain the BDS market development approach. In this context the project's partners' capacity will be built as part of any subcontracting or partnership agreement. This will be ensured through stipulated parts of each contract where, BDS training, coaching involvement or quality control measures will be spelt out as parts of the agreement. Apart from specific partnerships within the project, KATALYST will use different ways to disseminate its BDS knowledge among other practitioners and in some cases among NGOs: • Through the active promotion of a practitioner group uniting practitioners with similar objectives or approaches • Specific BDS trainings for broader local organizations, some of them as part of the missions of international short term experts • Knowledge Management and dissemination, including a sub sector library hosted at KATALYST centralizing all the latest research and reports on different sub sectors in

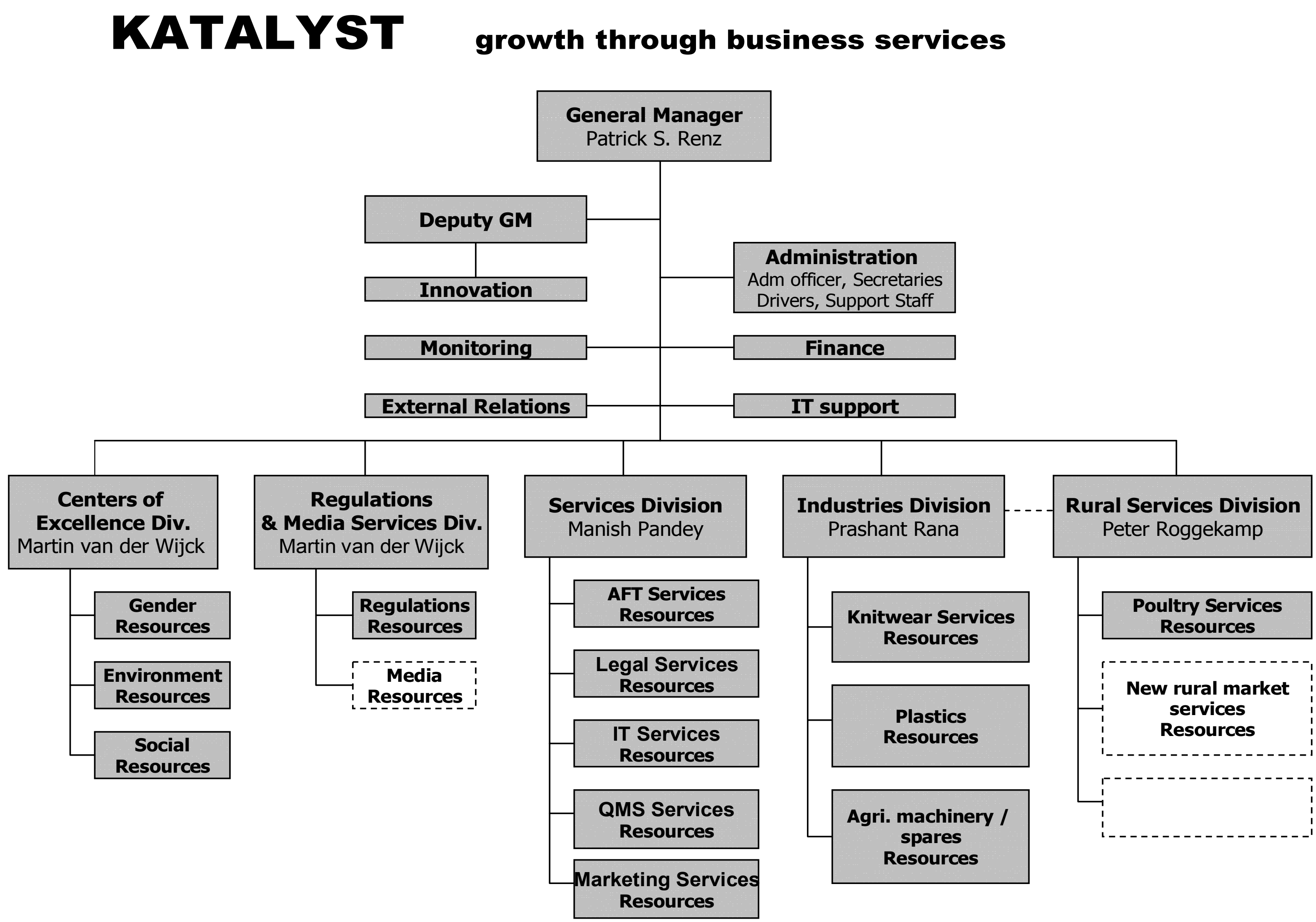
	Bangladesh • Action research on the BDS learning and dissemination in the wider development audience.
BDS providers	BDS providers are instrumental for the project, as they constitute the supply-side of the service markets that KATALYST aims to improve. Almost all of the project's interventions are aimed at building service delivery capacity in some form or other. These capacity building measures will be monitored as part of the M&E system of KATALYST; consequently specific indicators will be developed, for each of the service providers, to show that this capacity has had an impact on the quality of their service provision to SEs. For details see the divisions' section or the sample intervention list in Annex A.
GoB	The GoB has an important role as enabler of the project as outlined in the TAPP between the donor agencies and the MoC. The main focus of the capacity building for the GoB will be at both the local and national levels and will concentrate on the new emerging role for government in the promotion of more sustainable services for SEs. Specific provision has been made to build this understanding of market development approaches for public bodies in the form of: - provision of basic needed infrastructure (PCs, Printers) - inclusion in study tours and formal training - regular meetings to update status and share concerns (For details please refer to the TAPP.)

10.3.2. Altogether this is a rather comprehensive and pragmatic approach to capacity building. It is based on the principle of the "multiplier": good external consultants and expatriates are needed to develop concepts, models and approaches among the KATALYST staff who themselves must impart this to service providers, partners, co-facilitators (BMOs, NGOs) or subcontractors. Special attention will be paid to assisting GoB to identify new approaches to market facilitation and funding aimed at improving the functioning of service markets for SEs.

10.2. Organization Chart

Figure 10.1 presents the Organisation Chart of KATALYST.

Figure 10.1. Organisation Chart



10.3. Internal resources

10.3.1. Internal Human Resources

Table 10.2 shows the composition of both expatriate and local human resources of KATALYST.

Table 10.2. Internal Human Resources

<table>
<tr><td rowspan="4">Resident Expatriate:</td><td colspan="5">General Manager -01*</td></tr>
<tr><td colspan="5">Dhaka Office</td></tr>
<tr><td>Services Division</td><td>Industries and Rural Services Division</td><td>Centres of Excellence Division</td><td colspan="2">Management</td></tr>
<tr><td>Service Division Manager- 01</td><td>Industries Division Manager -01

Rural Service Division Manager - 01</td><td>Centres of Excellence Division Manager -01</td><td colspan="2"></td></tr>
<tr><td colspan="5">Total Resident Expatriate Staff</td><td>05</td></tr>
<tr><td>Local Staff</td><td>Business Consultants 07</td><td>Business Consultants - 09</td><td>Business Consultants - 07</td><td colspan="2">Senior Project Administrator- 01
Liaison Officer -01
M&E officer-01
Senior Accountant - 01
Cash Accountant-01
Administrative Officer-01
Secretary-01
Receptionist-01
Drivers-05
Support Staff-02</td></tr>
<tr><td colspan="5">Total Local Staff at Dhaka Office</td><td>38</td></tr>
<tr><td></td><td colspan="5">Two Branch Offices</td></tr>
<tr><td>Local Staff</td><td colspan="5">Office Manager-02
Professionals-04
Secretaries-02
Drivers-02</td></tr>
<tr><td colspan="5">Total Local Staff at Branch Offices</td><td>10†</td></tr>
<tr><td colspan="5">Total Staff</td><td>53</td></tr>
</table>

*Based on needs.
The resident expatriate General Manager will directly supervise the local management staff.

10.3.2. KATALYST Back Stopper

10.3.2.1. There will be one back stopper only for the project – 165 days have been allocated – who will also be involved in the milestones such as MTR review in May 05.

10.3.3. International Consultants

10.3.3.1. A pool of total 1543 days has been allocated for international consultants to respond to consultancy needs formulated by the project. The support of short-term international consultants will be approved by the Management Board through the Yearly Plan of Operation.

10.3.3.2. The following is a tentative allocation of international short-term consultants:

- **Services Division** (72 days)
  72 days for short-term product-development consultant

- **Industries and Rural Services Division** (1068 days)

  608 days for sub-component design consultants
  90 days for sector specialists
  370 days for intervention specialists

- **Centres of Excellence Division** (383 days)
  265 days for short-term SRB consultant
  45 days for short-term Gender consultant
  73 days for short-term Environment consultant

- **KATALYST Management** (20 days)
  20 days for administrative set-up consultant

KATALYST used 181 days of international consultancies at inception phase; the remaining 1,362 days, if deemed necessary will be used for the rest of the project period.

10.4. Organisation and Supporting Structures

10.4.1. The Donor Consortium is presently formed by DfID – the Department for International Development, UK; SIDA – the Swedish International Development Agency; and SDC – the Swiss Agency for Development and Cooperation – as funding agencies of KATALYST. DfID and SIDA have signed a donor contract with SDC for KATALYST defining the nature, scope, duration, funding and working principles among the Donor Consortium. SDC, on behalf of the Donor Consortium, has signed a Project Implementation Contract with Swisscontact Zurich. The division Industry Services and Rural Services have been sub-contracted for implementation to GTZ

10.4.2. For the implementation of the project, the project framework is provided with the following partners:

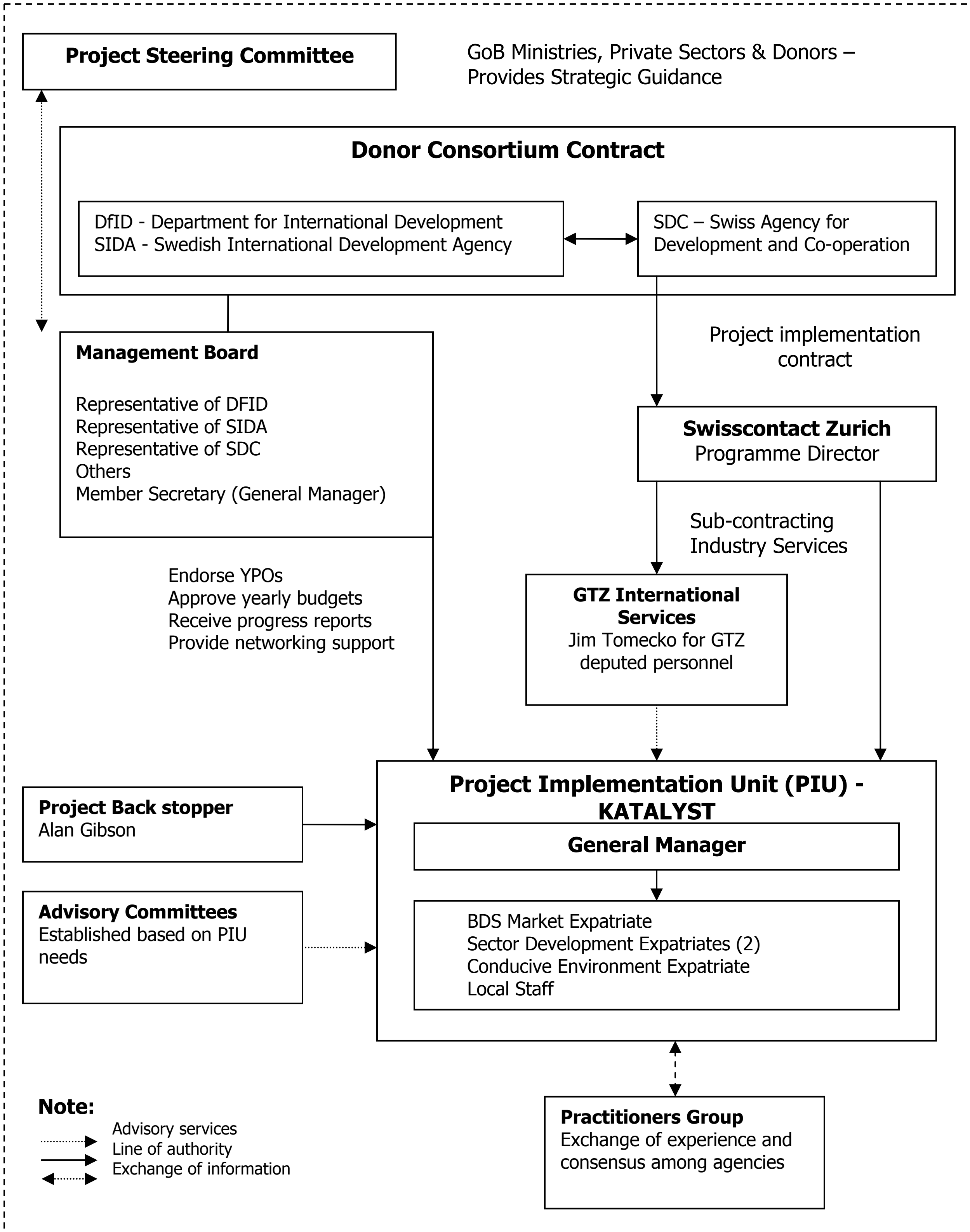
1. **The Project Steering Committee** will be formed with the Ministry of Commerce as the convenor and other government members including representatives from Ministries of Industries, Finance, Agriculture, Science and Technology, Economic Relations Division, and the Planning Commission. The General Manager will participate as the member of the Committee, as will donors and private sector representatives. The key responsibilities of the Committee are to discuss programme progress, recommend policy guidance, and to particularly link up with the project's COE/R. The Committee will have no fiduciary responsibility.
2. **The Donor Consortium** is presently formed by DfID, SIDA and SDC. New members might join the Consortium during project implementation, depending on the decision of the Donor Consortium.
3. **The Management Board** consists of representatives of the Donor Consortium, KATALYST as secretariat and local key stakeholders, if deemed necessary. The main function of the Management Board is to steer the project in accordance with the Project Implementation Contract, hence, it endorses the Yearly Plan of Operation (including budget) and receives and endorses the Semester and Yearly Project Progress Report. Any changes in the project design and therefore changes in resource allocations need to be approved by the Management Board. The Management Board exchanges information with the Bangladeshi Government to ensure that the project is in the mainstream of national development efforts. It also ensures networking with other donors active in the field of SE promotion. The Management Board members meet four times a year or as decided by its members – formally twice to approve reports and planning, and informally twice to obtain information and impressions about project progress, for example field visits.

4. **Swisscontact Zurich is** responsible towards SDC for KATALYST's design and implementation. Swisscontact Zurich is represented by the Programme Director at Swisscontact Zurich. Swisscontact Zurich leads and supports the project to ensure that project outputs are accomplished on schedule and within the approved budget. The distribution of the duties and responsibilities between the Swisscontact Director in Zurich and the General Manager in Dhaka is stipulated in Swisscontact's Function Diagram.
5. **GTZ International Services.** Swisscontact Zurich has sub-contracted the implementation of Industry/Sector, Cluster and Rural Services Division to GTZ International Services. GTZ International Services has assigned Jim Tomecko as contact person to the Programme Director, Swisscontact Zurich, for project implementation matters sub-contracted to GTZ. Furthermore, Jim Tomecko will support GTZ personnel assigned to the project as Component B Director.
6. **The Project Implementation Unit** (PIU) represents the temporary project infrastructure in terms of physical infrastructure and human resources. The General Manager is the head of the PIU infrastructure of KATALYST and in charge of implementing the project in line with the Donor Consortium's approved Yearly Plan of Operation. The General Manager represents the project in Bangladesh towards the representative of the Management Board and other interested parties. Two branch offices shall be established if deemed necessary.
7. **Advisory Committees** may be established based on needs and demands. It will consist of local key stakeholders including local SE experts. There is to discuss approaches, strategies and the implementation progress of components. The main tasks of the Committee include sharing SE information and stories about successes and failures; drawing conclusions from such stories; documenting lessons learned; supporting the project with ideas to enhance outreach; and responding to problems and constraints identified by the project by generating ideas on how to overcome them. The Advisory Committees have no decision power over the project. They are established only if needs emerge. The members will include Subject specialists (individual, not institutional) in Bangladesh. All members need to be approved by the General Manager.
8. **KATALYST Back stopper:** In order to assure access to international experience and best practices, a back stopper is assigned to the project. The back stopper will support the General Manager and his/her team in designing and implementing the project.

10.4.3. General Working Principles and Responsibilities

- Swisscontact Zurich, which is represented by Programme Director at Swisscontact Zurich, is responsible towards SDC for KATALYST's design and implementation.
- The Management Board endorses the Yearly Plan of Operation (this includes budget) and receives and endorses the Semester and Yearly Project Progress Reports. Furthermore, the Management Board approves changes in the Project Document.
- The General Manager in Bangladesh is in charge of implementing the Management Board's approved Yearly Plans of Operation (YPO) and reporting project progress twice a year to the Management Board. The General Manager ensures that time recording is applied for all project personnel.
- The working principles regarding personnel, financial and administrative matters are regulated in a separate Project Manual. The Project Manual is approved by the Programme Director in Zurich and applies to all project staff.
- Division Service, Division Regulations, Media Services and Centre of Excellence (CEO) and Management have expatriate experts employed by Swisscontact Zurich. Local staffs are employed by the project. The Division Industry Services and Rural Services is sub-contracted to GTZ. The staffs of the sub-contractor are part of the project management structure; hence, report to the General Manager. Flat hierarchies with a high degree of delegation and the respective accountability are maintained.

Figure 10.3. Organisation of the KATALYST



10.4.4. Logistical Support Provided by DfID

- Procurement: The project will use DfID procedures for procurement. Hence, all major project procurement will be processed by the Crown Agents office in Dhaka. This includes the purchase of vehicles and the import of personal household goods as well.
- Visa Applications: DfID will support the project to ensure that visas for expatriates are provided on time. In particular, DfID will forward the visa applications to GoB and support the visa approval process.

10.4.5. BDS Practitioners Group

10.4.5.1. Given the large number of projects in Bangladesh in the field of or influencing the BDS markets, the co-ordination of their activities will be important. The management of KATALYST will regularly organise meetings of staff members of BDS-related projects in Bangladesh. Since the group works on professional consensus principles, the impact of the group's discussion may be limited.

10.4.5.2. The aim of the practitioners' group is a) to adjust approaches in order to minimise distortions of the BDS markets and to gradually move the most important funding agencies towards a general agreement in Bangladesh on the key principles that should be used in the allocation of "smart subsidies" for the promotion of business services targeted at SEs and b) to exchange experiences between local stakeholders.

10.4.6. Management of KATALYST

10.4.6.1. KATALYST is organised along the three main divisions (See Figure 5.1)

- industry sectors, clusters, and rural service markets
- cross-sector service markets
- media service market, cross-cutting issues

10.4.6.2. In addition, it is suggested that a separate component for KATALYST Management is established. The objective of KATALYST management is to accomplish the outputs on time and within the pre-determined budget. In addition to the outputs of the components Service Division, Industry Division, and Centres of Expertise, KATALYST management has its following outputs to be achieved:

BUSINESS SERVICE MARKETS LEVEL:

Output D1 **Action research:** Action research in the field of BDS market development, the use of appropriate instrument and the cost effectiveness of interventions is conducted and communicated with/to the wider BDS community.

Output D2 **External relations and influence:** KATALYST, its approach to business services and lessons learned communicated to key stakeholders (public bodies, private sector representatives, donors and their projects)

MANAGEMENT LEVEL:

Output D3 **Leadership:** KATALYST impacts as a whole, and not as separate components.

Output D4 **M&E:** A fully functioning monitoring & evaluation system (impact assessment) for each of the outputs is established and implemented.

Output D5 KATALYST Management infrastructure (logistics, admin. systems and HR assets) are established and maintained.

10.5. Knowledge Management

As the project is innovative, effective knowledge management is critical to KATALYST performance. The capture, storage and use of knowledge are central to KATALYST functioning. This can be done internally as well as externally through day to day activities or through specific action research projects.

10.5.1. Internal Knowledge Management

While KATALYST does not have a distinctive knowledge management system *per se*, the need to be a learning organisation lies at the heart of KATALYST's key processes and can be described according to its different stages:

10.5.1.1. Information Collection:

- Market research and intervention – gathering relevant economic and industry and analyses and reports to allow staff to understand key trends
- Staff development – providing access to relevant papers/reports/articles
- Assessment of performance - M & E for internal use and for external stakeholders

10.5.1.2. Information Processing:

- Administration – systematic organisation of internally generated information
- KATALYST discussions and discourses on methodologies and tools

10.5.1.3. Information Dissemination:

- KATALYST reports to relevant stakeholders
- Sharing experiences both internally and with shareholders
- Preparing case studies for internal and stakeholder sharing
- KATALYST website

10.5.2 International Networking and Linkages

10.5.2.1. KATALYST is one of the few projects designed using the latest thinking on BDS as illustrated in the findings and conclusions of the Donor Committee on Small Enterprise Development as well as best practices from pilot projects in the region. International visibility is drawn to this serious attempt at converting BDS theory into practice. This requires a close relationship and interaction among resource centres and the KATALYST management for capacity building and to ensure strategic coherence. Such resource centres include the Springfield Centre, beyond its backstopping role, ILO and others.

10.5.2.2. In addition to strategic coherence, KATALYST is also among the first BDS projects to be scaled-up. This has led not only to an increase in the size of the project but also in its complexity. There are a variety of tools and approaches unified under the umbrella of market development. There is a need to communicate the lessons learnt to a wider audience to positively influence the design and operation of future projects in the field. This will ensure a more efficient use of scarce resources and maximise potential impact and finally contributes to the sustainability of the approach[66].

10.5.2.3. The scale of the KATALYST also means that there are a critical number of professionals, both expatriate and local, who can process the learning in the field. In addition to improving KATALYST operations, they can inform the wider community about the experiences with a wide variety of methodologies and tools as well as the larger action research activities conducted in the field.

10.5.3. Action Research & Dissemination

10.5.3.1. As mentioned above, the activities being undertaken and the innovations resulting from the activities, KATALYST will have a bearing on how similar projects are being planned and managed in the future in Bangladesh and indeed beyond the country.

10.5.3.2. Since there are not many examples or reference projects matching KATALYST, it has an action research fund which will be used to test innovative concepts, methodologies and tools. The

[66] See chapter 8.2.1. Sustainability of the Approach.

findings of such action research will be discussed with the project staff and members of the practitioners group in Bangladesh and the wider development community in and outside the country.

10.5.3.3. Action research will focus primarily on developing and testing:

- new concepts of cross-cutting issues in a service market based project.
- methodologies such as combining elements of the sub sector and cluster development approaches or using a sub sector approach in service markets among others.
- tools such as adapting the UAI surveys for use in sub sectors and clusters, adapting voucher schemes in specific service markets.

10.5.3.4. Compared to the interventions in the divisions, action research activities consume a much larger amount of human and financial resources. These activities also do not need to follow the step-by-step approach of KATALYST before hitting the ground. They will be selected on the basis of the following criteria:

- Innovativeness
- Relationship to the division
- Replicability and adaptability
- Relationship to national and international interest and experience
- Potential impact and outreach

The disbursements of the action research fund will be made based on proposals from the various divisions.

10.6. Administration

10.6.1. Infrastructure and Equipment

KATALYST uses one central infrastructure in Dhaka. Additionally, KATALYST is assessing various decentralization options. The options range from several small mobile units (for instance a business office in a regional chamber annex for three months) to full fledge regional offices. The budget includes two complete regional offices. Following are the details:

10.6.1.1. Dhaka office Infrastructure (October 02 to July 07)

- 37 work spaces including office furniture
- 35 network computers
- 6 laptop computers
- Supporting equipment (copier, binding, cutting, etc.)
- 1 – 2 meeting and training room(s) with visual facilities (OHP, multimedia projector, etc.)
- 1 library and documentation room
- Communication facilities
- 4 cars

10.6.1.2. Infrastructure of Two Branch Offices (2004 until June 07)

- 5 work spaces including office furniture
- 5 single workstation computers
- Supporting equipment (copier, binding, cutting, etc.)
- 1 meeting and training room with visual facilities
- 1 library and documentation room
- Communication facilitiez
- 1 car

10.7. Budget – Management

Table 10.4. Budget for Management

Code	Function/Designation	Inception Costs	2003 (April Costs	2004 Costs	2005 Costs	2006 Costs	2007 Costs	Total CHF
	PART 1: BUDGET SERVICES							
	TOTAL PART 1: BUDGET SERVICES	0	298,419	390,349	398,485	400,351	301,403	1,789,007
	PART 2: BUDGET FIDUCIARY							
2.1	PROJECT COSTS							
2.1.	TOTAL PROJECT COSTS	0	869,142	741,950	783,245	807,092	522,236	3,723,665
2.2	OTHER FIDUCIARY							
2.2.D1	Total D1 Action research		12,240	50,160	0	0	0	62,400
2.2.D2	Total D2 External relations & influence		69,360	32,395	27,950	24,945	10,786	165,436
2.2.D3	Total D3 Leadership		5,100	5,225	5,375	0	0	15,700
2.2.D4	Total D4 Monitoring & Evaluation		13,260	3,135	3,225	3,564	1,348	24,532
2.2.D5	Total D5 Project implementation unit PIU		0	0	0	0	0	0
2.2	TOTAL OTHER FIDUCIARY		99,960	90,915	36,550	28,509	12,134	268,068
	TOTAL PART 2: BUDGET FIDUCIARY	0	969,102	832,865	819,795	835,601	534,370	3,991,733
	TOTAL MANAGEMENT	0	1,267,521	1,223,214	1,218,280	1,235,952	835,773	5,780,740

10.8. Head Office

10.8.1. The **Swisscontact** head office has basically one task: "to ensure that KATALYST outputs are achieved within the budget and on schedule within the frame of Swisscontact's rules and regulations". This is achieved through following main strategies:

- Manage personnel issues related to Swisscontact's employed resident expatriates (salary, insurance, recruitment, transport of household goods, etc.)
- Consolidate the accounting and prepare reports to SDC
- Provide support, guidance and leadership to the members of the KATALYST team
- Establish and maintain state of the art project management instruments
- Guide the development of plans
- Monitor KATALYST activities on a regular basis. This includes visits to the KATALYST or visits by KATALYST members to Zurich. The latter are paid by SC head office
- Mobilize KATALYST external professional resources
- Cooperate with other international BDS stakeholders
- Cooperate with GTZ International Services
- Cooperate with KATALYST back stopper
- Provide a working climate and structures that foster learning and the sharing of knowledge
- Inspect that Swisscontact rules and regulations are implemented
- Report KATALYST progress to the client

10.8.2. The **GTZ International Services head office** allocation of time is similar in nature to that of SC, but it is more specifically targeted to Industry & Rural Services. The time is split between work-days for Jim Tomecko and work-days for head office administration, Eschborn:

- Cooperate with SC, revisions to the KATALYST offer, modifications of the LFA; inputs for the business plan, project visits (10 days planned in this period) participation in strategic KATALYST workshops, KATALYST reviews, comments on important KATALYST reports, etc.
- Identify and recruit short term experts, evaluations and assessments of long and short term personnel, supervision of contracting on all personnel
- Advice on component strategies, dialogues on choices of interventions and intervention strategies, comments on important component plans and reports

11. Budget

11.1. The summary of the budget is presented in Table 11.1. For yearly breakdown of the activities and further detail please refer to Annex F.

Table 11.1. Budget Summary of KATALYST

	Budget (Total Period)		
	Swiss Francs	Swedish Kroner	Pound Sterling
	(CHF)	(SEK)	(GBP)
A : Generic Servisces	3,964,701	24,827,431	1,861,362
B : Industry & Rural Services	9,524,756	59,645,163	4,471,716
C : COEs & Regulations	4,950,995	31,003,725	2,324,411
Management	5,780,740	36,199,690	2,713,963
Headquarters	1,448,134	9,068,390	679,875
Total	**25,669,326**	**160,744,400**	**12,051,327**

Exchange Rates 1 SEK = CHF 6.26212
1 GBP = CHF 2.13

11.2. The initial budget in Swisscontact's offer for KATALYST, dated 18 June 2002, for the period 1st of October 2002 to 30th of September 2007 was Swiss Francs 29'409'208. The inception phase consumed Swiss Francs 1'7775'449.71. Furthermore, some tasks such as evaluations and the second GEMINI Baseline study was moved form the contractor to the donor budget. Hence, the contractual budget for KATALYST for the period 1st of April 2003 to 30th of September 2007 is Swiss Francs 25'669'326.00.

Annexes

Annex A: List of Interventions

The potential list of interventions is unlimited. Principle restrictions are given by the donor guidelines.

Table Annex-1: Types of Business Development Service Interventions

Types of Business Development Service Interventions	
Market Access: • Market linkages • Trade fairs and exhibitions • Product and prototype development • Market information • Market research • Sub-contracting and outsourcing • Marketing trips and meetings • Market space development • Advertising and promotion • SRB certification	Infrastructure: • Storage and warehousing • Transport and delivery • Business incubators • Telecommunications • Courier services • Money transfers • Information through print, radio and TV • Internet access and other IT services • Secretarial and documentation
Training and Technical Assistance: • Mentoring • Business plans • Exchange visits and business tours • Franchising • Management training • Technical training • Counselling or advisory services • Legal services • Finance and taxation advice • Accounting and bookkeeping	Technology/ Product Development: • Technology transfer • Commercialising technology • Linking SEs to technology suppliers • Facilitating technology procurement • Quality assurance • Equipment leasing and rental
Alternative Financing Mechanisms: • Factoring services • Linkages to equity financing • Facilitating supplier credit	Input Supply: • Linking SEs with input suppliers • Improving suppliers' capacity to provide regular supply of quality inputs • Facilitating bulk buying • Information on input supply sources
Policy and Advocacy: • Training in policy and advocacy • Analysis and communication of policy constraints and opportunities • Direct action advocacy with SEs	Policy and Advocacy (cont'd): • Conferences to create awareness on advocacy issues • Policy studies • Policy enforcement reviews

Adapted from: BDS Seminar Reader, Emerging Good Practices in BDS, Second Addition, ILO SEED

The offer also gives some practical examples:

Example of the Component's Approach in the Sub-Sector Output:

Following a detailed and modified GEMINI sub-sector survey of the garment industry in Dhaka, it became clear that small-scale manufacturers achieve lower levels of productivity due to higher levels of staff turnover. High staff turnover results in a large portion of their workforce being untrained new recruits. Small manufacturers cannot afford to spend much time on in-house training. They compensate for this lower productivity with lower wages, but at the same time they waste opportunity costs by not having their machines working at optimum levels. This presents a technical training opportunity for a potential training supplier. Consultants conduct a job analysis of small garment manufacturers in order to design a low-cost training curriculum likely to be attractive to garment producers. Several suppliers are contacted to determine their interest in this new product. One of these suppliers expresses its interest in working with the project. Together with the supplier, further market tests are conducted to finalise training inputs, costs and the garment manufacturers' final price. After determining a suitable price for technical training and the venue, the project assists the supplier in marketing the training product through the garment Samitis (informal associations). Impact is measured at two levels: through sample surveys of clients to determine actual productivity gains and by recording the number of courses offered and the volume of sales generated by the training product. Following the product's commercial success, other similar products can be developed together with the same supplier for the same target market.

Example of the Component's Approach in the Cluster Output:

Mr A. Rahman has two 30-ton injection-moulding presses and half a dozen workers in a small shop in Lalbagh. His basic products are melamine plates and cups used in homes and restaurants. Rahman subscribes to a project-sponsored market-opportunities workshop series organised by a F. Anwar, a professor of business administration on leave from Dhaka University. At a recent meeting, Mr. Rahman saw an illustration in an Italian magazine of a new type of plastic bicycle seat which seemed superior in terms of ergonomics, comfort, and design. Estimating that there would be a market in Bangladesh, he sat down to think about producing a similar item. The moulded seat required a two-shot process, layering a rubber-like material over an engineering resin. This he could do now that the right sort of moulds was available from the new producer service's business nearby. But what about the spring steel frame, the machined shaft and the powder-coated finish of the Italian model? And marketing…? Mr. Rahman realised he knew nothing about selling bicycle parts. Too busy to pursue what seemed a hopeless scheme, he put it out of his mind and went back to making plates and cups. Later in the week, a network broker (promoted by the project) stopped in to gather information for a cluster "capabilities catalogue". On this occasion, Mr. Rahman happened to mention the bicycle seat. To his surprise, ten days later the broker was back. This time he had the names of a stamping firm, a metal finishing shop, a contact in the GTZ design centre and a couple of bicycle distributors in Mirpur. All were interested in talking about the project. Not long thereafter the group met. Subsequently, with the broker's help, they applied for a small network challenge grant to make product samples using GTZ's prototyping facilities. Test marketing was successful, and now the group is collaborating to turn out nearly 2000 seats per month for the aftermarket. The broker, who receives a commission on these sales, is currently approaching bicycle manufacturers, hoping to arrange long-term supply contracts. The network firms understand, of course, that copying is inevitable (they have done it themselves). So, they are now thinking seriously about the next product they can make together. Impact is measured at the firm level in terms of increased sales of the new product and at the supplier level in terms of income earned from brokering.

Example of the Component’s Approach in the Weaker-Rural Markets Output:

In Greater Faridpur (one of the areas selected by the project for testing its approach to weaker markets) a combination of survey instruments have been employed to identify opportunities and constraints. Local opinion leaders have been co-opted into the process of identifying a wide range of project interventions. Because of its prominence, the poultry sub-sector has been selected as a starting point. There are approximately 300 poultry enterprises in the area, 1600 egg/broiler farms, and 26 chick hatcheries with a marketable surplus of 2.7 million eggs and 400,000 kilos of meat per month; the potential for growth is confirmed by key informants in the sector. This potential is supported by an analysis of national demand patterns. In the process of investigating this sector, it has become clear that one of the constraints on expanded production is the health of the chickens. Disease is prevalent at most of the broiler farms, and poultry entrepreneurs are not aware of the basic hygiene standards. The firm which stands to gain the most from addressing this issue is that which sells medicine to the entrepreneurs. The project approaches this (these) firm(s) with an offer to improve its veterinary advisory service so that more of the 1600 broiler farms can be taught how to recognise disease and how to take preventive action. Costs are shared with the sellers of medicine to prepare both printed as well as audio-visual materials on disease prevention and mitigation. These training materials are subsequently used by sellers of veterinary medicines to educate poultry entrepreneurs on how to reduce losses. Impact is measured in terms of reduced losses in the broiler farms and in terms of increased sales of the drugs preventing disease. Recognizing the impact which this service has on sales, the sellers then decide to make this a regular feature of their sales promotion strategy.

Potential interventions based on present knowledge of the sectors.

This is a non complete, non binding example list of possible interventions. It gives some ideas of what type of intervention the Project could possibly do. Research in Industry and Rural Services Division is somewhat further developed than Service Division and Centre of Expertise and Regulation Division. Therefore more interventions for Industry and Rural Services Division than for Service Division and Industry and Rural Services Division are listed below:

Constraint	Type of service	EXAMPLES of Intervention / activity	Expected impact	Remark
Low demand	Market information	Try me	Low, basis for further interventions	Try Mes can allow the Project to get in touch with a lot of providers in a very short time Try Mes allow the Project to gain a deeper understanding of the market Try Mes must have a clear entry and exit strategy
Low supply	Several services	Business centre promotion	Low outreach	Not too likely
Financial constraints	linkage	Producers / financial market meetings	The impact can be medium to large in several markets (e.g. plastics) and the costs are low.	In all sectors the access to financial services, including credit is a constraint. Lack of understanding of the bank requirements and understanding of the needs of producers and traders is one of the reasons for this constraint.
Financial constraints	Product development, both demand and supply side activity	Assisting commercial training institutes to design and market commercial bookkeeping courses for specific sectors	The impact can be medium to large in several markets (e.g. plastics) but the costs are medium	Proper bookkeeping to make enterprises more credit worthy
Financial constraints	Product development, both demand and supply side activity. Can be embedded	Assisting banks in offering small bookkeeping courses to potential clients	The impact can be medium to large in several markets (e.g. plastics) but the costs are medium	Same purpose, different intervention.
Low quality leading to low profit	Supply stimulation, Linkage supply and demand	Stimulating the market for commercial designers by organizing a designer competition, followed by exposing the designers to international designs	Can be large if new more profitable market segments are entered	Many enterprises operate in saturated markets, quality is the key to enter more profitable market segments
Low quality leading to low profit	Demand stimulation through awareness raising	Awareness campaign, based on market study, of the market demand for quality.	Can be large if combined with other activities.	
Low quality leading to low profit	Embedded supply side intervention	Embedding information of the proper use of inputs in the supply of these inputs	Can be medium if new market segments are entered and low cost	Producers of plastics or dyers of fabrics often have no idea how to use the inputs resulting in lower quality of the end product. Simple translation from Chinese into Bangla, by the importer, would help enormously (ALSO a potential ERB intervention)
Low quality leading to low profit	Existing provider, new markets (packaging of the service, awareness creation)	Extending the quality assurance knowledge of buying houses for RMG to the knitwear producers.	Can be medium if new market segments are entered and low cost	The export oriented RMG industry has a vast expertise in assuring the quality of its products. This could easily be redirected to the better producers for the local market,
Low quality leading to low profit	Information, awareness creation	Social marketing	Low to medium if at low cost	Social aspects like overtime, sick leave, company environment etc lead to lower quality of products.

Constraint	Type of service	EXAMPLES of Intervention / activity	Expected impact	Remark
High cost / low quality leading to low profit	Product development, demand stimulation	Product development (appropriate management systems)	Low to medium if cost-benefit can be proven	Equipment, management, production of enterprise is often at poor standard. Various types of tools can improve situation, especially for the higher end of small and medium sized enterprises.
Lack of quality skills training leading to low productivity	Product development (design of the package, marketing the package, awareness creation)	Assisting potential providers of commercial training packages to conduct commercial technical training	Can have a large impact in the long run, as it increases the competitiveness of the sector as a whole	Need for skilled labour is high in many sectors (plastics, agro – tools, knitwear). Producers are willing to pay but the availability of well designed courses and payment mechanisms (packaging the course) stop them from buying training.
Lack of maintenance skills leading to machine breakdowns hence low productivity	Existing services in new markets	Stimulating suppliers of machinery to conduct repair courses, also after 10 years. (buyers supplier meeting, BMOs organizing demand)	Low to medium impact at very low costs.	Suppliers of machinery do conduct courses for maintenance and repair of new machinery. Much of the machines used in Bangladesh are second hand, but the need for these courses remains.
Lack of skills training on operating new machines resulting in low productivity.	Supply side stimulation, embedded service	Stimulating the suppliers of sophisticated machinery to offer courses how to operate new machinery.	Low in the short term, potentially large in the long run as it stimulated in innovations	Many workshops (e.g. mold makers in plastics) consider buying new machinery but the lack of skilled labour prevents them from doing so. Suppliers could access an interesting market if they give training as an (embedded) service.
Lack of information on market potential of recycled plastics resulting in unmet market demand	Market information	Studying the plastic waste situation in Bangladesh together with plastic waste traders	Low impact only reduced costs for the sector, but environmental impact large.	Demand for recycled plastic is higher than supply.
Lack of innovation in technology leading to unmet market demand	Training of trainers	User led Innovation (ILO package) with rental of machinery in agro tools	Low in the short term, potentially large in the long run as it stimulated in innovations	Traditional or imported machinery and tools do not meet the changing requirements of agro-tools users leading to unmet demand (also Gender Issue).
Lack of proper transportation leading to loss of profit.	demonstration	Stimulate the use of plastic boxes in the transport of agro-products	Medium to large direct impact.	Agro products loose much of its value if transported the way it is done today. Plastic boxes (link to plastic sector) might reduce the losses remarkably.
Lack of market information impedes SEs' growth	Market information	Information platform is created which has a very high buy-in from businesses based on its financial viability	Medium to high impact at a low to medium cost	The buy in from the enterprises must be there to sustain the initiative
Policy bottlenecks provide disincentives for SEs and service providers	Information dissemination	Awareness creation among policy makers through dialogues	Low to medium impact on the long-run at a relatively low cost	Project should look to inspire creation of lobbying bodies/mechanisms which are sustainable over the long run to effect policy changes
SEs is unaware of value and source of certain cross-sector services such as	Demand stimulation	Awareness creation through social marketing campaigns	Low to medium impact at low costs	

Constraint	**Type of service**	**EXAMPLES of Intervention / activity**	**Expected impact**	**Remark**
AFT, legal, IT etc.				
AFT service providers unaware of the market potential SEs present	Product development, packaging, awareness campaign	Assisting existing providers to access lower parts of the market	Potentially large, costly	Existing providers in the AFT sector supply the larger companies with a wide range of (often combined) services, but disregard the enormous market of medium and small enterprises for very specific services (e.g. VAT accounting)
Lack of proper storage facilities and access to reliable transportation resulting in loss of profit.	Supply side stimulation And information	Stimulating private sector to construct storage facility for vegetables Or stimulate reliable information system about cheap export possibilities of airlines (which capacity in what flight)	Low to medium as not too many entrepreneurs / farmers may benefit	Risk of unavailability of cargo flights to export vegetables is high. Information may reduce the risk and allow proper harvest decisions.
Lack of network brokers leading to underutilization of market potential.	Innovation, linkages	Introducing and stimulating commercial network brokers	Potentially large as it can increase the competitiveness of the sector significantly	With the existing production capacity, new products could be made or new markets could be accessed. Evidence shows that a network broker can be a key player to combine existing production capacity
Agro-produce still contain high level of chemicals when marketed	Awareness, information	Awareness creation through social marketing campaigns	Medium impact at low cost	Agro-product which contains chemicals while marketed is threat for consumers and position of farmers.
Level of BMOs are low which might hamper social marketing	Product development, demand side stimulation	BMO survey to identify position of BMO and TA to build capacity for social awareness campaigns	Low to medium depending on the strengths of BMOs	Initial data shows that BMOs are extremely weak and have no clear idea about their role. Include SE to have their voice heard and BMOs encouraged through demand side stimulation.
No export linkages / sub-contracting due to non-compliance	Product development, awareness creation, information	Stimulating SE to comply to basic rules and regulations; Development of national certificate of compliance	Medium which provides SE opportunities to access / link with profitable export market.	Especially in the knitwear sub sector companies can't subcontract due to non-compliance or difficulty to check compliance by European contractor.

Annex B: Sample Intervention Plan

Pond Fishery, Faridpur – Intervention F3
Improving Information on Pond Management

Intervention Plan as of 01 December 2003

Intervention Title:	**Improving Information on Pond Management**
Business Service (s):	**Information and knowledge on pond management (embedded service)**
Intervention duration:	October 2003 to May 2004
Report to be updated:	30 January 2004
Intervention Manager:	Saiffuddin Khaled
Strategic partner(s)/Sub-contractor:	International Development Enterprises (IDE)

PART 1

1. The Story (what do we do and why)

The expansion of the pond fishery sector is hampered by low levels of knowledge on inputs and pond management. KATALYST will work with the nursery operators on the design and marketing of service offers that are effective at optimizing returns to pond operators by getting more output per pond over a longer growing season. This intervention uses fingerling supply as an entry into pond productivity.

2. Intervention LFA

Goal: The pond farmers in Faridpur adopt productivity enhancing practices	**OVI** X% of farmers increase their awareness of critical issues on pond management	**MOV**	**Assumptions**
Purpose: Nursery operators design and market an enhanced offer to pond operators aimed at increasing productivity	X number of pond operators satisfied with the service from nursery owners		
Results/Outputs: R1: The capacity of selected nursery operators is enhanced R2: The feasibility of a longer growing season and key productivity issues are established R3: Promotional activities for the services are conducted			
Activities: 1.1 Support nursery owners in product development and delivery 1.2 Conduct interviews 1.3 Promote the enhanced offer to pond farmers	Inputs: Technical study: Tk.100,000 Others: Tk.200,000		

3. The Strategic Outlook (Related to competitiveness and sector dynamics)

This intervention seeks to capitalise on the existing commercial relationship between the nursery owners and the pond farmers. A better service offer from nursery operators not only improves the fingerlings but also other productivity related issues.

4. Framework for Market Change (Related to the Purpose level of the Project LFA)

Awareness		This will be measured through awareness on pond productivity issues
Use		Case studies on moving from change in knowledge to change in practice
Retention		
Satisfaction		This will be measured by looking at satisfaction among pond farmers of the services of nurseries
Sustainability		

5. Anticipated Impact at SE Level (Related to the Goal level of the Project LFA)

Time/Type	Direct* /Immediate Indirect*	Potential Spillover*
Baseline	No. of SEs: Employment: Output: Productivity:	
Anticipated Impact (within 24 months)	No. of SEs: Employment: Output: Productivity:	

*(Outreach, impact, efficiency and sustainability)

6. Integration of Cross-cutting Issues (ERB, SRB and Gender)

- This intervention contributes to an optimum use, and therefore reduction, in poison and chemicals for pond cleaning (ERB)
- As a consequence the fish chain will have less chemicals, and will be less harmful for human consumption (SRB)

Annex C: Log Frame (approved MB Meeting 26 May 2004)

<table>
<tr><th>Narrative Summary</th><th>Indicators</th><th>Means of Verification</th><th>Assumptions</th></tr>
<tr><td>SUPERGOAL</td><td colspan="3">POVERTY LEVEL</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>To enhance broad-based and sustainable pro-poor growth.</td><td>• 5% increase in value added for the SE sector, as defined by the 2003 GEMINI study and an increase in SE contribution to GDP by end of project
• An increase in employment in the SE sector of the economy
• Increase in employee and employer income in SEs</td><td>• GEMINI and GEMINI+ surveys as baseline & follow on survey
• Additional impact assessments</td><td></td></tr>
<tr><td colspan="4"></td></tr>
<tr><td>GOAL</td><td colspan="3">SE LEVEL</td></tr>
<tr><td>To increase the competitiveness of small and medium enterprises in selected areas and sectors.</td><td>End of project status
• By working in 18 markets with 20,000 enterprises (estimated 107,000 employees), levels of competitiveness compared to individual baselines measurably enhanced[67]. This includes;
- 7 markets with 7,000 enterprises[68] (estimated 57,000 employees) in A
- 11 markets with 13,000 enterprises[69] (estimated 50,000 employees) in B
• By working in 5 issue markets with 3,000 enterprises[70] (estimated 15,000 employees) in C, the enabling environment is more conducive to small enterprises</td><td>• Productivity Studies
• Additional impact assessments</td><td>The country remains politically stable and conducive to market-based initiatives such as KATALYST</td></tr>
</table>

<table>
<tr><td>PROJECT PURPOSE</td><td colspan="3">LEVEL OF BUSINESS SERVICE MARKETS</td></tr>
<tr><td>To develop more effective markets for business services in the Bangladesh economy</td><td>Within 24 months of intervention start, positive market change (relative to the overall economic trend) for business services in 75% of the business service markets within 14[71] markets/sub-sectors under the relevant[72] indicators is achieved[73]:
<table><tr><th>Demand side</th><th>Supply side</th><th>Enabling Environment</th></tr><tr><td>• Awareness (15% increase)
• Understanding (15% increase)
• Use / consumption (10% increase)
• Retention (10% increase)
• Satisfaction (15% increase)</td><td>• Improved sustainability of service providers[74]</td><td>• Discernible improvement in stakeholders perceptions of the immediate enabling environment / ESRB&G</td></tr></table></td><td>• Rolling Reporting
• Comparison of UAI or service assessment studies in selected markets.</td><td>Macro-economic, social and political conditions – such as the market for financial services and the pro-enterprise position of the government – are broadly conducive to business development</td></tr>
</table>

[67] Benchmarking (baseline) standards will be set for each sub-sector, market or cluster

[68] Accounting 2100 SEs, Marketing 1,600 SEs, Quality Management 350 SEs, IT 1100 SEs, media 50 SEs and 2 others with 800 SEs each; the project's work in media is expected to reach an additional 20,000 firms and 100,000 employees.

[69] 3 sub-sectors with 1500 SEs each, 5 clusters with 500 SEs each and 3 rural markets with 1,000 SEs each

[70] Local BMOs in 4 locations 2400 SEs plus ESRB as a market 600 SEs

	For 5 major issues (in the overall business services market) related to a conducive business service environment: • Significant improvement in stakeholders' (GOB, BMOs, other projects, business) perception of the enabling environment • Positive change in the performance of BMOs and of government as providers of "services" for business	• A comparison of the project's survey of constraints (in 5 issues) • Surveys on BMOs and public service providers conducted by the project.	

[71] 3 subsectors, 5 clusters, 3 rural markets, 6 generic services and media business services = 18, out of which we want to impact on 14 with 10,000 SEs as service consumers. Clusters and subsectors are not mutually excluded, i.e. they could overlap.

[72] As specified in the intervention plans of the rolling reporting system

73 These indicators are relevant for all service markets. However, the quantification and definition may vary when working in embedded or public benefit service markets

[74] This will be defined with respect to specific markets

Narrative Summary	Indicators	Means of Verification	Assumptions
Output A1: Market development approach for developing business service markets is implemented for 6 service markets.	• Constraints and opportunities for 6 service markets clearly identified by December 2004. • 36 strategic interventions addressing critical constraints and opportunities designed and implemented: 8 by 2004, 13 in 2005, 9 in 2006, and 6 in 2007.	• Sector/industry briefs • Rolling Reporting (incl. nested log-frames and Intervention reports)	The wider environment continues to be supportive to identifying key change agents – market actors and other stakeholders – that respond favourably to the project's offer -
Output A2: The cross-cutting inputs are included appropriately within interventions for business services market development.	• Cross-cutting themes are integrated (as per ERB, SRB, Gender strategy in C2) into the decision making process within the component and key stages of research, analysis, intervention design, implementation and M&E • 10% of the interventions are specific to cross-cutting themes and implemented in A1	• "KATALYST Approach" with CLT decisions • Rolling Reporting (incl. nested log-frames and Intervention reports)	Other influences in the environment don't further distort markets to the extent that key market players are unable to act upon market signals as a stimulus for change

Narrative Summary	Indicators	Means of Verification	Assumptions
Output B1: The "sub-sector approach" for developing business service markets is implemented for 3 sub-sectors.	• Constraints and opportunities in 3 sub-sectors clearly identified by January 2004. • 28 strategic interventions addressing critical constraints and opportunities designed and implemented: 8 by December 2004, 8 in 2005, 8 in 2006 and 4 in 2007.	• Sector/industry briefs • Rolling Reporting (incl. nested log-frames and Intervention reports)	
Output B2: The "cluster approach" to developing business service markets is implemented in 5 selected enterprise clusters.	• Constraints and opportunities in 5 selected enterprise clusters clearly identified by December 2004. • 30 strategic interventions addressing critical constraints and opportunities designed and implemented: 3 in 2003, 6 in 2004, 9 in 2005, 8 in 2006 and 4 in 2007.	• Cluster/industry briefs • Rolling Reporting (incl. nested log-frames and Intervention reports)	
Output B3: The market development approach to developing business service markets is tested and implemented for 3 rural-based markets.	• Comparative advantages in 3 selected weak/rural markets identified (5 PACA/ area studies, 3 by Jan 04) • Constraints and opportunities in 3 agro-enterprise sub-sectors clearly identified by January 2005 (1 in 2003, 2 in 2004) • 33 strategic interventions addressing critical constraints and opportunities designed and implemented by March 2007: 11 by 2004, 10 in 2005, 11 in 2006, 1 in 2007)	• Area studies • Sector/industry briefs • Rolling Reporting (incl. nested log-frames and Intervention reports)	
Output B4 The cross-cutting inputs are included appropriately within interventions for business services market development.	• Cross-cutting themes are integrated (as per the ERB, SRB, Gender strategy in C2) into the decision making process within the component and key stages of research, analysis, intervention design, implementation and M&E • 10% of the interventions are specific to cross-cutting themes and implemented in B1 to B3	• "KATALYST Approach" with CLT decisions • Rolling Reporting (incl. nested log-frames and Intervention reports)	

Narrative Summary	Indicators	Means of Verification	Assumptions
Output C1: Approaches to developing a more conducive business services environment are implemented for 7 specific issues.	• 7 issues for a conducive business services environment are identified and taken up (through appropriate advocacy channels) with local or national governments. • 14 strategic interventions addressing critical constraints and opportunities designed and implemented (4 by December 2004, 5 in 2005, 3 in 2006 and 2 in 2007)	• Issue brief • Rolling Reporting (incl. nested log-frames and Intervention reports)	
Output C2: The market development approach to developing the market for media business services is implemented	• Constraints and opportunities of the media business service markets identified by August 2004 • 5 strategic interventions addressing critical constraints and opportunities designed and implemented: 1 by 2004, 2 by 2005 and 2 by 2006.	• Sector/industry brief • Rolling Reporting (incl. nested log-frames and Intervention reports)	
Output C3: Measures to increase awareness of the relevance of ESRB/Gender are introduced to KATALYST's interventions and stakeholders	Within KATALYST • Core competence and strategy developed in gender in business, environmentally and socially responsible business, to support activities in A and B. • Awareness of other components within KATALYST of ESRB and gender principles increases Outside KATALYST • Other stakeholders are aware of the crosscutting issues • 10 interventions planned and implemented	• "KATALYST Approach" with CLT decisions • Rolling Reporting (incl. nested log-frames and Intervention reports) • Surveys conducted by the project	

	Indicators	Means of Verification	Assumptions
Output D1: Action research Action research in the field of BDS market development, the use of appropriate instruments and the cost effectiveness of interventions is conducted and communicated with/to the wider BDS community.	• A clear process to manage the action research fund is in place and followed • 6 action research studies completed and disseminated by March 2007	• Process description • Action research reports	
Output D2: External relations and influence KATALYST, its approach to business services and lessons learned communicated to key stakeholders (public bodies, private sector representatives, donors and their projects).	• A business like corporate identity is established, known and well perceived in the country • A BDS practice group is functioning with KATALYST participation. • A KATALYST website is created and regularly updated. • 5 (1 per annum) public events for BDS stakeholders focusing on important BDS issues in which the project has been involved, are conducted by March 2007.	• Media coverage • Minutes of meetings • Existence of website	

FOR INTERNAL USE ONLY – PROJECT MANAGEMENT LEVEL			
Output D3: Leadership The project impacts as a whole, and not as separate components.	• Processes to assure the strategic integrity of the project and to create synergy between the components are in place and followed. • Project core competencies are defined and a yearly staff development matrix on the level of each employee is developed accordingly.	• Processes for business planning and knowledge management, exist • Yearly business plan	
Output D4: M&E A fully functioning monitoring & evaluation system (impact assessment) for each of the outputs is established and implemented within a consistent PMF.	• M&E system/strategy for baseline and comparative impact assessment surveys (UAIs etc.) is in place for each of the outputs • Annual reviews (inception review, output to purpose, midterm reviews) conducted on schedule.	• Project reports • Yearly business plans including review learning • Monthly reports • Semester and annual reports	
Output D5: PM infrastructure (logistics, admin. systems and HR assets) are established and maintained.	• Administrative systems and guidelines are in place and up to date. • Project equipment and logistics function with the minimum of "down time". • Financial accounting systems are in place and audit reports are acceptable.	• Processes for business planning, management meetings • Project reports	

Annex D: Linear Responsibility Chart (LRC)

P = Planning/Proposal, C = Consultation, A = Approval, I = Information, E = Execution, S = Supervision, V = Evaluation Complementary: a = assisting, j = joint, d = directing		Management Board	Program Director	General Manager	Manager Services	Manager Industries	Manager Rural Mkts.	Manager COE / R	Admin Manager	Finance Manager	Liaison Officer	M&E Officer
Management structure												
Recruiting, dismissal, salaries of General Mgr		A	P,E									
Recruiting, dismissal, salaries of Division Mgrs	1)		A,E	C,P								
Selection (and TORs) of Policy Management Board		C	I	P,A,E	C	C	C	C				
Org. structure, responsibilities & competencies division mgrs, GM deputy	2)	I	A	P, E	C/I	C/I	C/I	C/I	I	I	I	
Org. structure, responsibilities & competencies below division mgrs	3)			A	P,E	P,E	P,E	P,E				
Establish policies & instruments for planning, implementation, M&E			C,I	P,A,E	C/P	C/P	C/P	C/P	C	C	I	
Recruiting & staff policy, employment conditions / salary grid for local staff	*		A	P,E	I	I	I	I	I	I		
Signing procedures (assign authority for financial & non financial matters)	*		A	P,E	I	I	I	I	I	I		
Staff development strategy				P,A,E	C/P	C/P	C/P	C/P	I	I		
Overall leadership												
Project Document (incl. Vision, Mission, Values)	4)	A	V	P,Ed	Ea	Ea	Ea	Ea	Ea	Ea	Ea	Ea
Develop yearly objectives & business plan	4)	A	V	P,Ed	Ea	Ea	Ea	Ea	Ea	Ea	Ea	Ea
Develop strategic partnerships with local partners				C,A	P,E	P,E	P,E	P,E	I			
Control of compliance with law and regulations	*	V	I, V	P,A,E	E	E	E	E	E	E, Pa		
Decisions on - Markets, - service mkt. research, - interventions acc. KATALYST Missile			I	Aj	P,Aj	P,Aj	P,Aj	P,Aj	I	I	I	
Analyse and synthesize KATALYST BDS experience (action research)	5)		I	Aj,E	E	P,Aj,E	E	E			I	
												TO BE COMPLETED LATER
Division Management (operational)												
Manage research, analysis, interventions and M&E on division level				C,S,V	P,A,E	P,A,E	P,A,E	P,A,E			I	
Identify, negotiate with, lead & control international experts & local partners				A	P,E	P,E	P,E	P,E	I			
Contract management of international experts	6)		A,E	P	Pa	Pa	Pa	Pa				
Monitor division's inputs & outputs, activities are in budget and time				C,S,V	P,A,E	P,A,E	P,A,E	P,A,E				
Decisions on Action learning				A	P,E/I	P,E/I	P,E/I	P,E/I			I	
Process lessons on BDS approaches and lessons learnt			I	C,S,V	P,A,E	P,A,E	P,A,E	P,A,E			(I)	
Representation												
Representation & Public relation of KATALYST towards outside			I	P,A,E	C,Ea	C,Ea	C,Ea	C,Ea			P,Ea	

P = Planning/Proposal, C = Consultation, A = Approval, I = Information, E = Execution, S = Supervision, V = Evaluation Complementary: a = assisting, j = joint, d = directing		Management Board	Program Director	General Manager	Manager Services	Manager Industries	Manager Rural Mkts.	Manager COE / R	Admin Manager	Finance Manager	Liaison Officer	M&E Officer
Representation to Management Board, Policy Management Board, GoB (incl.TAPP reporting)			I	P,A,E	I	I	I	I			P,Ea	
Branding (Corporate Image, Website, launches)			I	P,A,E	C,Ea	C,Ea	C,Ea	C,Ea			P,Ea	
Financial Management & Reporting												
Develop yearly budgets		A	V	P,Ed	Ea	Ea	Ea	Ea	Ea	Ea		
Develop and maintain financial control instruments (monitoring and reporting)	7)			P,A	(I)	(I)	(I)	(I)	I	Pa, E		
Determine monthly cash needs			A	Pd	E	E	E	E	E	Pa, E		
Semester reports, inception, mid-term, final report		A	P	Ed	Ea	Ea	Ea	Ea	Ea	Ea	Ea	Ea
Monthly division reports				A	P,E	P,E	P,E	P,E	P,E	P,E	I	P,E
Monthly project report			A	P,E	I	I	I	I		Ea	Ea	
Ensure professional KATALYST accounting				A						P,E		
Investments above 10'000 CHF	*		A	P,E					Pa	Pa		
Personnel Management & Administration												
Staff development measures				C,S,V	P,A,E	P,A,E	P,A,E	P,A,E	P,A,E	P,A,E		
Recruiting of local employees (as per recruiting process)	8)			Aj	Aj	Aj	Aj	Aj				
Dismissal, performance appraisal & salary mgt. for all local employees				A	P/I	P/I	P/I	P/I	P	P		
Staff administration				A	I	I	I	I	E	E		
Update project manual			A	P,E	I	I	I	I	Ea	Ea		
Manage infrastructure (office, IT, vehicle)	7)			A	(I)	(I)	(I)	(I)	P,E			
Manage administrative & financial staff				P,A,E					P,E	P,E		
1) GTZ mgrs are proposed by GTZ and approved by Pgm. Director												
2) consultation if own component, information if others												
3) on strategic level / mode of operation												
4) Internally division mgrs. propose, GM approves plan content wise, other mgrs to be consulted												
5) Manager Industries also acts as Deputy Project Manager												
6) For Rural Mkts / Industries, GTZ does contract mgt.												
7) Division managers are informed depending on relevancy												
8) joint approval by recruiting team												
* = according Swisscontact general rules & regulations												

Annex E: Q&A on M&E

Question: How to define markets?

Answer:
One critical issue inherent within the M & E system that needs to be addressed directly is how to define markets? KATALYST's objective is to achieve substantial, positive change in 14 out of a total of 18 markets (3 industry sectors, 5 clusters, 3 rural markets, 6 generic service markets, and 1 media market) and clarity over what is meant here is important. The project's approach is best illustrated by some examples:

- AFT (accounting, finance, and taxation) is considered one market, but clearly includes three quite separate types of services. Market analysis therefore (for instance of service usage and satisfaction) would distinguish between each separate sub-market. Interventions, however, may be separate or combined. Reporting on the project's progress will be for AFT as a whole level and require a (transparent) projection combining the sub-markets. A report then could say for example that KATALYST has increased the awareness level in AFT on average by 15%, ranging from 40% in taxation services to 10% in financial services.

- Plastics is one of the chosen sub-sectors. The services identified to overcome some of the industry's constraints may belong to diverse service markets or non-established service markets, for instance services embedded in other commercial relationships. Consequently there are a number of 'plastics-service-markets' which KATALYST may address. KATALYST's approach will be to measure the impact in each of these individual 'plastics-service-markets' in order to come to an overall assessment of impact on business services used in the plastics sector.

- Faridpur is one of the rural areas in which KATALYST will work. Fishery and onions have been picked as very promising (and important) area sub-sectors. KATALYST will seek to enhance key service markets leading to improvements in the fishery and onion area sub-sectors which will impact positively on the Faridpur economy. Logically, the specific focus of M & E would be on usages of different business services of the two area sub-sectors.

In summary, while the "headline" market is intuitively easy to understand, KATALYST needs to take assess at a more immediate BDS-specific and measurable level. This allows assessment of its contribution in relation to plastics development, Faridpur development etc. It should also be emphasised that overall sub-sector trends will also be monitored; a focus on business services will therefore always be seen within a context of overall industry trends.

Whatever the level of impact, of course, progress will be assessed with respect to indicators. These are specified within the log frame and, where appropriate, will be further defined in the course of intervention development.

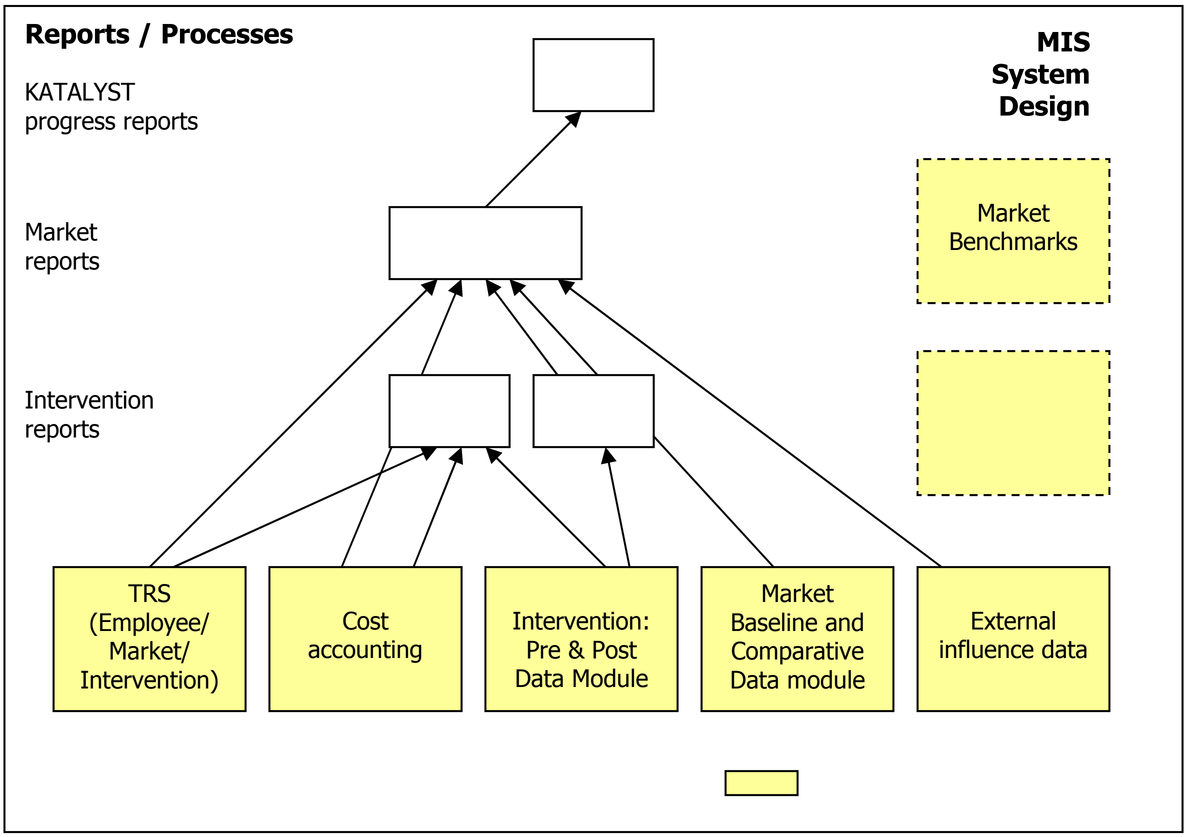
Question: How does the supporting system look like?

Answer:
We use the term Management Information System (MIS) comprised of IT supported modules and report formats to support the M&E needs.

Just as KATALYST's M&E system is central to its operations, within M&E the critical building blocks are formed by the MIS. As Figure E-1 shows, this will provide information on project inputs/resource use, achievements and external influences. The fact that the MIS covers both project inputs and achievements is especially important[75] since it gives KATALYST management (and donors) the information basis to make decisions on efficiency and effectiveness. The MIS does not seek to be comprehensive – it does not, for example, cover project impacts "beyond" the market level (which are not a project M&E priority) or all of the qualitative dimensions to KATALYST's impact – but is does seek to be the heart of KATALYST operations.

The MIS will be based around five related modules (all IT-supported), plus two benchmark-type of modules.

Figure E-1: Overview of Management Information System design



Time Reporting System (TRS)
Staff time is KATALYST's main resource and therefore needs to be tracked for each employee. Key categories of time use might include, for example:

- research/analysis separate for each markets
- intervention design, implementation and M&E associated with for each intervention and per market
- general knowledge increasing activities (formal / informal training and reading)
- administrative activities
- absences

Time will be recorded on a daily basis and will serve as the key for cost allocation in the cost accounting system.

Cost accounting
Cost needs to be tracked separately as follows:

[75] This builds on the experience of BDSP and of microfinance and of business more widely in seeking – as much as is possible – to develop a quantitative basis for management decision-making

- money spent per intervention
- money spent on each market for research and analysis

Both categories may include the cost of external consultants, allocated to the above categories on a per case basis.

While direct salary costs will be allocated on the basis of TRS data, other costs will need to be apportioned on the basis of an appropriate weighting, for example:

- expatriate costs (including travel expenses)
- functional overhead including non market specific training, time and money spent outside the 18 selected markets.
- administrative overhead (infrastructure, administrative personnel, office running costs),
- headquarter support cost

Baseline/comparative data module
At the market level this should record data on, for example:

- key "basic" indicators relating to market size, key constraints and characteristics
- baseline information pertinent to the business service market development (awareness, understanding etc) per market or submarket
- detail comparative data
- a detailed analysis of how specific business services "fit" into the wider service environment and/or product markets.

Intervention pre & post data module
This module allows to record data in flexible fields, as the intervention output varies a lot from intervention to intervention. However, some standard fields need to be covered such as:

- intervention approach
- type of facilitation role
- outreach
- sustainability
- impact
- intervention specific output (recording pre and post status)

External influences data module
The derived results (impact indicators on intervention & market level) need to be weight with the data on external (positive / negative) influences, leading to conclusions in the following form:
This records relevant information beyond the project influence, such as economic indicators, qualitative analyses of issues and trends and the activities of other aid and government-funded interventions.

Benchmark modules for interventions
The input-output measures need to weight with the data on external (positive / negative) influences, leading to conclusions for example in format as follows:

Intervention approach	Type of facilitation role	Input (cost/time)	Output	Outreach	Sustainability	Impact

This allows to some extent a comparison between different interventions which may lead to establish benchmarks. The boxes could be filled either with absolute values (where possible) or with indications such as **LOW, MEDIUM, HIGH.**

Milestones

Sub sector studies (Industries and Rural Service Division): Preliminary studies finalized in March 2003. Final decision by end of March based on the criteria fixed with the DC. Resp: Swisscontact. DC providing input on other efforts in the field for optimal coordination.

Cluster selection (Industries and Rural Service Division): Preliminary studies completed in March 2003, decision finalized by May 2003 based on the criteria fixed with DC. Resp: Swisscontact. DC providing input on other efforts in the field for optimal coordination.

Rural markets selection (Industries and Rural Service Division): Preliminary strategy for the three selected rural markets finalized by June 2003. Resp: Swisscontact. DC providing input on other efforts in the field for optimal coordination.

"Conducive Business environment" strategy (Centre of Excellence): KATALYST needs to conduct some scoping studies and design intervention strategies. Schedule to be determined. Resp: Swisscontact reporting to DC

Cross-cutting topics (Centre of Excellence): Core strategies identified in Feb 2003. Further elaboration, embedding with other components and operationalization as part of revised project document (Sep 2003). Resp: Swisscontact reporting to DC for approval.

Gemini Study: Targeted as a census of the SE market in Bangladesh, conducted at the beginning of the project allowing fine-tuning the project document. Will also be conducted again at the end of the project to better assess the project impact. Resp: DC plus other Donors on site (USAID, IFC).

Revise project document after delivery of Gemini Study, submission to DC in Sep 2003. This will also include the design of the monitoring system (PMF). Resp: Swisscontact submitting to DC for approval.

Semester reports: Resp: Swisscontact submitting to Donor Consortium (DC) for approval.

Elaboration of the YPO (Yearly plan of operation) once a year by 15th of November. In 2003, the YPO was done in May 2003. Resp: Swisscontact submitting to Donor Consortium (DC) for approval.

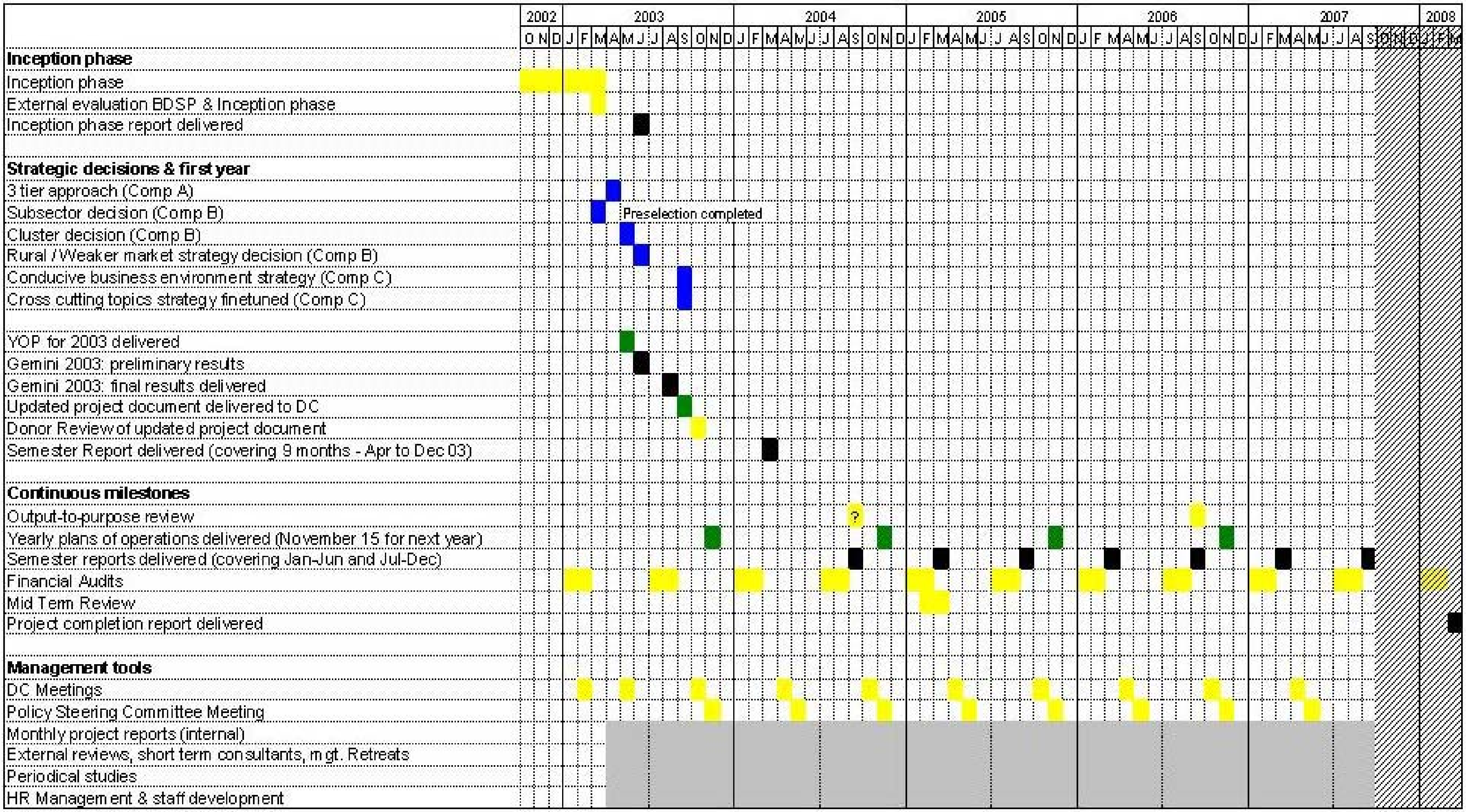
Output to Purpose review: Towards the end of each fiscal year and in preparation for the YPO, the project goes through a self evaluation process with the help of an external moderator. The DC will also mandate a yearly review. Modalities (external/internal) to be agreed upon.

Mid term Review (MTR): Review of operational, structural and institutional aspects after 50% of the project run time. Identified issues lead to corrective measures in the implementation of the project. Resp: Swisscontact submitting MTR to Donor Consortium.

Financial Audits: Will be conducted after the closure of each calendar year, assuring appropriate book-keeping following the guidelines. Resp: Swisscontact through a third party auditor. Results will be submitted to the Donor consortium together with the yearly financial results.

Project completion report: Last report concluding the project and covering the achievements in outreach, impact and sustainability based on Gemini 2007. Resp: Swisscontact submitted to DC for approval.

Milestones Management tools - DBSM Project



Annex F: Budget Summary

	Budget (Total Period)		
	Swiss Francs	Swedish Kroner	Pound Sterling
	(CHF)	(SEK)	(GBP)
A : Generic Servisces	3,964,701	24,827,431	1,861,362
B : Industry & Rural Services	9,524,756	59,645,163	4,471,716
C : COEs & Regulations	4,950,995	31,003,725	2,324,411
Management	5,780,740	36,199,690	2,713,963
Headquarters	1,448,134	9,068,390	679,875
Total	**25,669,326**	**160,744,400**	**12,051,327**

Exchange Rates 1 SEK = CHF 6.26212
1 GBP = CHF 2.13