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Making Markets Work for Poor

Comparing M4P and SLA frameworks: Case studies

Mike Albu and Helen Schneider
The Springfield Centre, United Kingdom
(on behalf of the Fauno consortium)
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Employment and Income Division
Freiburgstrasse 130, CH – 3003 Bern
Tel. ++41 31 322 10 65, Fax ++41 31 323 08 49
e-i@deza.admin.ch
www.deza.admin.ch/ei

Disclaimer

This paper was prepared on behalf of the FAUNO Consortium (Skat, Springfield Centre, Swisscontact, Facet, Inbas), which is a mandate of the Employment and Income Division of the Swiss Agency for Development and Cooperation (SDC).

This paper is one of three exploring synergies, complementarities and divergences between the M4P and Sustainable Livelihoods approaches. This document represents the views of the author and does not imply the expression of any opinion whatsoever of the SDC, Employment and Income Division.

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Preface

Poverty reduction is the ultimate objective of both Market Development and Sustainable Livelihoods approaches. However, the means by which to achieve this goal often differ. Realising the need to find common grounds of understanding between the two approaches, the Employment and Income (E+I) Division of the Swiss Agency for Development and Cooperation (SDC) has jointly organised a seminar with the Social Development (SoDev) Division.

The seminar was the culmination of a series of activities conducted by the E+I division under the FAUNO consortium¹, and it was the third of its kind conducted on an annual basis. It engages relevant SDC partners in a discussion on *Making Markets Work for Poor* (in short: M4P), looking for complementarities, divergences and synergies with other approaches to poverty reduction. This seminar in particular focussed on the Sustainable Livelihoods Approach (SLA).

These case studies are one of three publications:²

Briefing notes: The briefing notes describe the analytical framework under which the M4P and SL approaches were compared to each other. These essentially focus on how both approaches interpret and implement a) achievement of impact at scale, b) focus on institutions and institutional change, c) sustainability and d) empowerment/participation.

Case studies: Once the framework for comparison had been agreed on, The Springfield Centre commissioned Mike Albu from Practical Action and Helen Schneider from the Institute of Development Studies (IDS) to compare two projects in Bangladesh: KATALYST for M4P and LEAF/SAAKTI for SLA. The findings were written up into two case studies, which are part of this publication. A further case study reports about a joint initiative between KATALYST and LEAF/SAAKTI – i.e. outlining potential areas of collaboration.

Main paper: The findings of the field research as well as discussions within the FAUNO consortium further lead to a paper written by Mike Albu with contributions from David Elliott, outlining the conceptual framework used to assess the two projects as well as summarising the discussion on synergies, divergences and complementarities between SLA and M4P. It laid the foundation for the seminar in which representatives of both approaches were given the opportunity to express their views on each other.

Believing that the comparison between M4P and SLA frameworks and the case studies also provide useful insights to other development partners, the E+I division of SDC has compiled these documents into a publication. It thereby hopes to stimulate a discussion on how best to achieve significant poverty reduction towards the UN Millennium Development Goals.

The publication is the result of the work of many people involved. Particular acknowledgement has to be made to David Elliott from The Springfield Centre for his contributions to the publication and also organisation of the seminar; to Jean-Christoph Favre (SDC, E&I division) who has been the driving force for the seminar within SDC; Reto Wieser (SoDev, SDC) for his contributions and presentation of SLA, Peter Tchumi (E&I, SDC) for representing E&I, Urs Eggers (SKAT) for his moderation of the seminar, and finally Anne Berberat for her patience and organisational talent.

¹ The Fauno consortium is a thematic backstopping mandate under the Income and Employment division of the Swiss Agency for Development and cooperation. The consortium consists of SKAT, The Springfield Centre, SwissContact, INBAS and FACET, and has been in operation from 2004 to 2005.

² The three publications are separated for the electronic version, but available as one publication in print

1. Examining common core principles in development cooperation: the work of the SDC-funded LEAF-SAAKTI project in Bangladesh

Helen Schneider, May 2008

1.1 Introduction

This paper, and its companion report on the Katalyst project in Bangladesh, are intended to contribute to a process that is currently going on within SDC's Core Themes Department (Bereich F), of identifying, negotiating and articulating some common core principles and operational rationales in international development cooperation.

The first aim of this process is to help the department provide more coherent and consistent advice, knowledge resources, training and policy guidance to SDC's organisational units and partners. At the same time it is hoped this process will assist SDC more broadly to fulfil its international commitments regarding donor '[harmonization](#)'³ which encourage the merging of policies, procedures and practices across diverse aid programmes.

The central assumptions behind this process are that, despite the essential diversity of professional backgrounds, schools of thought or frameworks and operational practices:

1. it ought to be possible to agree upon some fundamental common principles and operating rationales in international development programmes
2. articulating and sharing these across SDC's programmes will help increase consistency and coherence of decision-making and programme management, encourage synergies between different approaches and thus ultimately increase aid effectiveness

The process so far has involved four stages:

First, an early workshop at SDC headquarters in Bern on Pro-Poor Growth (August 2005) convened by three divisions - social development, employment & income, governance - of Bereich F. At this, participants recommended greater efforts to knit together the various frameworks or approaches used by these divisions (e.g. sustainable livelihoods, M4P⁴, rights-based), so they so that they can be better understood individually, and with respect to each other.

Second, a [discussion paper](#)⁵ which explored and discussed the commonalities and synergies between approaches using as an example the important overlap between market development (M4P) and sustainable livelihoods approaches

Third, some follow-on [briefing notes](#)⁶ (Albu, March 2008) which, building on the SL / M4P synergies paper above, expanded upon the four main concepts or potential common principles found in the conclusions of that paper – concerning:

³ 'Harmonisation' means co-ordination and merging of policies, procedures, and practices among aid agencies; referring to the 2003 Rome Declaration on Harmonization www.aidharmonization.org

⁴ M4P – an acronym for "Making market systems work for the poor" – see for example: De Ruijter de Wildt et al (2006)

⁵ Albu, M. 2007 'Comparing M4P and SLA frameworks', Springfield Centre, Durham www.deza.admin.ch/ressources/resource_en_159281.pdf

Large-scale poverty reduction, as a primary goal of international development cooperation.

Institutions and institutional change in poor people's social, economic and political systems, as a crucial element of our analysis of poverty and how to tackle it in practice.

Sustainability of improvements in poor people's engagement with social, economic and political systems, as an essential objective and key measure of success for development interventions.

Empowerment and more equitable participation of poor people in social, economic and political systems, as an key objective and strategy of development cooperation

Finally, the study reported here (April 2008), in which these common core concepts or principles are explored as a lens through which to examine and consider two major existing SDC-funded projects in Bangladesh: Katalyst and LEAF-SAAKTI. These projects started with (and still substantially retain) distinct 'approaches' or schools of thought, as represented in their entry points, methods, partners and exit strategies. Katalyst essentially subscribes to a market development (M4P) approach, while LEAF-SAAKTI's approach is, broadly speaking, founded upon sustainable livelihoods principles.

Purpose and methodology of this LEAF-SAAKTI study

The aim of the LEAF-SAAKTI (and Katalyst) study is to move the debate from the conceptual to the practical. The principal task was to consider how projects with historical and professional roots in two distinct "camps" are interpreting and working with these four 'common' concepts in practice.

When presented alongside each other, we hope the findings should reinforce the commonalities and differences in perception and practice, and thereby facilitate greater understanding and learning initially between the two fields of SLA and M4P specifically, and other approaches or frameworks also.

The study took place during April 2008 and was conducted principally through structured interviews with LEAF-SAAKTI staff – both senior management at Intercooperation's office in Dhaka and management and field staff at LEAF-SAAKTI project offices in Rajshahi and Bogra; and from studying secondary literature such as strategy documents, project plans, annual reports and other project publications. The main questions addressed in the interviews with LEAF-SAAKTI staff are shown in Annex A. The consultants also visited a number of partners and beneficiaries involved in the vegetable and dairy subsectors in Rajshahi and Rangpur.

The main questions addressed in the interviews with LEAF-SAAKTI staff are shown in Annex B.

The consultants' terms of reference refer to a process of independently verified self-assessment. In other words, the consultants engaged closely with project management, staff and selected partners over a period of approximately four days, to determine how they conceive of these issues or concepts, and how they deal with them in their work. Perspectives and arguments presented by the project staff are supported by practical evidence of project activities, and results.

This was not an evaluation exercise, and it was specifically not intended to set up a direct comparison of Katalyst and LEAF-SAAKTI. However, we hope that viewing the projects through the lens of the 4 principles will help identify the strengths and limitations of the different approaches taken by them.

⁶ Albu, M. 2008 'International development cooperation: seeking common principles that underpin a coherent approach to poverty reduction', briefing notes for SDC, March 2008

1.2 LEAF-SAAKTI – some background information

Livelihoods, Empowerment and Agro forestry (LEAF) and Sustainable Access to Agro forestry Knowledge, Technology and Information (SAAKTI) are projects which take complementary approaches to improving the livelihoods of poor and extreme poor households in Bangladesh. LEAF aims to build the capacity of communities to determine their development priorities and negotiate for services and resources from both public and private sector actors⁷. SAAKTI aims to build the capacity of public and private sector service providers to support economic development through the provision of relevant, quality services to poor farmers⁸. The narrative summary of each project's logical framework is shown in Annex B.

LEAF and SAAKTI are managed by the Swiss not-for-profit foundation, Intercooperation, and focus their activities in Greater Rajshahi Division and Sunamganj District of North-West Bangladesh. LEAF and SAAKTI are currently in the 2nd phase (2007-2010) of a 3 phase, 9 year programme. They have a combined annual budget of around CHF / US\$ 2.8 million.

A number of 'approaches' underpin the activities of LEAF-SAAKTI including:

Livelihoods approach

LEAF sees a livelihoods approach as involving identification of the constraints and opportunities to building the human, social, financial, physical and natural capital of households in order to develop their chosen livelihoods strategies. A conceptual framework⁹ is used to facilitate a better understanding of the root causes of poverty and how to address them. LEAF also incorporates some of the wider principles of livelihoods approaches, such as a focus on people-centred, participatory and empowering processes, as illustrated by the Human and Institutional Development (HID) approach outlined below. Other principles of a livelihoods approach include taking a multi-level (micro-macro and multi-stakeholder) perspective, an emphasis on sustainability, and an appreciation of vulnerability.

A flexible operational attitude to project interventions is considered important in order to address the varied needs, assets and opportunities of different groups of poor people such as the extreme poor, indigenous communities and women-headed households. This can involve either targeting such groups directly and exclusively or integrating them directly within community organisations.

Human and institutional development (HID)

Individual and organisational capacity development and related issues such as social capital, empowerment, sustainability, equity (including gender), and self reliance are seen as core to the projects' ways of working. Through an intensive coaching process, LEAF aims to build the capacity of community groups to enable them to identify their development priorities and access the resources and services they need to address them. Similarly, SAAKTI aims to build the capacity of local service providers¹⁰ (LSPs) and their associations, as well as public sector line agencies, to provide quality services, knowledge and resources. HID is seen as playing a major role in establishing new relationships between poor people and public and private sector actors, including facilitating more equitable power relations between them.

⁷ LEAF (2007)

⁸ SAAKTI (2007)

⁹ See Ludi E. & R. Slater (2007) for more details of SDC's Sustainable Livelihoods Framework

¹⁰ LSPs are local farmers/community members who are trained to provide advice and services to other farmers

Marketing tools

Some elements of a market development orientation are applied in LEAF/SAAKTI. Marketing extension is seen by LEAF as a fundamental tool to improving community groups' understanding of local markets in a participative manner, enabling them to better exploit existing market opportunities. Value chain analysis is also used as a tool to support producers to develop stronger relationships with other market actors: traders and inputs suppliers. SAAKTI also uses some principles and practices from a business services (BDS) approach to inform its way of working with public sector and private service providers.

Project activities with communities, local service providers and their organisations or associations are largely implemented through field facilitators - staff of local partner NGOs whose salaries and other costs are covered from the projects' budgets. Currently LEAF-SAAKTI work through 20 partner NGOs, each with a team of 12 project staff comprising a team leader, 2 staff supporting service provision (funded by SAAKTI), 3 supporting market extension activities and 6 supporting human and institutional development activities (funded by LEAF).

1.3 LEAF-SAAKTI's perspective on the core principles

The following sections explore the perspectives of LEAF and SAAKTI staff on the core principles described in the accompanying discussion paper¹¹: vision and strategy for impact at scale, institutional perspective, sustainability, and empowerment and participation.

1.3.1 Vision and strategy for impact on a large scale

The principle of impact put forward in the discussion paper is that programme strategies should clearly have a plausible vision of large-scale impact. There should be a logic that links donor-funded actions or interventions with the ambition to ultimately make a difference to hundreds of millions of people's lives. This requires that programme strategies explicitly envisage feasible mechanisms for replication, extending or multiplying results so that, at least potentially, they could benefit very large numbers of people. This does not mean that every intervention has itself to be large-scale but rather that the route to potential impact at scale is credible.

LEAF-SAAKTI aims to achieve impact through transformations in both social and economic systems. Ultimate beneficiaries are primarily found among the members of the 4,500 community groups that the project identifies with and supports through its cadre of 200 partner NGO staff. These groups have a membership drawn from an estimated 122,000 households i.e. 5 - 10% of the total population in the local areas where they work. Of these direct beneficiaries 22% are classified as extreme poor, 60% as poor and 65% are women. A further 187,000 households within these sub-districts are identified as potential indirect beneficiaries¹². The cost of LEAF-SAAKTI's support to all these households over nine years is roughly CHF/\$ 80 per household.

Social and economic development objectives

The main mechanisms for bringing about change in social systems are through the Human and Institutional Development process. This aims to enable community groups to identify their own development issues and jointly plan activities to address them, including ensuring that particular issues identified by the extreme poor and by women are taken into account. A key element of the

¹¹ Albu, M. (2008a)

¹² LEAF (2007)

HID process is the development of 'social capital', building trusting relationships that facilitate co-operation and reduce transaction costs enabling community members to increase access to social and economic opportunities.

In addition, several mechanisms are used to try bringing about beneficial changes to economic systems. These include better access to information and services through the development of local service providers: for example, the Department of Livestock Services in Bogra district has around 40 livestock extension officers working across 12 sub-districts. By supporting the department to train 175 local service providers, SAAKTI has substantially increased the availability of basic animal husbandry advice and services.

Through work on market extension, LEAF-SAAKTI also increases producers' understanding of local market demand so that they can develop strategies to better access and exploit local market opportunities. Examples include improving the quality, design and packaging of a range of products, such as jute mats, bamboo handicrafts, and snacks.¹³ In addition, LEAF-SAAKTI facilitates linkages to new buyers and access to wider markets by bringing together producers and traders in 'match-making' workshops to negotiate mutually beneficial economic relationships. For example, LEAF-SAAKTI facilitated a workshop between producers' representatives and Shibpurhat vegetable traders association, giving farmers access to the market for quality vegetables in Dhaka.¹⁴

By supporting the development of clusters of community groups, LEAF-SAAKI enables producers to collaborate in both accessing inputs and in marketing their produce, thus decreasing transaction costs for individuals and increasing bargaining power, as demonstrated in the vegetable example given above.

Project staff estimates that about 20% of households (c. 25,000) within the community groups are currently benefitting economically as a result of the project's activities.

For LEAF-SAAKTI, scaling-up is largely envisaged as an intensification of impact within the unions where the project currently works, through the wider local community benefitting from services provided by local service providers and their associations, increase in membership of the wider community in clusters¹⁵, and secondary economic benefits to other local producers. For example, the Harihorpur cluster has a membership of 73 producers but it is estimated that up to 300 people are benefitting from the links this cluster has made with the local traders association that buys their produce at the farm gate¹⁶.

Clearly then the key to impact at scale within the project area is the sustainability of project-facilitated structures, such as community groups and their clusters, and LSPs and their associations, and the relationships between the different actors. This issue is explored in more depth in the Sustainability section.

In terms of scaling-up outside of the areas of the project's direct interventions, it is recognised by project staff and public sector actors interviewed¹⁷, that there is limited potential for other national actors to replicate the project's models of developing community groups and local service providers associations. For example, for the SAAKTI local service provider model to be replicated by the government without donor support, lobbying at national government level would be required in order to influence government policy and resource allocation. Such a strategy is not part of the LEAF-SAAKTI project.

Instead, the project aims to seek out synergies and collaboration with other donor-funded development programmes. LEAF-SAAKTI's strategy of 'capitalisation' – capturing, documenting

¹³ Poitevin B. and S. Hossain (2006)

¹⁴ See vegetables case study in Albu, M. & H. Schneider (2008)

¹⁵ Clusters are or of community groups within a particular union parishad (ward)

¹⁶ See vegetable case study in Albu, M. & H. Schneider (2008)

¹⁷ e.g. regional extension staff from Department of Livestock Services, Bogra.

and sharing evidence of impact and learning – is therefore key to influencing other donors to adopt or replicate the approaches if impact at scale beyond the area of direct project interventions is to be achieved.

1.3.2 Institutional Orientation

The second concept or core principle in the proposed framework concerns how we diagnose and therefore set about addressing underlying causes, rather than just symptoms, of poverty. It focuses on ‘institutions’ (in the sense of rules, norms) as a crucial dimension of the social, economic and political systems discussed in the introduction. See ‘why institutions matter’ in the briefing notes¹⁸.

This section explores LEAF-SAAKTI’s perspective on institutions, looking at how they analyse institutions in the systems they work to transform and how this analysis affects their ways of working.

While project documents and staff do not explicitly use the term ‘institutions’ in this sense, much of their work is in practice trying to change rules, norms and behaviours within both economic and social systems. Many of the institutions with which LEAF-SAAKTI engages are informal, addressing social and cultural attitudes, norms and practices that marginalise poor people, particularly women, indigenous communities and the extreme poor, from social, political and economic processes. For example, to help address inequitable power relations between women and men, community groups are supported to undertake participatory gender analysis to help them better understand and address attitudes to gender roles that reduce women’s ability to fruitfully engage in both economic and social activities.

Similarly, the HID process aims to help develop more participatory and equitable decision-making processes to address exclusion of the extreme poor by facilitating involvement of all sectors of the community in identification and implementation of development activities, according to their needs. LEAF-SAAKTI recognises that one of the reasons for exclusion of the poor is the limited contact between different sections of society and subsequent lack of understanding among better-off members of the reality of poor peoples’ lives. To try to address these underlying causes, the partner NGO’s field facilitators support groups to carry out participatory poverty/well-being analysis of communities involving community members in determining their own indicators of poverty within the community.¹⁹

In addition to addressing gender relations and exclusion, the importance of developing trust between stakeholders is recognised as key to reducing transaction costs in both social and economic systems. Many of the project’s interventions are concerned with facilitating direct contact between actors in order to develop trusting relationships within and between different sections of the community, as well as between community members, input retailers, traders, processors and public sector agencies. For example, including LSPs in training provided to input retailers by seed companies helped to develop relationships between these actors. Subsequently both LSPs and retailers were able to provide more appropriate advice and quality seeds to farmers. In some cases, such as for retailers in Huzuripara, this meant selling lower volumes of inputs to individual farmers but, once farmers benefitted from increased yields associated with more appropriate use of inputs, trust between the retailer and farmers grew. Farmers and LSPs then recommended this retailer to other producers resulting in increased sales.

LEAF/SAAKTI explicitly uses an analysis of other informal institutions, such as preferred methods of knowledge-sharing, to shape their intervention models. For example, an awareness that farmers prefer to learn from their peers underpins the development of LSPs and their

¹⁸ Albu, M. 2008 ‘International development cooperation: seeking common principles that underpin a coherent approach to poverty reduction’, briefing notes for SDC, March 2008

¹⁹ Intercooperation (2008)

associations. Development of LSPs has also required engaging with other norms concerning the role of local farmers in providing quality services to other farmers: for example, attitudes of both public and private sector staff as to the ability of farmers to play this role had to be challenged, as did attitudes of other farmers as to whether such services should be paid for.

In addition to engaging with prevailing norms within a community, LEAF-SAAKTI also recognises the need to address incentives for people to play certain roles: for example, the input retailer in Rajshahi, who saw his sales increase by 15% once he began to provide appropriate advice to farmers when they bought his inputs, clearly has an economic incentive to provide such services. Less clear perhaps are the incentives for public sector staff to be more responsive to the needs of poor farmers even though there is some evidence of such increased responsiveness of extension officers following interaction with LSPs.

LEAF-SAAKTI's approach to addressing institutions that underlie both local economic and social systems illustrates the links between the two: building social institutions can lead to new kinds of economic relations, while increased economic benefits can provide incentives for people to play new social roles. For example, the Harihorpur group was originally established in 2001 under a different project but their activities ceased when that project finished in 2003. Since being reformed under LEAF in 2005, they have benefitted economically from better advice and inputs from LSPs and from being able to market their produce through the Shibpurhat traders association. Through contributions from group members, they now have sufficient savings to cover the costs of performing more social roles, such as supporting extreme poor members with loans, lobbying the union council for access to social safety net programmes and building latrines.

Given LEAF-SAAKTI's acknowledged 'intensive' capacity building approach to working with communities, questions that arise in relation to institutions include:

to what extent does the project's support merely temporarily distort people's incentives and behaviours, or to what extent does it create a permanent shift in norms and behaviours.

and how might a better understanding of the project's influence on these economic and social systems influence its strategies for ensuring sustainability?

1.3.3 Sustainability

The third concept or core principle in the proposed framework concerns how we conceive of 'sustainability' in the outcomes of development cooperation; and in particular the extent our ambition for achieving enduring pro-poor changes in underlying social, political and economic systems. Perhaps it helps to think about 'sustainability' in this sense as the pursuit of system resilience. Ideally, we don't just want pro-poor change in these systems, but also would like to see that the structures, actors and relationships in those systems acquire the dynamic capability to adjust to inevitable future changes in their external environment.

The approaches needed to ensure long-term sustainability of the results of development agency interventions depend to a large extent on the roles played by those agencies. Some may be purely temporary facilitative or catalytic roles; others may be needed in the longer term to ensure resilience of social, political or economic systems. In the latter case, there needs to be a vision of who will play those roles and what their incentives will be to do so.

The LEAF-SAAKTI approach involves working intensively to support the development of structures, such as community groups and clusters, and LSPs and their associations, as well as facilitating relationships between these structures and other market and public sector actors. The long-term sustainability of these structures and relationships, and their ability to adapt to change are therefore key to the project's success.

Sustainability of community groups

Community groups are seen to be a key structure for addressing power relations and exclusion within communities and for enabling producers to access inputs, services and markets to improve their livelihoods. There is therefore a danger that, as noted in the Harihorpur case in the previous section, once support is withdrawn the groups dissolve. LEAF-SAAKTI's HID approach is therefore intended to build group capacity to undertake community planning activities without the need for external support in the longer-term. In the case of the Harihorpur group, reasons given by the group members as to why they believe they could sustain the group once LEAF's support is withdrawn included: that they were now able to manage their own planning processes and activities; that they could continue to access support from LSPs; and that they were now confident to negotiate, through their cluster, with other actors including line agencies and local *union parishad* (councils).

In terms of addressing depth of sustainability, one example would be the marketing capabilities of groups. At one level, the [6 step marketing extension tool](#)²⁰ promoted by the project helps producers assess local market demand and establish relationships with buyers that give them an increased awareness of opportunities in local markets. However, a deeper level of sustainability would be associated with market systems which enable producers to access information about wider market trends, for example growth and opportunities in urban areas. In recognition of this issue, LEAF-SAAKTI has been developing capacity to undertake sub-sector analysis, including through collaboration with KATALYST²¹. While LEAF staff recognises that the capability to analyse the bigger picture and to support relevant innovation are important functions, it is currently unclear who would have the capacity and incentives to play this role in the longer-term.

Sustainability of clusters

The project recognises that individual community groups are often too small to be effective in negotiating relationships and maintaining momentum and believe that clusters of such groups can provide the 'critical mass' for individual groups to be viable. The role of the clusters includes providing a platform for collective bargaining with both private and public sector service providers, and a way for stronger groups to support weaker ones. There is some evidence that clusters are more successful in establishing relationships to access services, including services for the extreme poor – for example 68% of clusters have helped people access social safety net services²². Other specific examples include the Kafrikhal cluster being able to access cool storage facilities for their potato crop as a result of being able to pool their produce.

Several factors required to ensure the sustainability of clusters are recognised by the project, including the need for dynamic leadership, and sufficient social capital to support inter-group co-operation. The importance of economic incentives is also recognised: within clusters, loose producer networks are starting to emerge that are thought by some project staff to be potentially more sustainable than clusters in the longer-term due to a stronger common economic incentive for their members. However, some of the social roles of the clusters may well be lost in this emerging model. Based on suggestions from clusters themselves, LEAF-SAAKTI has identified a strategy to strengthen them by facilitating links between networks of clusters which would enable them to better access both private and public sector service providers at the union level. However, this strategy is in its early stages and its impact has yet to be demonstrated.

²⁰ Poitevin & Hossain 2006, *Marketing Extension: a powerful process in 6 steps*, LEAF Bangladesh www.intercooperation-bd.org/publication.php

²¹ See Albu, M. & H. Schneider (2008)

²² Huda, A. and A.K. Roy (2007)

Sustainability of local service providers (LSP) and their associations

LSPs are local farmers or other community members who are trained (often fairly briefly and informally) to provide advice and services to other farmers and producers. Their role is critical to achieving the economic impacts of the project. Many LSP are involved in providing producers with access to quality inputs and seeds, and some with cementing linkages with buyers.

SAAKTI currently identifies 3,700 LSPs so far²³. In order to establish the LSP model, LEAF-SAAKTI has taken a direct role in the development of local service providers by subsidising both their training and their economic transactions with farmers. The degree of subsidy for transactions with farmers is being progressively reduced as the skills and incomes of the LSPs and their associations increase.

Although there are some social incentives in terms of increased status for LSPs to provide services to other farmers, it is recognised that there also need to be strong economic incentives for them to continue this role. Currently 60% of the LSPs trained through the project are receiving income, in cash or in kind, from selling their services to other farmers²⁴. The project envisages that this role will become economically self-sustaining in the longer-term, although staff acknowledges that for many LSPs this is only one of a number of livelihoods strategies they employ, since many of them are also farmers themselves.

In many cases, local service providers have formed associations²⁵ in order to co-ordinate their activities and increase their bargaining power with input retailers. SAAKTI identifies 43 such LSP associations so far. For example, LSPs in Mithapukur, Rangpur have registered their association with the Department of Co-operatives. They feel that formal registration has given them increased recognition and legitimacy with government, input suppliers and local farmers. They have negotiated an agreement with a veterinary supplies company to buy their products at a reduced rate to sell on to livestock farmers. Members of the association contribute to a common fund which is then used to cover operating costs and to invest in equipment such as sprayers that members can use to offer services to farmers. Members feel that being part of an association benefits them both economically and socially, and that the association is key to the sustainability of their LSP roles. However, it could be argued that in trying to play both social and economic roles, rather than concentrating on developing a commercial business model, such associations threaten their own sustainability.²⁶

Sustainability of relationships and information flows

Key to the longer-term sustainability of the LSP role is the capacity to sustain information flows between local service providers, line agencies, ministries and private sector companies to enable LSPs to further develop existing knowledge and learn about new innovations. This is dependent on the formalisation of their relationships with public and private sector actors. Up till now the project has supported both public and private sector actors to provide training for LSPs in order to improve their knowledge of quality inputs and production practices.

For example, LEAF-SAAKTI has supported private companies, such as East-West Seeds and Bayer CropScience, to provide training on agricultural production and use of quality inputs. Initial courses were carried out on a cost-sharing basis with the companies contributing 30%. There is some evidence of the willingness of companies to continue to provide such training in the future albeit still subsidised by the project: for example, having seen a significant increase in sales after

²³ 2007 annual reports

²⁴ Cuvelier, A. et al (2008)

²⁵ There are currently 43 associations in the project areas

²⁶ This is discussed further following section on empowerment and participation

the 1st training, East-West has since agreed to deliver more courses, with 65% costs covered by the company. However, despite a 15-20% increase in sales after training 100 retailers and 25 LSPs, Bayer in Rajshahi currently have no plans to continue such training without further support apparently due to lack of a directive to do so from senior management in Dhaka.

Some line agencies have also delivered training to LSPs with support from LEAF-SAAKTI. For example, the Department of Livestock Services (DLS) in Bogra has provided a 10 day foundation course in animal husbandry to 175 LSPs with the costs of the course, curriculum development and training of trainers all covered by the project. However, despite evidence that such training has increased the reach of the department's own extension officers, both project and DLS staff recognise that it is unlikely that such training would continue without project support. The project currently has no mechanisms to influence the changes in policy and resource allocation from national government that would be required for this to happen.

In the current project phase, LEAF-SAAKTI is aiming to support the development of 'Regional Resource Pools', comprising line agency staff and private companies with necessary technical expertise to support LSPs. The model envisages that members of these pools will develop and maintain relationships with national research institutes and ministries and their co-ordination networks in order to be able to access up-to-date information on new varieties, inputs, production techniques, and policies and pass this information on to the LSPs. This strategy is in very early stages so it is not yet possible to assess its effectiveness in achieving its objectives. While project documents state that 'RRPs should be empowered (by their line agencies) with necessary authority and resources to perform their jobs adequately' it is not clear how LEAF-SAAKTI intends to ensure this will happen since the stated strategy is only that the project 'will have to maintain a harmonious relationship with the relevant national level institutions through some different modalities'²⁷. As with the other structures and relationships outlined above, for this model to be sustainable, the incentives for resource pool members to play their role would need to be clearly identified and demonstrated.

A 'light touch' or a 'heavy hand'?

Given the difficulties and uncertain consequences of exiting from complex systems such as community networks and relationships, or market systems, some practitioners conclude that 'light touch' interventions are preferable to investment in intensive facilitation of structures and relationships²⁸. Other practitioners justify a 'heavier' intervention model based on the belief that fundamental changes in social systems and power relations are needed in order for poor people to engage profitably in economic systems and that such changes require intensive facilitation over a sustained period of time.

LEAF-SAAKTI is clearly taking the latter approach with their capacity-building support to a large number of community groups, clusters, and LSPs and their associations. It is recognised by project staff, and in project documents, that such an intensive approach requires both a clear timeframe and a strong exit strategy. A timeframe and an exit strategy are both explicit in project documents, with both LEAF and SAAKTI being structured in 3 phases²⁹ with the budget and the numbers of partner NGO staff gradually decreasing. Project staffs acknowledge that in many ways they are 'still in the driving seat' and that they need to implement concerted strategies to 'hand over' to local actors. However, as illustrated in some of the examples above, it is not always clear what the incentives are for other actors to continue to fully embrace many of the roles that the project is currently playing.

²⁷ SAAKTI (2007)

²⁸ Albu (2008b)

²⁹ See Annex D for more project's representation of phased approach

1.3.4 Empowerment and participation

The final concept or core principle in the proposed framework concerns the now widely accepted insight that 'poverty is not just about low incomes, but also emanates from social exclusion and the lack of access to power, voice and security.' This section explores LEAF-SAAKTI's perspective on empowerment, including whether it treats empowerment merely as an outcome of poverty reduction or also as an instrument for achieving it. What implications does this have for how the poor and marginalised participate in LEAF-SAAKTI's work?

The approaches taken by LEAF-SAAKTI aim to support both social and economic empowerment and recognise that the relationship between the two is complex and often reciprocal. For example, increased ability to take advantage of economic opportunities can also improve both social status and bargaining power. In turn, women's access to economic opportunities can be increased as a result of improvements in social status (resulting in increased mobility, valuing girls' education, sharing of caring/family responsibilities) and in bargaining power (through increased confidence, new skills and knowledge, and collective voice).

The project can be seen to be addressing different types of power relations in both social and economic empowerment. The accompaniment approach of coaching group members to develop their skills and capacity is in itself seen as an empowering process.

Power to: organise and change existing hierarchies

As noted earlier, project staff believe that by including traditionally marginalised groups in community processes of analysing problems, identifying priorities and deciding on activities, better-off members have begun understand these groups' situation better and are more likely to support them to access services and markets. For example, indigenous *adivasi* communities able to develop their own economic activities, such as raising chickens and pigs, were subsequently in a stronger position to negotiate with landlords over the wages they were paid for their labour³⁰. Such changes in power relations between landlords and labourers could be said to be due to both economic and social empowerment - the realisation for both parties that poor people had 'power to' do things for themselves as well as 'power with' in terms of collective bargaining power.

According to project staff, experience suggests that, once communities can demonstrate that they are willing and able to do something for themselves to further their own development, service providers such as line agencies, local government and private sector actors are more encouraged to work with them.

Changes in existing hierarchies and attitudes are also evident in relationships between LSPs and both line agencies and private sector companies. For example, relationships developed between line agency extension staff and LSPs during training by Department of Livestock Services staff in Bogra are also said to have 'opened the door' for LSPs to contact extension staff directly when they need additional advice and support. In turn, the department has since employed LSPs directly in awareness-raising and vaccination campaigns to address the threat of avian flu.

LEAF-SAAKTI also has many examples of where social status, particularly of women, is felt to have improved as a result of their increased access to economic opportunities and resulting income³¹. In the dairy sector in Rangpur, for example, the increased ability of women to make a contribution to, and earn an income from, their cluster's milk production, is said to have helped

³⁰ Intercooperation (2008)

³¹ See, for example, case studies in Balzer, N. (2006)

them have more of a voice in community decision-making, both within their cluster and through membership of school management and mosque committees.

Power with: increased power from collective action

Development of community groups and clusters increases collective voice and negotiating power with a range of public and private sector actors, including line agencies, LSPs, input companies and retailers, traders such as Shippurat vegetable traders association, and other private sector buyers such as Rangpur dairy³².

Collective voice through clusters has also helped community members engage with local governance structures e.g. accessing social safety net mechanisms and negotiating contracts with union councils to plant roadside plantations on a profit-sharing basis. In addition, development of LSP associations is intended to enable LSPs to negotiate with both farmers over fees for services and with line agencies and input companies for training and support.

Power from within: increased individual consciousness

LEAF's approach to working with communities through HID is intended to try to change power relations through the development of self-esteem, particularly of extreme poor and women. This involves facilitating their active participation in community planning and decision-making activities, and in economic and social activities, as well as engagement with local governance structures to access their rights.

Role of participation in empowerment – process and/or outcome?

Livelihoods approaches and HID intrinsically promote participation as both a process and an outcome of empowerment, based on the premise that poor people themselves need to be actively involved in identifying and addressing their livelihood priorities. Project experience shows that if only better-off members of the community are involved in community groups, the poor remain 'invisible' and their needs and rights are likely to be overlooked in the development process. Participation of women and extreme poor in these groups has enabled them to raise their voice, leading to their concerns being taken into account by the other community members. Also as a result of this participation, better-off community members have underwritten loans for poorer members and also facilitated their access to social safety programmes through the union councils.

However, there remains a question as to whether active participation in all structures and decision-making processes is always necessary, or indeed viable, particularly when it comes to achieving economic empowerment. For example, in some of the key structures in the economic systems described in this paper, such as Sipurhat traders association and Rangpur Dairy, there is no participation of the community or of marginalised groups in their internal decision-making processes. Yet, producers are empowered economically as a result of their relationships with these enterprises.

Another example concerns the role of women and extreme poor in LSP associations. Additional support to these groups to become LSPs is one of the aims of Phase II of SAAKI³³. This strategy is intended to be beneficial both socially, through increasing their confidence and status, and

³² See case studies in Albu, M. & H. Schneider (2008) for details

³³ Currently approximately 30% of LSPs are extreme poor and 26% are female

economically through providing additional income for the LSPs themselves and through facilitating access to LSP services to other extreme poor and women³⁴. However, such an approach may not be sustainable in the longer term if, without external financial and coaching, the LSP associations are not able to provide the additional support that LSPs from these sections of the community are likely to need. Indeed, the added burden of providing such support may threaten the viability of the LSP associations to provide relevant and affordable services thereby threatening the economic empowerment of the producers whom they serve.

Similarly for clusters and producer organisations, adopting an organisational model that involves regular participatory meetings, including investment in meeting facilities, and engaging in wider social activities, such as community awareness-raising campaigns on rights issues, may be costly and threaten the viability of these structures and the roles that they play. For such organisations it may be preferable to adopt a more efficient entrepreneurial model of business or at least clearly separate economic and social functions as has shown to be effective elsewhere.³⁵

1.4 Conclusions: Issues raised by looking at LEAF-SAAKTI through the lens of these four principles

LEAF-SAAKTI are clearly trying to bring about changes in both economic and social systems, recognising the inter-relations between the two. Impact is acknowledged to be mainly confined to the scale of the several hundred thousand people in the communities with which the project works. In order for the project's models to have impact at a larger scale, they would have to be replicated by other development agencies. The implications of this are that the capture, documentation and dissemination of project learning, experience and impact is key and requires a clear strategy and concerted effort to influence other agencies.

Fundamental then to the success and impact of LEAF-SAAKTI is the sustainability of the structures and relationships that project has been instrumental in helping to develop in the areas where it works. Taking an institutional perspective helps us see the importance of understanding and supporting the necessary incentives for local actors to maintain these structures and relationships in the longer-term without project support. An additional complication to understanding the institutions of already complex systems is that the very fact that the project is subsidising transactions and facilitating development of structures and relationships is likely to be temporarily distorting people's normal attitudes and behaviours. The question therefore arises as to how might a better understanding of the project's influence on social and economic institutions influence its strategies for ensuring sustainability?

Central to the livelihoods approach that underpins the LEAF-SAAKTI model is that people should be at the 'centre of development', that they should be supported to access a range of assets according to their own priorities, building on their strengths to develop the livelihoods strategies that they choose. Livelihoods approaches therefore generally put great emphasis on processes of empowerment and participation. This emphasis can often lead to projects taking an intensive approach to working with different groups of actors. In such a model the aim is that the capacity-building process is in itself empowering and therefore able to bring about sustainable changes in power relations and that the facilitation role of field staff is a temporary one.

However, several issues arise in the implementation of such an approach. For example, where the principles that make the process empowering are often diluted in practice due to the difficulty in changing attitudes and behaviour of field staff. This problem is acknowledged by LEAF-SAAKTI who attempt to address it by modelling with field staff the coaching approach they expect those staff to adopt in their own work. Another issue is the fact that such intensive interventions require

³⁴ recognising that people are often more comfortable accessing advice from their peers

³⁵ Penrose-Buckley, C. (2007)

clear timeframes and credible exit strategies successful examples of which are in practice difficult to find.

In addition, although empowerment and participation are seen to be linked, questions arise as to whether active participation of marginalised people is always required in order to achieve empowerment, particularly in economic systems.

Finally, does the different nature of social and economic systems, and the institutions that govern them, require different approaches: a lighter, more catalytic approach to facilitating transformations in economic systems; and a more intensive, participatory approach to bringing about change in social systems?

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Annexes

Annex A: Questions addressed in interviews with LEAF-SAAKTI staff

SYSTEMS

1. Who ultimately, are the intended long-term beneficiaries of the programme?
2. Which particular 'systems' is the programme seeking to transform?

VISION OF LARGE-SCALE IMPACT

3. What is the over-riding vision of the programme
i.e. in terms of system change and how this impacts on the ultimate beneficiaries
4. How does 'impact at scale' feature as a component of this vision?
i.e. how strongly?, in what ways?
5. What are the main strategies envisaged for achieving large-scale impact, beyond the immediate direct participants of the programme?
What mechanisms - social, political, commercial - are envisaged?
Can you give practical examples?
6. Are the costs of going to scale consistent with benefits and donor / ODA resources?

INSTITUTIONAL PERSPECTIVE

Confirm meaning of 'institutions', in the sense of political, economic, social rules etc.

7. How important are institutional factors within the programme's problem analysis
i.e. to the diagnosis of causes behind the problems which are being addressed
8. How is/was institutional analysis included in programme design, implementation, review?
What conceptual models are used? What resources are employed to do this?
9. Which institutional issues have been found to be very important in your programme?
Please give practical examples from past or current work.
How have / are these influencing programme design or implementation in practice.

SUSTAINABILITY

10. What does the objective of sustainability mean to your programme?
Do you have a definition?
11. Which forms of sustainability does your programme give most attention to in practice?
e.g. social, ecological, political, financial, commercial
12. How do sustainability objectives fit into, relate to, your ultimate vision of transforming systems? When in the programme cycle are they most considered?
13. How do these sustainability objectives influence your programmes methods of working?
Give practical examples if possible

EMPOWERMENT & PARTICIPATION

14. What does "empowerment" mean for your programme?
What forms of power and power relations are priorities for the programme?

15. How does empowerment fit into, relate to, your ultimate vision of transforming systems?
Is it part of the process, or more of an outcome?
16. What does “participation” mean for or in your programme?
What forms of participation are priorities for the programme? Why?

Annex B: narrative summary of logical frameworks of LEAF and SAAKTI

	LEAF³⁶	SAAKTI³⁷
Goal	To make a substantial contribution to the long-term reduction of poverty through the more sustainable and intensified use of local resources	Contribute to increase income level of rural households, with special attention to poor and extreme poor, through improved access to quality and sustainable services
Purpose	Improvement of livelihoods of poor and extreme poor households of Rajshahi Division and Sunamganj District through developing human and institutional capacities for accessing and using social and economic opportunities .	To contribute to improving farmers' and the poor's access to agroforestry knowledge, technology and market information .
Objectives	<ol style="list-style-type: none"> 1. Poor and extreme poor households have increased income and employment opportunities through skills and knowledge development for accessing and using local resources and services. 2. Community organisations and their networks have improved their capacity to lead and manage local development process and access to services and markets. 3. Project efficiency and effectiveness has enhanced through the promotion of exchanges and collaboration with other development organisations that facilitate the leverage of interventions. 	<ol style="list-style-type: none"> 1. Demand-led and affordable quality services are available at community level and contribute to the development of economic activities for the community through developing and strengthening capacity of local service providers. 2. A sustainable system is established at regional level with line agencies and private sector for strengthening the capacity of service providers through promoting and strengthening the Regional Resource Pools (RRPs) and activates relevant regional coordination mechanisms. 3. The "National Agroforestry Working Group" is consolidated and contributes to disseminate agroforestry knowledge. The Group will coordinate the activities of stakeholders (research institutes, extension agencies and NGOs) and provide necessary support to the regional offices for service providers' capacity strengthening.

³⁶ LEAF (2007)

³⁷ SAAKTI (2007)

Annex C: Bangladesh Government Administration Structure

Unit	Number	Avg Population	Land Area
Division / <i>Bibhag</i>	6	20 – 30 million	15 – 25,000 km ²
District / <i>Zila</i>	64	1.5 – 3 million	1,500 – 2,500 km ²
Sub-district / <i>Upazila</i>	493	200 – 400,000	200 – 400 km ²
Union (area governed by <i>Union Parishad</i>)	4,400	20 – 40,000	Approx 15 villages or mouza covering 20 – 40 km ²
Mouza	60,000	1 – 2,000	1 or 2 villages or minor settlements (over 1 – 3 km ²)

Annex D: Phasing of LEAF (above) and SAAKTI (below)

Phase Steps	Phase-1 (04-06) Step 1 (04– 06) Build up and Learning	Phase-2 (07-10) Step 2 (07–10) Consolidation	Phase-3 (10-13) Step 3 (10–13) Phasing out
Trend of funding			
Key features	<ul style="list-style-type: none"> - Gradual formation of clusters and SMEs - Capacity building of clusters, community based organisations and SMEs - Development of local service provision (SP) - Starting marketing and value chain activities - Linkage development and networking with local government, other service providers, and market actors 	<ul style="list-style-type: none"> - Formation of new clusters and SMEs - Development of networks of cluster platforms - Strengthening capacity of CPs, CBOs - Strengthening of SP and shifting the responsibilities of technical support from NGOs to SPs and reduction of staffs on gradual basis - Development of self-propelling approach - Strengthening of access to markets / market approach - Focusing more on Extreme Poor - Starting phase-out of matured clusters/ - Review of the Project (mid-2010) 	<ul style="list-style-type: none"> - Strengthening less developed CPs - Developing network of MSEs, CPs and CBOs - Strengthening Self-propelling approach - Continue and complete phasing out of the clusters by shifting the responsibilities of local development on gradual basis - Close the project

Phase	Phase 1 (May 04 – April 07)	Phase 2 (May 07 – April 10)	Phase 3 (May 10 – April 13)
Steps	Piloting BDS, learning SPA, Strengthening LSP and RRP	Systematisation and strengthening RRP, expansion and diversification BDS, and consolidation LSP	Consolidation SPA and BDS , phasing out and replication by stakeholders
Trend of funding			
Key features	<ul style="list-style-type: none"> • Revitalisation, strengthening and supporting national and regional stakeholders • Strengthening linkage and collaboration among the research, extension and development agencies • Piloting BDS and sub sector initiatives • Promoting service provision for proximity low cost quality services • Promoting SPA 	<ul style="list-style-type: none"> • Institutionalisation of the service provision • Market development approach in service provision (SPA) • Public-private sector linkage • Diversification and systematisation of service in professional manner 	<ul style="list-style-type: none"> • Continued expansion of the programme • Consolidation, gathering experiences and replications • Phasing out leaving SPA and LSPs replacing the donor dependent unsuitable system by a more sustainable service provision system.

2. Examining common core principles in development cooperation: the work of the SDC-funded Katalyst project in Bangladesh

Mike Albu, May 2008

2.1 Introduction

This paper, and its companion report on the LEAF-SAAKTI projects in Bangladesh, are intended to contribute to a process that is currently going on within SDC's Core Themes Department (Bereich F), of identifying, negotiating and articulating some common core principles and operational rationales in international development cooperation.

The first aim of this process is to help the department provide more coherent and consistent advice, knowledge resources, training and policy guidance to SDC's organisational units and partners. At the same time it is hoped this process will assist SDC more broadly to fulfil its international commitments regarding donor '[harmonization](#)'³⁸ which encourage the merging of policies, procedures and practices across diverse aid programmes.

The central hypotheses behind this process is that despite the essential diversity of professional backgrounds, schools of thought or frameworks and operational practices,

it ought to be possible to agree upon some fundamental common principles and operating rationales in international development programmes

articulating and sharing these across SDC's programmes will help increase consistency and coherence of decision-making and programme management, encourage synergies between different approaches and thus ultimately increase aid effectiveness

The process so far has involved four stages:

First, an early workshop at SDC headquarters in Bern on Pro-Poor Growth (August 2005) convened by three divisions - social development, employment & income, governance - of Bereich F. At this, participants recommended greater efforts to knit together the various frameworks or approaches used by these divisions (e.g. sustainable livelihoods, M4P³⁹, rights-based), so they so that they can be better understood individually, and with respect to each other.

Second, a [discussion paper](#)⁴⁰ which explored and discussed the commonalities and synergies between approaches using as an example the important overlap between market development (M4P) and sustainable livelihoods approaches

Third, some follow-on [briefing notes](#)⁴¹ which, building on the SL / M4P synergeis paper above, expanded upon the four main concepts or potential common principles found in the conclusions of that paper – concerning:

³⁸ 'Harmonisation' means co-ordination and merging of policies, procedures, and practices among aid agencies; referring to the 2003 Rome Declaration on Harmonization www.aidharmonization.org

³⁹ M4P – an acronym for "Making market systems work for the poor" – see for example: De Ruijter de Wildt, Elliott & Hitchins, 2006, *Comparative Approaches to Private Sector Development – a M4P perspective*, Springfield Centre www.deza.admin.ch/ressources/resource_en_150870.pdf

⁴⁰ Albu, M. 2007 'Comparing M4P and SLA frameworks', Springfield Centre, Durham www.deza.admin.ch/ressources/resource_en_159281.pdf

Large-scale poverty reduction, as a primary goal of international development cooperation.

Institutions and institutional change in poor people's social, economic and political systems, as a crucial element of our analysis of poverty and how to tackle it in practice.

Sustainability of improvements in poor people's engagement with social, economic and political systems, as an essential objective and key measure of success for development interventions.

Empowerment and more equitable participation of poor people in social, economic and political systems, as an key objective and strategy of development cooperation

Finally, the study reported here (April 2008), in which these common core concepts or principles are explored as a lens through which to examine and consider two major existing SDC-funded projects in Bangladesh: Katalyst and LEAF-SAAKTI. These projects started with (and still substantially retain) distinct 'approaches' or schools of thought, as represented in their entry points, methods, partners and exit strategies. Katalyst essentially subscribes to a market development (M4P) approach, while LEAF-SAAKTI's approach is, broadly speaking, founded upon sustainable livelihoods principles.

Purpose and methodology of this Katalyst study

The aim of the Katalyst (and LEAF-SAAKTI) study is to move the debate from the conceptual to the practical. The principal task was to consider how projects with historical and professional roots in two distinct "camps" are interpreting and working with these four 'common' concepts in practice.

When presented alongside each other, we hope the findings should reinforce the commonalities and differences in perception and practice, and thereby facilitate greater understanding and learning initially between the two fields of SLA and M4P specifically, and other approaches or frameworks also.

The study took place during April 2008. Since Katalyst's work is very diverse – the project has activities in around 30 subsectors (see annex A) – the study focussed on its programme in the agriculture sector where the links and comparisons with LEAF-SAAKTI are strongest. The consultants specifically visited partners involved in the Maize, Vegetable and Dairy subsectors, in the area of Bogra, Rajshahi and Rangpur.

The work was conducted principally through structured interviews with Katalyst staff – both senior management and project officers; and from studying secondary literature such as project and annual reports, strategic documents. In addition, the consultants briefly visited some sites in the field where Katalyst has been working in different sectors, and interviewed partners / stakeholders who have been involved in project activities.

The main questions addressed in the interviews with Katalyst staff are shown in Annex B.

The consultants terms of reference refer to a process of independently verified self-assessment. In other words the consultants engaged closely with project management, staff and selected partners over a period of approximately four days, to determine how they conceive of these issues or concepts, and how they deal with them in their work. Perspectives and arguments presented by the project staff are supported by practical evidence of project activities, and results.

This was not an evaluation exercise, and it was specifically not intended to set up a blunt comparison of Katalyst and LEAF-SAAKTI. However, we do hope the reader will see clearly the

⁴¹ Albu, M. 2008 'International development cooperation: seeking common principles that underpin a coherent approach to poverty reduction', briefing notes for SDC, March 2008

respective strengths and limitations of both projects, and to be able to make judgements accordingly.

2.2 Katalyst – some background information

Katalyst is large programme working in the field of enterprise promotion and market development to achieve sustainable economic growth in Bangladesh. It has an annual budget of around CHF / US\$ 10 million, and over 60 professional staff. Activities are nationwide with a special focus on areas around Dhaka, Faridpur, Rajshahi, Rangpur, Bogra and Jessore. Officially it is supervised by the Bangladesh Ministry of Commerce. The first phase, which ran from 2002 to 2007 was funded by a donor consortium including DFID, SDC and Sida. Phase II, which started in March 2008 is provisionally funded by DFID, SDC, CIDA and the Embassy of Netherlands.

Katalyst works in growing economic sectors where the poor participate in large numbers as producers, employees or consumers. Katalyst is now active in around 30 sectors including:

agricultural sectors, such as pond fishery, vegetables, maize and poultry

manufacturing sectors, such as plastics, furniture, agro tools; and

service sectors, such as accounting, marketing and quality management.

In addition, Katalyst works with business associations and government departments to create a more enabling environment for economic activities.

Katalyst has been strongly influenced and guided by the M4P approach, which itself largely evolved out of experiences in the BDS (business development services) field. Essentially, the M4P approach seeks to unlock the potential of private sector to grow and create opportunities and benefits for large numbers of the poor as small enterprise owners, farmers, labourers and consumers.

Katalyst starts by analysing market systems⁴² in the sectors above, using a variety of tools like sub-sector analysis, cluster analysis, UAI surveys and enabling environment studies. In this process it identifies a sector's constraints and opportunities, its market players and trends in the sector or market. It then develops a vision of the future and identifies key areas for project intervention such as farm or firm productivity, input related issues or output related issues.

Katalyst then works by finding entry or leverage points into the economy - often through business service providers - that will indirectly induce necessary improvements in market access, innovation, management and technical skills, quality and production methods. It does not give direct support to individual enterprises but tries to stimulate stakeholders to identify opportunities and provide their own solutions to problems. For Katalyst, working indirectly – without become a 'player' in the market system itself – is key to ensuring sustainability, maximising scale and outreach.

⁴² A market system is the complex web of people, structures and rules whose interactions determine how a particular good or service is produced, accessed and exchanged. It includes producers, suppliers, traders, buyers and other market actors, supported by various forms of infrastructure and services, and influenced by institutions that shape their producing and trading environment.

2.3 Katalyst's perspective on the core principles

The following sections explore the perspectives of Katalyst staff on the core principles described in the accompanying discussion paper⁴³: vision and strategy for impact at scale, institutional orientation, sustainability, and empowerment and participation

2.3.1 Vision and strategy for impact on a large scale

The first concept or core principle in the proposed framework, is that development programmes should clearly have some kind of plausible vision that leads us towards large-scale impact. That is, impact that is relevant to the problem of global poverty affecting billions of people. There should be a logic that links donor-funded activities with our ultimate ambition to make a difference to tens or hundreds of millions of people's lives. Therefore, programme strategies ought to explicitly envisage feasible mechanisms for replication, extending or multiplying successful results so that, at least potentially, they could benefit very large numbers of people. This does not remotely imply that every intervention has itself to be have a direct large-scale impact; but rather that the route or contribution of the intervention to potential impact at scale is credible.

One element of this credibility must be the pragmatic recognition that on average official development aid to the lowest income countries amounts to no more than \$25 per annum for each poor person⁴⁴. This consideration must put some constraints on the methods used to achieve impact.

The next section explores Katalyst's strategic thinking as it relates to this enormous ambition and challenge.

Economic development objectives

Katalyst's basic purpose is to improve the performance of myriad small farms and micro-enterprises so that those poor households who are involved as producers, labourers and employees ultimately benefit. The project focuses on a shifting portfolio of around 30 agricultural and industrial subsectors which are important to poor households as sources of income or employment. Over the ten years 2002 – 2012, Katalyst expects its long-term target beneficiaries to include 1,270,000 farm and enterprise 'owners' and up to 3,200,000 workers.⁴⁵ If it succeeds in achieving this, it will be at an average total cost of CHF/\$ 20 per beneficiary.

The first obvious characteristic of the Katalyst project - originally and officially called Developing Business Services Markets - is that it works unashamedly on the economic dimension of poverty, and aims to contribute to pro-poor economic growth by changing market systems. Its main sphere of engagement is the private sector – including businesses in all shapes and sizes from multinational corporations with thousands of employees, down to informal rural micro-enterprises run by individual women on a part-time basis.

However, for Katalyst economic or market systems can not usually be disentangled from 'political' systems – given the various important roles of government in creating or hindering an enabling environment for economic activities. So although Katalyst's objectives are primarily ultimately economic in nature, up to a third of its work effort is related to influencing or supporting government functions related to markets. For example, Katalyst supports think-tanks (policy research) and business associations in particular sectors to build capacity for effective lobbying. It

⁴³ Albu, M. (2008a)

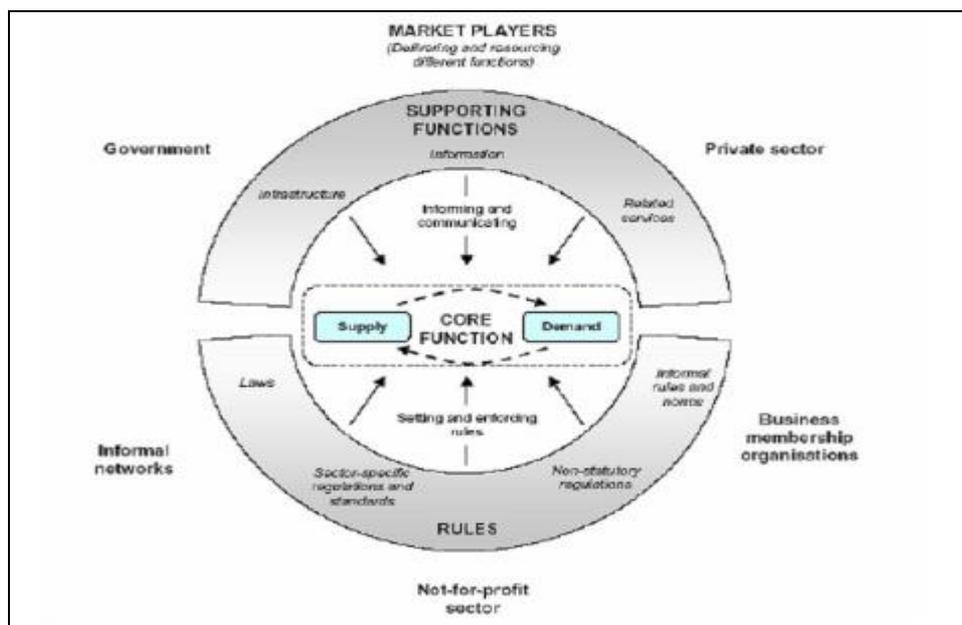
⁴⁴ Based on reported \$ 37billion p.a. official development aid to the 80 IDA-eligible countries, shared among 1.5 billion people subsisting on less than \$2 per day in those countries

⁴⁵ Katalyst Phase II Project Document

also works closely with the government's Business Promotion Council for example, to tackle the underlying problems that hinder more effective government services and policy responses to needs of farmers, enterprises and business service providers.

The links between economic, political and indeed social systems are represented in the market system 'burger' diagram familiar to M4P practitioners (see below). This diagram tries to represent how core economic activity tends to draw on various services and supporting functions (provided both publicly and privately), and operate within the context of formal and informal rules or institutions (defined both politically and socially).

Figure 1 The M4P framework



The role of leverage

Most importantly, and in contrast to much sustainable livelihoods practice, Katalyst's approach is decidedly "indirect". It depends on the pursuit of leverage. The project does not expect to have any direct contact (outreach) with the vast majority of its ultimate beneficiaries, and it does not start with a particular community of poor people as its entry point. Instead, Katalyst focuses on 'market systems' that are important to large numbers of poor people – and looks for opportunities to use modest interventions to leverage enduring changes in these systems, so that benefits (particularly better earnings or income security) extend to many or all of those involved. For example, as the general manager put it: "if Katalyst manages to tackle major current constraints in the seed and fertilizer market system, it could potentially benefit half the farms in the country."

According to Katalyst's general manager, the adoption of this 'making market systems work for the poor' (M4P) approach in Bangladesh is based on their appreciation how other low-income countries (such as Vietnam) have moved out of poverty as a result of pro-poor growth. A key lesson is that if aid impacts are not to be limited to just a tiny minority of the poor, one must find clever ways to scale up the impact of aid investments - using aid effectively as a lever or catalyst to achieve more massive and profound pro-poor impacts indirectly over time.

A vital aspect of this 'catalytic' approach to achieving scale is that Katalyst has to seek processes of real partnership in its relationship with other actors, be they private companies, business associations or government departments. Katalyst can not afford to pursue scale of impact simply by wholesale sub-contracting out of tasks to other agencies, as is common in much donor-funded

development projects. Instead, it must identify and recruit genuine partners – agents of change - who are willing and capable to co-invest with Katalyst in interventions and take long-term responsibility for ownership of the processes which Katalyst helps kick start.

For Katalyst, often this means partnership with relatively large companies in the private sector who have the resources, capacity and long-term commitment to a particular sector. A good example of this can be found in Katalyst's work with seed producers in the vegetable sector, where long-term investment is needed both in quality seed production and the knowledge and skills of seed distributors and retailers.⁴⁶ A crucial competency for Katalyst is the ability to make the case and put together convincing 'offers' to these potential partners that show how their own commercial interests or organisational mandates, can be aligned with the economic interests of poor people.

Prioritising pro-poor impact

An indirect, leveraging approach like Katalyst's implies having less control over the direction and outcomes of interventions than projects which simply manage and sub-contract activities. For example, Katalyst had to negotiate hard, in the vegetable sector case, to persuade commercial partners to target the smaller or more remote retailers for training. In the early years Katalyst managers concede that they initially had to concentrate more on developing methodologies, cultivating human resources and building an effective network of partners than on issues of equity. In phase II, however Katalyst argues that it can shift its focus from making "markets systems work", to making them work "for the poor". This includes an even stronger emphasis on gender issues as well as encouraging environmentally and socially responsible business. One key to achieving this is the selection of subsectors that matter most to the poor whether as producers, workers and consumers. In Bangladesh most agricultural sectors qualify, and in the growing urban economy there are also lots of potential opportunities. Another factor is that as recognition of Katalyst's work grows, it becomes easier to convince new partners to collaborate in developing products and services that address the needs of poorer producers and consumers.

Katalysts' interventions are as varied as the subsectors in its portfolio, so it is difficult to generalise about mechanisms for achieving pro-poor impacts. However, there are some recurrent themes.

The first theme is about better access to information and knowledge for poor producers, especially small-holder farmers where lack of access to appropriate knowledge is a major constraint on both productivity and earnings. This is at the heart of Katalyst's work in the vegetable subsector, but also features strongly in other sectors, and provides much of the rationale for work in media and ICTs.

A second theme is the promotion and diffusion of innovative business models and practices, that through demonstrative success get spontaneously copied or emulated by other entrepreneurs, farmers or service providers. A good example is found in the work on contract farming of maize⁴⁷, which has opened up extraordinary income opportunities for farmers with only small land holdings. Sometimes diffusion is assisted by 'disruptive' innovation – setting new standards that puts other companies (e.g. seed manufacturers, input traders) under competitive pressure to offer better, more affordable services.

A third theme is concerned with changing or reforming the policy or regulatory environment for producers and businesses. This work happens at both the subsector / market system level and at a more generic national level. A good example of the former is Katalyst's work with district level

⁴⁶ Gibson, 2005 *Bringing Knowledge to Vegetable Farmers*, Katalyst Case Study 1
www.katalystbd.com/admin/downloads/20060501030010.pdf

⁴⁷ Gibson, 2006 *Enhancing the supply-side of the maize market*, Katalyst Case 2
www.katalystbd.com/admin/downloads/20060830113548.pdf

Fishery Associations in Faridpur that raised fish farming incomes for thousands of members by raising awareness and building organisational capacity to exploit regulatory opportunities for leasing open water bodies⁴⁸. At the national level, Katalyst is seeking leverage by working with research agencies (think tanks) such as PPRC⁴⁹. Such agencies often have the ear of government, but do not necessarily understand what governments can do to enable the potential of private sector activity to reduce poverty.

The logic of scaling up

Katalyst gives a lot of emphasis to the logic of its scaling up mechanisms, and has published over 50 interventions reports about activities in different subsectors⁵⁰. Whatever the intervention Katalyst always tries to define a clear impact logic model that links project-funded activities through to poverty reducing impact via a chain of causally-linked outputs, outcomes and impacts at the enterprise or market level.

In many cases, there are significant degrees of uncertainty associated with rigorously measuring the changes leveraged at outcome and impact level by Katalysts’ interventions. This is unavoidable given the genuine partnerships Katalyst is seeking, and the nature of Katalyst’s role as a facilitator. Because of these uncertainties, Katalyst does not try to attribute all observed changes to its own interventions; nor to claim all the benefits when its own budget contribution is overshadowed by the subsequent investment made by larger partners.

Assessing Impact in the Vegetable Sector – example

In 2006, as part of the PADMA initiative, Katalyst facilitated training programmes by Eastwest Seeds and Bayer Cropscience for approx 230 retailers and 100 local service providers in Rajshahi district. In addition, SAAKTI helped form linkages between 21 community farmer groups and a traders’ association. This box explains how impact was assessed.

Outreach figures are based on numbers of vegetables farmers, and numbers of input and seed retailers in Rajshahi. Hence the number of clients per retailer. Katalyst trained a percentage of those retailers. Of these they assume that only a percentage were able to apply the knowledge and influence their clients. Furthermore, only a percentage of their clients is willing and able to apply the advice from the retailer. These percentages are difficult to measure, so they work with reasonable modest assumptions. Indirect outreach is generated through farmers copying new best practices from others (ratio 1:1)

Outreach	Year 1	Year 2	Year 3
Direct	30,637	30,637	30,637
Indirect		30,637	30,637
Total	30,637	61,274	61,274

⁴⁸ Katalyst, 2005 *Capacity Building of the Faridpur Fishery BMO*, Intervention Report, p4

www.katalystbd.com/admin/downloads/20070820112823.pdf

⁴⁹ PPRC – Power & Participation Research Centre, Dhaka, Bangladesh

⁵⁰ See www.katalystbd.com/downloads.php?catid=5

Additional income generated is a consequence of retailers advice translating into higher yields and profits (measured for different vegetables and categories of farmers, and compared with control groups). It is a combination of the additional income for the amount of additional employment generated combined with the price difference between the price offered by traders directly to farmers and the price they would get on the market. The fact that farmers save by not having to bring vegetables to the market (renting a rickshaw, paying taxes). Additional profits for traders were not included in this figure. Also, the fact that farmers will benefit from access to information on cultivation methods and hence become more productive and efficient was not included in this figure.

Additional Income	Year 1	Year 2	Year 3
Direct	\$ 1,010,000	\$ 1,010,000	\$ 1,010,000
Indirect		\$ 1,010,000	\$ 1,010,000
Total	\$ 1,010,000	\$ 2,020,000	\$ 2,020,000

For example, after successfully partnering with two small firms to test the viability of a tele-centre business model for selling agricultural produce marketing information in two districts, Katalyst attracted the interest of national cell phone company Grameen Phone. Adopting and replicating Katalyst's successful business model, Grameen developed a network of 500 centres across the country and plans for more. Clearly it would be misleading to claim all the impact benefits for farmers of this network are purely as result of Katalyst's work.

According to its management therefore, Katalyst tend to be conservative in assessing the impact of their work. They try to make realistic estimates of the 'efficiency' of different linkages in their impact logic – e.g. not all retailers trained will pass on their knowledge to customers; not all farmers who hear advice will act on it etc – and make their assessment methods and assumptions transparent.

Long-term scaling up strategy

Beside pursuing scale in its current work in particular sectors and interventions, there are other strategies that Katalyst pursues to multiply its impact in the medium to long term:

First, Katalyst seeks to influence the design of future development projects by raising awareness and building competencies for market system development among some of its strategic partners (e.g. Intercooperation and WinRock International) and where appropriate business membership organisations (e.g. Chambers of Commerce).

Second, Katalyst is building the awareness of market systems and analytical capabilities of indigenous policy research and lobbying organisations (for example think tanks like PPRC), so that they have a better understanding of the appropriate government roles in regulating and enabling the private sector for pro-poor growth.

Finally, Katalyst is explicitly 'telling the story' of M4P in Bangladesh to international audiences in the development cooperation community in an effort to influence donor and agency strategy. Hence significant effort and budget devoted to continuous learning, articulation of case-studies, a comprehensive web-site documenting evidence etc.

Beyond this, Katalyst management report that the limits to even greater impact are not necessarily to do with size of budget, but how it is allocated. The most important constraints for Katalyst are to do with staffing and human resource development. Because an M4P approach is relatively new in Bangladesh, building, developing and retaining a cadre of 'market literate' staff who form the core asset of the organisation is essential to the strategy.

2.3.2 Institutional Orientation

The second concept or core principle in the proposed framework concerns how we diagnose and therefore set about addressing underlying causes, rather than just symptoms, of poverty. It focuses on 'institutions' (in the sense of rules, norms) as a crucial dimension of the social, economic and political systems discussed in the introduction. See 'why institutions matter' in the briefing notes⁵¹.

This section explores Katalyst's perspective on institutions, looking at how they analyse institutions in the systems which they are working to transform, and how this analysis affects their ways of working.

The first point to note is that when discussing their work, Katalyst staff tend to describe their work in terms of what changes in markets systems it achieves (outcomes), rather than in terms of what Katalyst's activities are. They seem to understand that institutions in economic and political systems are important to the outcomes for poor people; and therefore they interpret a lot of their work as being about changing, challenging or building various institutions.

For example, in their efforts to develop viable markets - with both reliable suppliers and effective client demand - for innovative products or services such as compost, soil testing services or advice on inputs, they recognise that both trust and new norms about payment for services, need to be constructed. In fact, building trust relationships between poor producers and other actors such as traders and input suppliers is often a critical factor in the success or failure of many interventions. Sometimes this requires new ways of formalising relationships (contract farming in maize), and other times it is about demonstrating value of new services over time so that new practices become 'institutionalised'. For example, Katalyst have found that when retailers start sharing knowledge about better use of inputs in the vegetable sector, farmers may take two or three cropping seasons to build confidence in their advice.

Sometimes, the institutional angle is represented in more formal policies or regulatory issues. For example, Katalyst is now working to change national regulations that unnecessarily constrain the growth of markets for compost – a product that is badly needed in the maize and vegetable sector. In their work with fishery associations on leasing open water bodies for small-scale fish-farming, the institutional constraint was mainly lack of awareness about the law and how to exploit it for benefit of the poor.

⁵¹ Albu, M. 2008 'International development cooperation: seeking common principles that underpin a coherent approach to poverty reduction', briefing notes for SDC, March 2008

Analysis of Institutions

The M4P framework which Katalyst draws on for its analysis of market system, places some emphasis on understanding the role of institutions. In practice, Katalyst invests significant effort in its analysis of systems, using value-chain and subsector methodologies. Initial week-long sector studies may be followed up by detailed interviews with a range of market actors. Findings are captured in '[sector briefs](#)',⁵² that are regularly updated e.g. every six months; and Katalyst staff maintain that their analytical frameworks are strongly gender and poverty sensitive.

Analysis can be relatively resource intensive – since important both to understand sectors as well as possible and to keep up-dating this analysis. Interestingly, although Katalyst see institutions as very important in understanding market systems (ie. what are the norms, motives, incentives), they don't necessarily consider that very detailed 'theoretical' analysis of how the existing institutions work is all that helpful. This is due to the complexity of most systems. "In the first years we did lots of value-chain and stakeholder analysis to understand how things work. It took a long time and it still proved almost unfeasible to predict change in complex systems. Even if analysis is correct, we cannot read the minds of actors."⁵³

So Katalyst now concentrate merely on grasping a basic understanding of causes and results: they continually ask themselves why something (e.g. access to a particular service) is or is not happening to understand causes rather than symptoms. But their approach to institutional analysis is largely empirical: to understand result of any intervention, they have to try it out. They "throw stones in the water, and see where the ripples spread"⁵⁴.

This means, of course, that Katalyst's work does not fit the classic 'project' cycle. Instead it is highly variable depending on their empirical 'analysis' of the specific problems, constraints and bottlenecks in any particular subsector.

Accordingly, one of Katalyst's strengths as an organisation is its capacity to be entrepreneurial – take risks and adjust plans according to outcomes. This is reflected in its operational flexibility⁵⁵ to discontinue working in subsectors when scaleable pro-poor impacts are not observed – e.g. agro-tools, bamboo products recently.

Katalyst's staff are expected to be skilled at identifying pro-poor business opportunities, at assessing potential partners' competencies, motivations and how well they represent others (potential replicators) in the sector. In this respect, they find that exploring and understanding peoples' incentives – why market actors play certain roles or not, why certain norms or behaviours are observed – is key to understanding any market system and prescribing what interventions might have a pro-poor impact.

2.3.3 Sustainability

The third concept or core principle in the proposed framework concerns how we conceive of 'sustainability' in the outcomes of development cooperation; and in particular the extent our ambition for achieving enduring pro-poor changes in underlying social, political and economic systems. Perhaps it helps to think about 'sustainability' in this sense as the pursuit of system resilience. Ideally, we don't just want pro-poor change in these systems, but also would like to see that the structures, actors and relationships in those systems acquire the dynamic capability to adjust to inevitable future changes, opportunities and threats in their external environment.

⁵² 14 different sector briefs are available on Katalyst's website www.katalystbd.com/downloads.php?catid=6

⁵³ Interview with Peter Roggekamp, Katalyst General Manager, April 10

⁵⁴ Interview with Harald Bekkers, Industry & Rural Sectors Division Manager, April 11

⁵⁵ This is largely because Katalyst's investors (donors) have endorsed the general M4P approach rather than requiring detailed advance planning for activities in particular sectors

This section explores Katalyst's perspective on sustainability, considering what level of sustainability including system resilience they are pragmatically aiming to achieve in their work

Katalyst's definition of sustainability

Put simply, Katalyst staff said that to them sustainability means: "it goes on even when we're not there". Just as 'leverage' is explicitly at the heart of Katalyst's vision of achieving large-scale impact, so too is the sustainability of the system changes or innovations it seeks to catalyse or kick-start. Innovations must be seen to work and to continuing working over time, if they are to attract producers and market actors to adopt, adapt, invest and self-replicate to a significant scale of outreach.

Because Katalyst works with the private sector and market systems where change is constant, and the capacity to react, innovate, adapt to market trends has a high premium, they seem very comfortable with talking about 'dynamic capabilities'. They distinguish easily between the sustainability of intervention activities and the sustainability of outcomes in market systems and impacts for target beneficiaries.

Sustainability in practice

As a 'facilitator' in market systems, Katalyst constantly questions its own role in those systems – careful to avoid unnecessarily taking on roles that a sustainability analysis suggest need to be owned and played by producers or other market actors themselves. It distinguishes between its 'laboratory' function in which Katalyst tests and demonstrates approaches, tools and intervention designs itself in a few markets with a view of replicating successful ones in other locations and sectors for increased outreach and impact; and a 'replication' function in which it uses partnerships to replicate markets and interventions, promote ripple effects and interface with other development projects. The laboratory function has been important in the first 5-year phase, but will be wound down in phase II, as Katalyst devotes itself to replication.

For example, in the vegetable sector case, where knowledge sharing with farmers depends on the skills and attitudes of seed and input retailers, Katalyst understood that the long-term sustainability of this embedded service requires an ongoing training and supervision function. Rather than simply provide training to retailers itself, Katalyst sought partners (initially Syngenta and East-West Seeds) who were capable and willing to take long-term responsibility for the training function. Although Katalyst part-subsidised training initially, it only did this as a temporary measure until these companies - and their competitors - could observe the value of investing in training their distributors fully themselves.

For Katalyst, the key to sustainable replication outcomes stems from...

- a. not getting too heavily involved in the system in the first place (a light touch),
- b. ensuring that process 'ownership' is firmly in hands of genuinely motivated partners throughout.

Katalyst is constantly mindful to avoid actions that simply 'distort' the market system temporarily. Their role is facilitation, and their vision is to achieve enduring changes in underlying incentives and norms, practices. Usually this means Katalyst focuses attention on potentially commercial relationships that will continue to function between actors long after Katalyst has been and gone.

It also means they tend to look for 'higher' level entry points – larger players with a good reputation and who can provide innovation role.

So when it comes to replication, Katalyst does not do interventions on its own. Rather it makes 'offers' to potential genuine partners to co-invest in innovations. So Katalyst concerns itself mainly with identifying enduring incentives that will motivate key actors to do things differently, take on new roles, now and in the future.

These incentives are not necessarily always 'financial' of course. Individuals, community and private business associations and public officials may be motivated by other concerns: ranging from status as community leader, through to being seen to be fulfilling ones mandate to members, or ones role in public office.

Along with this 'genuine' partnership (i.e. co-investment) goes a concern with the challenge of building dynamic capabilities in the systems and particularly the business services they are involved with. Katalyst has a conceptual understanding that sustainability lies in the capability of market systems to continuously evolve. For example in the fishery sector work in Faridpur District, Katalyst have designed their interventions so that a local business association takes the lead with local consultants, research institutes etc to bring together stakeholders that weren't talking to each other before. This can create relationships that will continue in other areas in the future – how these are used in the long run is beyond Katalyst's control.

Other dimensions of sustainability

Katalyst's focus and competency relates to markets – which are in a sense at the intersection of economic, political and also social systems – and it tends to be these dimensions of sustainability which get considered. It is not unreasonable to ask whether other dimensions of 'sustainability' – for example environmental outcomes, or the preservation of social institutions that are important to the resilience of poor communities – get sufficient attention.

For Katalyst staff, there is no doubt that creating enduring economic benefits, income and employment, for the poorest segment of society is an over-riding objective. There are not convinced that more subtle concerns – about the changing social fabric of rural life for example - are really a high priority for the poor themselves. As discussed in the section on empowerment below, there may be sectors where Katalyst could do more to research and understand if and how economic or social benefits for particular groups diffuse through communities.

However concerns about environmental sustainability – which arise when working on markets for agricultural inputs or promoting new cropping patterns – are taken seriously. There are for example genuine problems with maintaining long-term soil structure and fertility in maize cropping areas. Katalyst has explored these issues in its analysis of environmental impacts, and in the case of maize sector has ended up looking at constraints in the compost market.

In most cases, Katalyst's approach is deeply pragmatic. Take pesticides for example. Vegetable farmers are using pesticides in significant quantities already, often with excessive or inappropriately timed applications. By working with Bayer CropScience through retailer training to improve farmers understanding of how to use chemicals correctly, the environmental impacts are mitigated and farmers benefit from lower costs and reduced losses. Bayer participates because it understands that ultimately its own business depends on the viability of the whole vegetable sector.

Exit strategy

For many development cooperation projects the issue of ‘sustainability’ is closely linked to the notion of having an ‘exit strategy’ – preferably devised before the project begins, but sometimes cobbled together in the closing stages of a funding cycle. One of most distinctive features of Katalyst is that assuming it sticks to its facilitatory principles, its main replication activities and interventions are necessarily time-bound. The exit strategy for any particular intervention is, in a sense, defined from the outset: since Katalyst avoids taking on any intrinsic role or becoming part of the market systems it works with, it never “enters” in the first place.

Of course, there is likely to be a valid continuing role for market development facilitation in a country like Bangladesh beyond 2012 when the current Katalyst project ends. Katalyst therefore does have a strategy for selecting and grooming (i.e. building capabilities) of some indigenous co-facilitator organisations to fulfil this role. Crucially however, the sustainability and long-term impact of Katalyst’s existing portfolio of work will not depend on the success of this process.

2.3.4 Empowerment and participation

The final concept or core principle in the proposed framework concerns the now widely accepted insight that ‘poverty is not just about low incomes, but also emanates from social exclusion and the lack of access to power, voice and security.’ This section explores Katalyst’s perspective on empowerment, including whether it treats empowerment as an outcome of poverty reduction or also as an instrument for achieving it. What implications does this have for how the poor and marginalised participate in Katalyst’s work?

For Katalyst poverty is essentially about low and insecure incomes. Their goal is enabling more poor people to participate in the economic mainstream especially through reliable affordable access to information and services which is a core part of Katalyst’s work. Essentially Katalyst believes also that such economic empowerment and inclusion is often a more reliable route to tackling social exclusion and other kinds of powerlessness, lack of voice and insecurity. More so than ‘empowerment’ processes steered by outsiders anyway.

Put simply, market systems that work well cater for a wider variety of clients – so more people have access to those systems. For a farmer who previously didn’t have access to reliable seeds or relevant knowledge, it is empowering have that brought within her reach (power through access to info). For an isolated community that previously had limited sources of information, it is empowering to gain access to modern communication technology services (for example through the Grameen Phone tele-centres).

From Katalyst’s perspective, expanding inclusion is much more feasible in an environment characterised by general economic growth. “In a fast growing economy like Bangladesh, with a lot of private sector vibrancy and reasonably good infrastructure, it is not all that hard to identify opportunities”. In a growing sector, where new opportunities and spaces are opening up – for example, the rising demand in urban areas for vegetables and poultry (which requires maize for feed) – all market actors from small farmers to supermarkets can potentially find mutually-reinforcing interests through improving productivity and efficiency of value-chains. The task of the market facilitator Katalyst in such situations is essentially to help them negotiate these new relationships and ‘win-win’ outcomes. In the language of empowerment, this could be considered working on ‘power with’ and ‘power to’ relations.

Katalyst also takes into account ‘hidden power’ to some extent, by being alert to the real incentives of relatively powerful actors e.g. government line agency staff or managers of large firms, and by seeking to change these incentives in ways which encourage more pro-poor practices. The most obvious general example of this is through working to create more

competition in delivery of services and inputs, so as to undermine monopolies of power and create wider choice for poor producers.

The opportunities created by growth are the reason why Katalyst places so much emphasis on analysis of future trends and economic factors in selecting its sector portfolio. However, growth alone is clearly understood as an insufficient goal. Katalyst is always concerned about pro-poor growth and very explicitly so in the phase II product document. Never the less, aside from obvious ethical considerations which bar Katalyst from working in certain sectors (e.g. tobacco), Katalyst does not try to impose its 'social' or 'equity' objectives on its partners or co-investors. Since it is concerned with enduring (sustainable) outcomes, it effectively only works with partners whose own enlightened self-interest aligns with the interests of the poor.

The main way in which pro-poor outcomes are sought, instead, is through the appropriate selection of subsectors and interventions to work in. Katalyst is heavily biased towards those that are intrinsically important to the poor – e.g. as farmers, workers or consumers. It achieves this firstly through conscious poverty profiling in its initial sectoral analyses and secondly by actively monitoring poverty and gender outcomes and responsively prioritising work that leads to equity or more environmentally and socially responsible business.

For example, in its work on access to quality seeds it moved to focus on mobile seed vendors, rather than town-based retailers, when it realised that these are the main source of seeds for poorer farmers. It concentrates on 'homestead gardening' – since this is mainly the responsibility of women, and pays more attention to agricultural labour markets (e.g. crop weeding) where women are more likely to benefit from system changes.

Role of participation in empowerment – process or outcome?

Participation of the poor in the economic mainstream is part and parcel of the Katalyst mission, but in many cases this needs to be understood as participation in a relatively passive sense: as contributors to the analysis and as an outcome of interventions rather than necessarily in control of the project process itself. Of course, the poor are the subject of Katalyst's analysis of market systems, and carefully consulted in relation to their needs, constraints, aspirations. However, for various reasons, Katalyst's approach does not generally lend itself to the active participation of its ultimate target beneficiaries in the project's own processes of analysis, or in the planning and implementation of activities.

There are examples of Katalyst working with partners to directly increase poor producers voice and influence over decision-makers. For example with business associations in the fishery sector in Faridpur in order to get access to 'public' water bodies. However this kind of direct empowerment work is not at the core of what Katalyst does. In most of Katalyst's partnerships, and with the critical actors in market systems that Katalyst works to influence (e.g. traders association, large firms, service providers) the ultimate beneficiaries e.g. poor farmers, having little direct power over these enterprises and interventions, except in their important role as clients or consumers exercising choice. Nevertheless these companies and relationships play a crucial role in achieving economic outcomes that are empowering.

It is far from clear how a more active form of participation, for example by representing marginalised producers in intervention planning, could in practice be incorporated into this kind of market facilitation approach. The negotiations that take place between Katalyst and a potential commercial partner are, of necessity often private: they must revolve in the first instance around finding an alignment between project objectives and that partner's incentives. This is difficult enough even when the interests of poor people are simply represented by Katalyst staff.

The question arises: how much does this lack of ‘participation in process’ matter? And would the costs of achieving it, including the loss of entrepreneurial flexibility for Katalyst, be sufficiently rewarded by better outcomes?

2.4 Conclusions: Issues raised by looking at Katalyst through the lens of these four principles

Of the four core common concepts proposed in the briefing notes, the ones about ‘vision of impact at a large scale’, and of ‘sustainability’, sit most comfortably with Katalyst’s approach and experience. Katalyst staff found it very straight-forward to describe their project’s perspective on these issues and to identify with them as fundamental principles.

In the case of having a vision of large-scale impact, Katalyst are comfortable that both their current impact, and the future impact envisioned through replication of interventions, markets, ripple effects and influence with other development projects, will be at a significant scale to more than justify their effort and investment. They therefore see no difficulty in subscribing to this kind of leveraging principle.

When it comes to sustainability, Katalyst’s whole strategy – based on M4P approaches – is rooted in an appreciation of the sustainability imperative, and represents a relatively innovative effort to avoid many of the pitfalls associated with conventional exit strategies in development cooperation projects. Senior managers in particular were happy to discuss their aspirations for building dynamic capabilities into market systems – for example by working with partners who could envisage long-term change and manage innovation. They see this as a challenging but ultimately vital aspect of genuine long-term sustainability.

The institutional orientation ideas were also accepted, in the sense that Katalyst readily appreciates the need to understand and work on the rules and norms found in different systems. For Katalyst, institutions are important because among other things, they shape the incentives which different actors experience to undertake various functions. However, Katalyst staff were perhaps a bit sceptical about the need to analyse institutions in great depth. This is because in their experience the complexity of most systems makes it easy to over-indulge the analysis without really getting to grips with opportunities and potential solutions. In practice, Katalyst therefore favour a more experimental, empirical approach – their ‘laboratory’ function – in which they try different ideas out and see which ones create the desired changes in incentives and behaviours. This only works, of course, because Katalyst has been structured with great operational flexibility and is more than willing to walk away from partners or entire subsectors when experiments fail.

Finally, in relation to the empowerment concepts, Katalyst make a strong argument that economically empowering outcomes do not necessarily need to be driven by processes that are directly participatory. Certainly, the needs and preferences of poor people as producers, service users and consumers need to be understood and incorporated in the analysis. But depending on the leverage mechanism being explored, this kind of consultation does not necessarily have to extend to participation in designing and implementing activities. Perhaps in this respect, there is a case to be made that economic inclusion is less dependent than social and political empowerment on achieving poor people’s voice and direct control over the development process.

Most Katalyst staff were very happy to acknowledge that participatory processes for social empowerment can sometimes contribute a good foundation for accelerating economic inclusion. This pattern is clearly visible in Katalyst’s collaboration with Intercooperation’s LEAF-SAAKTI

project – for example in the dairy subsector work in Rangpur⁵⁶. Katalyst has no reservations about making the most of these synergies, even if some staff question the sustainability of the ‘social structures’ on which these collaborations initially depend.

⁵⁶ See the companion report: Albu & Schneider 2008, on collaboration between LEAF / SAAKTl and Katalyst projects in Bangladesh

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Annex A: Questions addressed in interviews with Katalyst staff

SYSTEMS

17. Who ultimately, are the intended long-term beneficiaries of the programme?

18. Which particular 'systems' is the programme seeking to transform?

VISION OF LARGE-SCALE IMPACT

19. What is the over-riding vision of the programme

i.e. in terms of system change and how this impacts on the ultimate beneficiaries

20. How does 'impact at scale' feature as a component of this vision?

i.e. how strongly?, in what ways?

21. What are the main strategies envisaged for achieving large-scale impact, beyond the immediate direct participants of the programme?

What mechanisms - social, political, commercial - are envisaged?

Can you give practical examples?

22. Are the costs of going to scale consistent with benefits and donor / ODA resources?

INSTITUTIONAL PERSPECTIVE

Confirm meaning of 'institutions', in the sense of political, economic, social rules etc.

23. How important are institutional factors within the programme's problem analysis

i.e. to the diagnosis of causes behind the problems which are being addressed

24. How is/was institutional analysis included in programme design, implementation, review?

What conceptual models are used? What resources are employed to do this?

25. Which institutional issues have been found to be very important in your programme?

Please give practical examples from past or current work.

How have / are these influencing programme design or implementation in practice.

SUSTAINABILITY

26. What does the objective of sustainability mean to your programme?

Do you have a definition?

27. Which forms of sustainability does your programme give most attention to in practice?

e.g. social, ecological, political, financial, commercial

28. How do sustainability objectives fit into, relate to, your ultimate vision of transforming systems? When in the programme cycle are they most considered?

29. How do these sustainability objectives influence your programmes methods of working?

Give practical examples if possible

EMPOWERMENT & PARTICIPATION

30. What does “empowerment” mean for your programme?
What forms of power and power relations are priorities for the programme?
31. How does empowerment fit into, relate to, your ultimate vision of transforming systems?
Is it part of the process, or more of an outcome?
32. What does “participation” mean for or in your programme?
What forms of participation are priorities for the programme? Why?

Annex B: Katalyst Sectors

Services Division	
Rural ICT	Bogra, Joypurhaat
Urban ICT	Dhaka, Chittagong, National
Marketing	Bogra, Jessore, Dhaka
QMS	National
Mass media	National
AFT	Dhaka (discontinued early 2007)
Industry & Rural Sectors Division	
Maize	Greater Rangpur, Rajshahi, Jessore, Bogra
Vegetables	Greater Rangpur, Rajshahi, Jessore, Bogra
Fisheries	Pond & Open water in Faridpur Region, Greater Rangpur Shrimp in Jessore
Poultry	Greater Rangpur, Bogra
Floriculture	Jessore
Dairy *	Rangpur
Spices *	Rajshahi, Rangpur
Medicinal Plants *	Rajshahi, Rangpur
Agro Export	National
Plastic	National and clustered in Lalbag
Furniture	Dhaka – Mirpur & Gulshan clusters National – Export cluster
Private Healthcare	Dhaka
Agro-Tools	discontinued
Bamboo Products*	discontinued
Business Environment Division (Issues)	
Leasing	Faridpur, Rangpur, Rajshahi
Licensing	Rajshahi, Rangpur, Faridpur
Market Infrastructure	Faridpur, Rangpur
Rebate Services	Faridpur
Public Information	Jessore, Rangpur
Dialogue	Rangpur, Bogra, Rajshahi, Faridpur

* subsectors in which Katalyst has or is collaborating with LEAF-SAAKTI.

Annex C: narrative summary of logical framework of Katalyst

GOAL	To increase income and employment for men and women in rural and urban areas through broad-based and sustainable pro-poor growth
PURPOSE	To increase the competitiveness of micro, small and medium enterprises in key urban and rural sectors
OUTCOMES	<ol style="list-style-type: none"> 1. Private business service markets function better in selected sectors 2. Public service markets function better in selected sectors 3. Facilitators become more effective in supporting service market development 4. National and international stakeholders influenced by project's experience
OUTPUTS	<ol style="list-style-type: none"> 1. Private business service markets in selected sectors facilitated 2. Public service markets in selected sectors facilitated 3. Facilitators enabled to become more effective in supporting service market development 4. Learning & sharing – external relations: Katalyst, its approach to business services and lessons learned communicated to key stakeholders (public bodies, private sector representatives, donors and their projects)

3. Synergies between SL and M4P approaches in practice: collaboration between LEAF-SAAKTI and Katalyst projects in Bangladesh (2004 – present)

Mike Albu & Helen Schneider, May 2008

3.1 Introduction

The battle to eradicate global poverty, achieve sustainable economic growth and promote sustainable development is taking place of necessity on many fronts. SDC's work, for example, covers fields as varied as economic management, social and political development, governance, agricultural production, environmental protection, education and health. Naturally these programmes involve practitioners from very disparate professions and disciplines.

At the same time, in order to improve aid effectiveness, development institutions of OECD countries are committed to the goal of ['harmonization'](#)⁵⁷. However merging policies and procedures across diverse aid programmes is a major challenge. Nor is it easy in practice to lead, advise or inspire teams whose members' professional values, assumptions and visions are relatively incongruent.

The purpose of this case-study is to illustrate one example of very effective collaboration between two projects / organisations – [LEAF & SAAKTI](#) (Intercooperation) and [Katalyst](#) (Swisscontact / GTZ) – whose core approaches and schools of thought are quite distinct; but who nevertheless have over time worked out an effective synergy in their activities.

This case-study can usefully be read in conjunction with an earlier [discussion paper](#)⁵⁸ for SDC comparing the M4P and sustainable livelihoods approaches in general terms. It also aims to contribute directly to a debate within SDC's Core Themes Department (Bereich F) about common principles and operational rationales in international development cooperation, that ultimately is meant to help the Department provide more coherent and consistent advice, knowledge resources, training and policy guidance to SDC's organisational units and partners.

The two organisations and the specific programme collaboration described in this paper were chosen as a case-study because

- a. they started with (and still substantially retain) distinct 'approaches' or schools of thought, as represented in their entry points, methods, partners and exit strategies
- b. they have, despite this, produced some notable impacts from their collaboration which neither may have achieved working alone
- c. we hoped, from their mutual experience, to gain lessons about good practice in interdisciplinary collaboration, and insights into the common principles, values or rationales that provided a foundation for their success.

⁵⁷ 'Harmonisation' means co-ordination and merging of policies, procedures, and practices among aid agencies; a goal which SDC and other bilateral / multilateral agencies committed themselves to in the 2003 Rome Declaration on Harmonization www.aidharmonization.org

⁵⁸ Albu, M. 2007 'Comparing M4P and SLA frameworks', Springfield Centre, Durham
www.deza.admin.ch/ressources/resource_en_159281.pdf

3.2 Background Information on the projects

3.2.1 The LEAF - SAAKTI projects (*Intercooperation Bangladesh*)

Since the mid-1980s, SDC has been funding a number of projects in Bangladesh under its Sustainable Land Use (SLU) programme. These included the Village and Farm Forestry Project (VFFP) and the Strengthening Household Access to Bari Gardening Extension (SHABGE) project. The projects were designed to undertake action research into the cultivation of trees and vegetables respectively in order to enhance the livelihoods of poor farmers.

In 2004, VFFP and SHABGE merged into the Livelihoods, Empowerment and Agroforestry (LEAF). LEAF aims to build the capacity of communities to determine their development priorities and negotiate for services and resources from both public and private sector actors. At the same time, a complementary project, Sustainable Access to Agroforestry Knowledge, Technology and Information (SAAKTI), was initiated. Building on VFFP's work to develop a network of local tree nursery owners providing seedlings and advice to farmers on a commercial basis, SAAKTI was designed to build the capacity of public and private sector service providers to provide relevant, quality services to poor farmers in order to contribute to their economic development.

LEAF and SAAKTI are managed by the Swiss not-for-profit foundation, Intercooperation, and focus their activities in Greater Rajshahi Division and Sunamganj District of North-West Bangladesh. Both are currently in their 2nd phase (2007-2010) of an envisaged 3 phase, 9 year programme.

A number of 'approaches' underpin the activities of LEAF-SAAKTI including:

- a Livelihoods Approach - a people-centred approach involving identification of the constraints and opportunities to building the human, social, financial, physical and natural capital of households in order to develop their chosen livelihoods strategies
- Human & Institutional Development⁵⁹ involving individual and organisational capacity development. For LEAF this is building the capacity of community-based groups and their ward⁶⁰-level associations (cluster platforms) to identify their development priorities and access the resources and services they need to address them. For SAAKTI this is building the capacity of local service providers⁶¹ (LSPs) and their own membership associations, as well as public sector line agencies, to provide quality services, knowledge and resources to rural communities.
- the increasing use of Market Development tools including aspects of market extension, business development services (BDS), enterprise development and value chain analysis.

For LEAF/SAAKTI transforming both social and economic systems is key to an empowering development process that leads to sustainable, positive changes in the livelihoods of poor people. Its ultimate beneficiaries are found among the members of the 4,100 community groups that the project identifies with, and supports through a cadre of 200 partner NGO staff. During phase II these groups have a membership drawn from an estimated 122,000 households distributed

⁵⁹ Intercooperation 2007, Human and Institutional Development: a process of capacity development of socio-economic empowerment, www.intercooperation-bd.org/PDF/joint-publication-human-development2007.pdf

⁶⁰ A ward (*mouza*) comprises around 500 households living in one or sometimes two neighbouring villages / hamlets

⁶¹ LSPs are local farmers or community members who are trained to provide advice and services to other producers

across over 200 unions⁶². Of these members, 22% are classified as extreme poor, 60% as poor and 65% are women.

A further 187,000 households within these same unions are identified as potential indirect beneficiaries⁶³.

3.2.2 The Katalyst project (Swisscontact & GTZ International Services)

Katalyst is large programme working in the field of enterprise promotion and market development to achieve sustainable economic growth in Bangladesh. It has an annual budget of around CHF / US\$ 10 million, and over 60 professional staff. Activities are nationwide with a special focus on areas around Dhaka, Faridpur, Rajshahi, Rangpur, Bogra and Jessore. Officially it is supervised by the Bangladesh Ministry of Commerce. The first phase, which ran from 2002 to 2007 was funded by a donor consortium including DFID, SDC and Sida. Phase II, which started in March 2008 is provisionally funded by DFID, SDC, CIDA and the Embassy of Netherlands.

Katalyst works in growing economic sectors where the poor participate in large numbers as producers, employees or consumers. Katalyst is now active in around 30 sectors including:

- agricultural sectors, such as pond fishery, vegetables, maize and poultry
- manufacturing sectors, such as plastics, furniture, agro tools; and
- service sectors, such as accounting, marketing and quality management.

In addition, Katalyst works with business associations and government departments to create a more enabling environment for economic activities.

Katalyst has been strongly influenced and guided by the M4P approach, which itself largely evolved out of experiences in the BDS (business development services) field. Essentially, the M4P approach seeks to unlock the potential of private sector to grow and create opportunities and benefits for large numbers of the poor as small enterprise owners, farmers, labourers and consumers.

Katalyst starts by analysing market systems⁶⁴ in the sectors above, using a variety of tools like sub-sector analysis, cluster analysis, UAI surveys and enabling environment studies. In this process it identifies a sector's constraints and opportunities, its market players and trends in the sector or market. It then develops a vision of the future and identifies key areas for project intervention such as farm or firm productivity, input related issues or output related issues.

Katalyst then works by finding entry or leverage points into the economy - often through business service providers - that will indirectly induce necessary improvements in market access, innovation, management and technical skills, quality and production methods. It does not give direct support to individual enterprises but tries to stimulate stakeholders to identify opportunities and provide their own solutions to problems. For Katalyst, working indirectly – without become a

⁶² A union, administered by a *union parishad* (council), is the lowest tier of local government administration.

A typical rural union comprises 9 - 12 *mouza* (ward-villages), with a population of 20 – 40,000 people

⁶³ LEAF Phase II Project Document, 2007

⁶⁴ A market system is the complex web of people, structures and rules whose interactions determine how a particular good or service is produced, accessed and exchanged. It includes producers, suppliers, traders, buyers and other market actors, supported by various forms of infrastructure and services, and influenced by institutions that shape their producing and trading environment.

‘player’ in the market system itself – is key to ensuring sustainability, maximising scale and outreach.

At the end of 2006, Katalyst estimated that it had contributed to 167,000 small producers and farmers benefiting from access to better services and inputs. And more importantly, it claimed that the full impact of Phase 1 activities ending 2007, would benefit over 700,000 (including 180,000 new jobs) by 2009 as market systems continue to reach new beneficiaries, without further Katalyst support⁶⁵.

3.3 Methodology

Methods

This study took place during April 2008 and was conducted principally through structured interviews with LEAF-SAAKTI and Katalyst field staff in Dhaka and at LEAF-SAAKTI project offices in Rajshahi and Bogra. This included individuals who had been employed on the initial PADMA initiative, as well as those currently working in collaboration.

The consultants visited a number of project partners and beneficiaries involved in the vegetable and dairy subsectors in Rajshahi and Rangpur over the course of three days. Meetings were held with (LEAF) community groups, with associations of LSPs and other market system actors such as traders, retailers and private companies that are partners in the collaborative work. We also examined literature such as strategy documents, project plans, annual reports and other project publications.

Main questions posed to staff in interviewees

- What is the history of your own employment with Katalyst or LEAF-SAAKTI projects and their predecessors?
- Tell us about your involvement with the collaboration between these projects (both in PADMA and in the work that has followed it)
- What were the key events or stages in the collaboration?
- What were the most important outcomes and impacts of the collaboration?
- In what ways do you feel Katalyst / LEAF-SAAKTI projects have adapted their vision, approach or methods as a result of this collaborative experience?

3.4 History of the collaboration

A summary chronology of the key events and phases in the collaboration between Intercooperation (managers of LEAF-SAAKTI) and Swisscontact (managers of Katalyst) is provided in Annex 1. Although this collaboration began in earnest in 2004, there are clear antecedents for the pursuit of synergies between natural resource management, livelihoods and market development thinking in earlier work funded by SDC.

An appreciation of the importance of at least understanding ‘markets’ was already visible in the long running work of the Village and Farm Forestry Project (VFFP) in the mid 1990s, particularly stemming from lessons learned while establishing community-run private nurseries for tree

⁶⁵ Katalyst Phase II Project Document

samplings in VFFP phase 2. At the same time, the SHABGE project⁶⁶, whose Farmer Field Schools approach laid the foundation for many of the community groups later recruited to the LEAF project, was attempting to encourage local entrepreneurs to take up the role as agricultural extensionists: providing information and services to rural producers as an exit strategy for the project.

By the end of the VFFP programme in 2003, as the sustainable land use (SLU) programme shifted away from a technical orientation on agro-forestry issues to focus more broadly on the 'livelihoods' needs of rural communities, it was felt important to address the problem of market access for rural producers in general. This was when the first iterations of the process that was eventually to evolve into LEAF's [6 Step Market Extension](#) tool⁶⁷ were mapped out.

Meanwhile the Katalyst project – which started in October 2002 with a national mandate – was just begin to explore and encounter the inevitable challenges of crafting private-sector development initiatives that would meet its double bottom line of making market systems work better and achieving pro-poor impact. Katalyst, starting from scratch in Bangladesh with a paradigmatically new approach, saw the need to invest in building a strong cadre of bright, young staff able to look at the challenges of pro-poor market development in fresh light. At the same time, in order to break out of the mould of conventional development projects, Katalyst had to build a raft of new relationships with potential private-sector partners. These investments in staff and partner relationships took time to begin yielding returns. There was also donor pressure to build on existing experience in Rajshahi specifically. For Katalyst, which had a mandate to experiment and innovate, this created an opportunity to test how far it could go with its methodology.

As a result Katalyst was by 2003 very open to initiatives that might facilitate more visible and direct impact for poor people, even at the same time as the management were anxious about compromising the principles and methods which defined the project's uniqueness.

Fortunately, in the first phase of the new inter-linked LEAF and SAAKTI projects (starting early 2004) it was explicitly envisaged that there would be active collaboration with the private sector. Initially however, having little experience or confidence amongst LEAF project staff about how to build partnerships with the private sector, these 'market' linkages were pursued essentially at a local micro level: in particular through the marketing extension work with community groups in Greater Rajshahi. Using the new marketing extension tool, LEAF's main strategy was to work through the field facilitators structure of their partner NGOs to build community group members' capacities to understand local markets and strike better deals with traders and buyers in the local markets (*haat*).

Staff at LEAF's sister project SAAKTI, on the other hand, with a more macro orientation but also rooted in earlier SLU programme work were more comfortable to work with government line agencies, such as the Dept. of Agricultural Extension (DAE) and Dept. of Livestock Services (DLS), or with national research institutes for example Bangladesh Agricultural Research Institute (BARI). Their main strategy was essentially to help these agencies realise and deliver their mandate of better services for farmers. Neither project was, initially, dealing with larger private-sector actors as potential partners.

In this context, with awareness of each others' respective needs and with encouragement from SDC, Katalyst and LEAF-SAAKTI began in 2004 to cooperate on specific studies of agricultural sectors that both felt might meet their organisational priorities. Value-chain analyses and sector

⁶⁶ Strengthening Household Access to Bari Gardening Extension (SHABGE) project
www.carebd.org/projects%20dtl_SHABGE-DFID.htm

⁶⁷ Poitevin & Hossain 2006, *Marketing Extension: a powerful process in 6 steps*, LEAF Bangladesh
www.intercooperation-bd.org/publication.php

studies were jointly commissioned on timber, bamboo and vegetable sectors. Finally an agreement was reached for a Partnership for Agro-product Development and Market Access. The PADMA initiative was born.

3.4.1 PADMA Initiative (2005 – 2006)

The PADMA initiative was the first effort by Intercooperation and Swisscontact to formally explore synergies between a 'community-centred' livelihoods approach and a business services market development approach. In January 2005, the initiative was contracted out to a third party – IDE Bangladesh – to manage independently of Katalyst and LEAF-SAAKTI, with a team of four staff focusing initially on the vegetable sector in Greater Rajshahi.

The work in the vegetable sector and its eventual achievements are summarised in the case study below. In the first months of 2005 however, there were difficulties in negotiating and translating the mutual expectations of the two organisations into clear direction for IDE Bangladesh. There was much conflict over operational strategy – for example, over whether to work primarily with LEAF's local service providers (LSPs) as the main entry point. Perhaps not surprisingly, IDE struggled to manage the work.

Eventually by September 2005, it was agreed that Katalyst and SAAKTI would take on direct responsibility for the partnership. With hindsight, this would probably have been wise from the start, given the experimental nature of the initiative. Hands-on management almost certainly gave both organisations an opportunity to learn lessons which would otherwise have been missed.

Vegetable Sector collaboration

The first significant collaboration under PADMA was organised in the vegetable sector. Vegetable production in Bangladesh is a major source of rural employment and income for poor farmers and labourers, particular for women who cultivate small plots of land around their homesteads⁶⁸. The sector not only contributes nearly 4% to the national economy, but is growing faster (5 - 6% p.a.) than agriculture in general. This is mainly due to increasing consumer demand, expansion of irrigation and improved transport and communication infrastructure.

The main actors in the vegetable sector (market system), aside from producers themselves, are:

- traders who conventionally buy vegetable crops at local markets (*haat*) for sale to urban markets
- lead farmers, also known as 'local service providers' (LSPs) who may advise or inspire neighbours
- retailers of seeds and inputs (e.g. fertilizer, compost, pesticides), and
- seed and input supply companies.

In Greater Rajshahi, around 64,000 farmers are involved in vegetable cultivation on approximately 17,000 hectares. However productivity here, as elsewhere in the country, is relatively low among small-scale farmers. Analysis by PADMA staff diagnosed a lack of knowledge of intercropping and rotation; limited use of quality seeds and other inputs; and the poor flow of market information for example regarding seasonal price variations, demand for specific varieties and quality issues⁶⁹. In addition, small-scale farmers face relatively high (unit) costs in transporting their produce to local markets and paying local market 'tolls' (tax).

The PADMA project essentially concentrated on two initiatives:

⁶⁸ Gibson, A. (2005) [Bringing Knowledge to Vegetable Farmers, KATALYST Case Study No. 1](#)

⁶⁹ KATALYST internal report www.katalystbd.com/content.php?id=79&pid=52

1. Building more efficient, robust and equitable market linkages between farmers and traders
2. Improving farmers access to and knowledge about effective use of quality seeds and inputs

The first initiative to strengthen markets linkages – starting in 2005 – built upon the ‘social’ organisation of vegetable farmers through community groups and their ‘cluster platforms’ initiated (independently of PADMA) by the LEAF project. ‘Match-making’ workshops were organised between traders and cluster representatives.

In the most successful case, this facilitation led to formalisation of an agreement between a large local trader association⁷⁰ in Rajshahi, and six neighbouring producer clusters, for bulk collection of produce direct from farmers’ fields at guaranteed competitive prices. All the producers benefit from a more secure income and competitive prices, avoiding local market taxes. The arrangement decreased transaction costs for farmers and increased quality produce due to better handling, combined with the use of quality inputs and better cultivation practices. However, this agreement was particularly advantageous for smaller producers who secure the same ‘farm-gate’ price as larger-scale neighbours.

This model of business has also been so rewarding for the Sibpurhat traders’ association that they have since replicated it to 32 villages within a 40km radius, and now source 75% of their produce in this way, by-passing the local markets (*haat*). Their suppliers include many farmers in the vicinity of clusters who are not even members of LEAF community groups. The volume of business they conduct has grown ten-fold as a result – to approximately 1500 Dhaka-bound truck-loads per year. Profits rose 50% and employed 40 more labourers per day to load and transport vegetables to Dhaka. They have also seen off fierce competition from Dhaka-based traders.

Interestingly, this traders’ association had tried to use their own local village agents to coordinate similar bulk purchase schemes in the past, these had failed due to lack of trust. It took two or three growing seasons for PADMA to facilitate mutual confidence, and the traders were able to use the LSPs identified by LEAF as new points of contact and organisers. Now, that the business model is widely recognised and reputations established, it is proving easier to replicate even outside the communities served by LEAF. Other traders too are starting to copy this business model.⁷¹

The second initiative to raise farmers access to and awareness of benefits and use of quality seeds and inputs, also started in 2005. Initially, under IDE’s management, PADMA focused on direct training of 110 local service providers, intended to act as conduits for information and advice to large numbers of neighbouring farmers, including through fee-based services. The project hired and paid for trainers specifically for the task of training LSPs from BADC⁷².

This training was successful in the sense that 96 LSPs later reported sharing their knowledge with other farmers, and 66 said they had received some benefits in cash or kind in return. However, Katalyst were concerned that project-funded training achieved neither great outreach, nor sustainability in the sense of enduring solutions to inadequate knowledge-sharing mechanisms in vegetable sector.

After Intercooperation and the Katalyst project took over direct management of PADMA, the training approach shifted to focus on building sustainable knowledge services. To this end, it focussed on the role of private seed and input retailers, and later mobile vendors. This shift

⁷⁰ Sibpurhat Traders Association, Puthia, Rajshahi

⁷¹ Interview with Sibpurhat Traders’ association, April 2008

⁷² Rouf, M.A. (2006) [Access to information on vegetable based crop planning](#)

reflected both a better understanding of where lead farmers turn to for information and advice, and a concern with establishing long-term incentives for information sharing.

The critical difference in this new approach lay with the role envisaged for major seed and input supply companies. Although inappropriate usage (e.g. mis-timed or excessive use of inputs) means individual farmers often spend more than necessary on pesticides and fertilisers, the aggregate effect is to depress profitability and growth in the sector. Input suppliers and their retailers therefore have a long-term interest in ensuring their products are used correctly, by providing farmers with more accurate and effectively communicated knowledge.

Large seed and input companies were therefore invited to take the leading role, including sharing costs, in on-going programmes to train and maintain knowledge flows in their own extensive networks of distributors and retailers. A clear strategic focus: developing the capacities of retailers – with whom farmers interact regularly was therefore the main project goal. PADMA offered technical assistance in designing innovative training content and processes.

Three companies took up this offer initially: Syngenta, Bayer CropScience and EastWest Seeds. With Katalyst and SAAKTI's support, these companies have since trained 350 input retailers, 115 seed retailers, 83 mobile seed vendors and 100 LSPs. The 'multiplier' effect claimed for these investments is impressive. Katalyst calculate that the first two training programmes alone conducted by Bayer and EastWest will have 'direct' benefits for over 30,000 farmers who in turn will influence at least another 30,000. The decision to focus on mobile seed vendors was taken specifically for their capacity to reach poorer and more remote farmers.

More substantially, a 3-day residential training programme over a 2-year period for retailers delivered by Syngenta covered 480 retailers in Rangpur (who serve at least 200,000 farmers), at an overall cost of less than \$ 50,000. In this case, Katalyst paid for around 40% of these costs. However, crucially, the impact (in increased sales⁷³) was sufficient to persuade the company to adopt the training process as part of its wider national strategy; and invest in a permanent training facility.

⁷³ Retailers in Rajshahi area reported not that individual farmers bought more product, since often their advice is to use less inputs, but that numbers of customers increased as their reputation for reliable technical advice spread

It is clear from the reports of staff from both organisations that the first year of the collaboration was full of challenges that can best be described as ‘cultural’. The field staff who joined PADMA were in most cases veterans of the SHABGE and VFFP projects: with many years experience of rural field work. They were very accustomed to working directly with farmers, but found the idea of working with retailers and traders unfamiliar, even threatening. The staff from Katalyst, on the other hand were often younger, educated in business, but urban-bred and relatively inexperienced. They were impatient with business-as-usual, and sometimes intolerant of the resistance to their new ideas which they inevitably encountered. Not surprising both parties found the other rigid in their assumptions, even arrogant at times.

PADMA’s work in the vegetable sector however forced both organisations to listen to each other, experiment with unfamiliar ideas and learn. For Katalyst it meant relaxing some of the principles – largely drawn from the early guidelines about BDS delivery⁷⁴ - which staff had initially clung to tightly in lieu of significant practical experience. They came to acknowledge the part played by local service providers and cluster platforms, and see the potential for realising sustainability of these roles through reciprocal relationships and non-monetary exchanges. Most importantly, they found mechanisms, through the social structures which LEAF and its partner NGOs were supporting, for ensuring a more rapid percolation of economic benefits to relatively poorer producers, women and more remote communities.

For LEAF-SAAKTI, it meant abandoning traditional aversions to using traders and retailers as their entry point. SAAKTI had to re-think its model of partnership, with a much greater role for private sector companies as potential agents of pro-poor change. They discovered the powerful leverage effects that getting economic incentives right could generate: particularly as a result of the early impact from cluster platform linkages with the Sibpurhat traders. The advantages that these economic shared-interests brought, in terms of strengthening the social fabric of groups and bolstering LSP associations, was quite a revelation. Put simply, groups performed better – in terms of human and institutional (organisational) development – where effective economic links were established.

As a result, by late 2006 when LEAF-SAAKTI staff were involved in a major mid-term review of the whole Sustainable Land Use programme⁷⁵, the case for including market system development (rather than merely improving local market access) as a mainstream part of LEAF-SAAKTI’s work had essentially been won. This is clearly noticeable in the language found in the SAAKTI phase II project document of 2007, which makes numerous references to ‘sub-sectors’ and ‘market development’ that were completely absent from the first SAAKTI project document in 2004.

This does not mean there was total consensus between the parties however. The case of the bamboo-products sector (see below) illustrates there was still plenty of scope for disagreement about the value of activities or investments in a specific sub-sector. For LEAF-SAAKTI, the final decision is still influenced by the livelihood choices of the community groups whose interests they are already committed to support, even if there is limited scope for wider benefits (scaling up) in that subsector. For Katalyst, the scarce resource of project funds can only legitimately be invested in subsectors where they can see realistic potential for replication – even if this logic means ‘ruthlessly’ abandoning partners and potential beneficiaries in sectors which turn out after initial exploration to have limited growth potential.

⁷⁴ For example: the ‘blue book’ of BDS Guiding Principles produced by the Donor Committee for Enterprise Development in 2001 www.enterprise-development.org

⁷⁵ Neumann 2006, Sustainable Land Use Programme: review and planning workshop, report Dhaka, September

Bamboo Products sector collaboration

The bamboo products subsector was initially selected in 2004 under plans for PADMA partly because this is one of the few rural sectors in Greater Rajshahi where relatively large numbers of poor women were already engaged. LEAF found 49 village clusters with about 2,200 households in Greater Rajshahi involved in producing bamboo products. Bamboo was often identified by group members themselves as a product for which they would like to expand production and marketing; and it was initially believed to have a good market potential both locally and in large urban markets.

Katalyst's subsequent analysis showed constraints to better functioning and growth of the subsector included seasonal shortages of bamboo, lack of quality inputs and skills among poor producers, and poor market linkages between producers and traders. Interventions under PADMA therefore included:

- increasing the availability of bamboo seedlings through working with nursery owners (SAAKTI)
- identifying and tackling cultivation problems through cluster platform meetings (LEAF)
- training to improve farmers' knowledge and skills about causes, symptoms and control measures for diseases (SAAKTI)
- surveying local markets for bamboo products and developing existing and new products to serve those markets, including improving quality of both product and packaging to increase sales (LEAF)
- improving access to larger urban markets through exchange visits to overcome information gaps and create market linkages for bamboo processors (KATALYST)

There is anecdotal evidence of some local successes in increasing incomes of poor households through addressing cultivation problems, product development and the linkages to local markets facilitated by market extension work⁷⁶. LEAF-SAAKTI staff therefore believe there is a good rationale for continuing to work in the subsector, particularly since poor people themselves continue to chose bamboo production as one of their livelihoods strategies.

However, it is also clear that the larger scale impacts envisaged by PADMA through improving access to urban markets, were not achieved. Katalyst staff attribute this to the fact that the urban market for bamboo products is under strong competitive pressure from plastics. While there are some niche markets for bamboo – in the furniture sector for example - these niches tend to be in Dhaka and are therefore more efficiently served by producers closer to the capital. Katalyst has therefore withdrawn from collaboration in the bamboo products sub-sector due to this lack of major growth potential and hence any scope for scaling up results.

3.4.2 Market Development Partnership (2007 – to date)

The experience of the two-year long PADMA initiative overall was, fortunately, one which encouraged both organisations to want to continue the collaboration. This ambition was written into phase II of LEAF-SAAKTI, and ultimately negotiated in the form of a new Market Development Partnership.

Starting in March 2007, the new partnership agreement essentially mainstreamed market system development thinking into LEAF & SAAKTI's work. Katalyst withdrew from active management of

⁷⁶ See for example case studies in two 'capitalisation documents': Huda & Roy 2007 *Cluster approach*, LEAF p10, and Poitevin & Hossain 2006 *Marketing Extension*, LEAF p22/23 www.intercooperation-bd.org/publication.php

MDP interventions, but took on a back-stopping or advisory role to support SAAKTI staff. This suited Katalyst, since it was seeking a lighter and more facilitatory role in general as it moved into its own second phase beginning in March 2008.

At the heart of the new agreement was the decision to work in four further subsectors: dairy milk (in Bogra), medicinal plants (in Bogra), spices (in Dinajpur), open-water and pond fishery (in Sunamganj). The process of carefully selecting these subsectors enabled both Katalyst and LEAF-SAAKTI to be reassured that their respective priorities would be met. The partnership follows a targeted market development approach with the explicit aim to integrate the 'assets' created by LEAF and SAAKTI, i.e. community groups and resource farmers (LSPs), in rewarding value chains in selected sub-sectors and thereby create systematic and sustainable improvements in livelihoods⁷⁷.

A good example of this new collaboration is provided by the dairy milk subsector work already started in Bogra in 2007.

Dairy Sector collaboration

Traditionally, Bangladesh has relatively small fresh milk dairy sector e.g. compared to India. Production is relatively low, and most milk is still either consumed or processed very locally for curds and sweets. However demand for packaged (i.e. UHT / pasteurised) milk is growing very fast in urban areas among higher-income families. This growth in demand is creating a significant income-generating potential for small-holder farmers – particularly women who keep just one or two dairy cows on small pockets of land. However, there are several inter-locking constraints in the dairy milk market system, including:

- i. In the past, the formal dairy processing industry was dominated by poorly managed subsidised corporations which crowded out other companies but failed to establish effective milk supply chains and supporting services to give farmers access to the market.
- ii. The typical small-holder dairy farmer is trapped in a vicious circle of low-inputs and low or uncertain returns, due to lack of knowledge and credit to invest in livestock breeding (artificial insemination) and veterinary services, nutrition (fodder and feed) and quality control. As a result, she struggles to meet dairy companies minimum standards for milk quality (bacteriological, fat-content) and quantity.
- iii. New entrants in the private dairy-sector – even with a better grasp of consumer preferences and modern technology – face prohibitive transaction costs and uncertainties in establishing milk supply chains that connect with the smallest-scale producers. New dairy processing facilities often struggle to buy enough milk to operate at an efficient capacity.

In Rangpur and Bogra districts, LEAF-SAAKTI phase II has been supported by Katalyst since 2007 to tackle these bottlenecks and unlock the potential of the dairy milk sector. The main actors in the process have been:

- A new commercial dairy company – Rangpur Dairy – which opened in 2007, providing a serious regional alternative to the dominant state-managed cooperative company (Milk Vita).
- Small-holder farmer groups, organised in four cluster platforms who are involved in small-scale milk production. LEAF staff have been working with these platforms since 2004
- Local service providers – drawn from within the community to provide advice on livestock health and nutrition to group members.

⁷⁷ Memo of Understanding, Katalyst & LEAF-SAAKTI, 2007

- Department of Livestock Services, whose staff have acted as a resource pool for SAAKTI in training the local service providers

LEAF-SAAKTI's has with Katalyst's support since 2007 pursued an positive strategy of linking the community groups and clusters that LEAF has been supporting with the private Rangpur Dairy. This strategy builds on the investment which Rangpur Dairy has already made in modern milk treatment and packaging plant capable of processing up to 50 - 100,000 litres per day. Since it currently has only a fraction of this in reliable supply, the company is an enthusiastic partner in efforts to construct a business model that works for small-scale milk producers.

Rangpur Dairy's business model is centred on milk production 'units' made up typically of 30 – 40 dairy farmers. It helps these 'units' to elect a committee and appoint a member as 'manager' whose role is to organise milk collection and transportation, monitor milk quality and, crucially, to supply members with high quality nutritional supplements and pasture seed which is provided at cost by the Dairy. The unit manager receives a commission for this work in proportion to his/her unit's output.

Since early 2007, the company has recruited 250 units (165 working well to date), but only around 20 so far are based on LEAF-SAAKTI clusters. Most of the strong units have a smaller membership of larger-scale farmers than is found in LEAF-linked units. The cluster visited by the consultants at Kafrikhal for example has 70 producers (including 32 categorised as 'extreme poor') but own only 150 cows between them. If such large groups can work effectively as 'units' supplying the dairy, it will be a very positive outcome for the poor women involved.

SAAKTI and Katalyst have therefore worked closely with Rangpur Dairy to perfect the arrangements between company and milk producers so that they work sustainably with clear incentives, roles and accountability. This makes Rangpur Dairy very different from Milk Vita, which while pursuing a superficially similar model of 'cooperative' production, in practice was frequently unable to deliver its side of the bargain to producers⁷⁸.

Perhaps not surprisingly, the group members interviewed were very positive about the relationship with Rangpur Dairy. Since it opened in 2007 they have expanded their investment in dairy cows from 70 to 150 head. Interestingly, the Dairy manager at Rangpur reported that the presence of local service providers attached to the LEAF supported groups 'really helps' in terms of these units' performance – increasing both the volume and quality of milk produced.

During the field visits and interviews with LEAF-SAAKTI and Katalyst field staff, the consultants were struck by the high degree of mutual respect which has clearly grown up between the two teams, despite the initial 'culture' clash. Formally, of course, the partnership is based on shared common values and approaches, amongst which their agreement identifies:

- § the contribution to poverty reduction, particularly the inclusion of the disadvantaged (equity);
- § the empowerment of farmers and their organisations;
- § the respect and promotion of gender dimensions;
- § the sustainable development in its ecological, economic, social and institutional aspects;
- § the sustainability of the interventions by the inclusion of private sector and the development of commercial attitude of stakeholders

⁷⁸ Information given by members of Kafrikhal farmer groups, Bogra

However, the codification of principles does not necessarily mean practitioners will find it easy to work together on the ground. In fact, in Rajshahi and Bogra we observed a clear enthusiasm for the collaboration – which seems to stem from a sense that the teams have achieved results together which they could not have managed alone; are now open to new ideas and are excited about synergies arising from the melting pot.

3.5 Evolution of thinking and practices

This section explores how, and perhaps why, the collaboration between LEAF-SAAKTI and Katalyst has influenced each organisation's thinking and practice.

As noted earlier, development projects which promote any kind of production – whether tree saplings, vegetables or handicrafts – frequently 'discover' that market access is a constraint for poor producers. VFFP staff recognised this more than ten years ago. What is different for LEAF-SAAKTI staff now, as a result of the collaboration, is the evolving realisation that it is often insufficient simply to resolve market access bottlenecks at the producer level (e.g. with marketing extension).

Practical experiences in the vegetable and dairy sub-sectors have given LEAF-SAAKTI staff a good understanding of how poor producers operate within wider market systems, whose structure and functioning have a major influence on their opportunities and outcomes. For field staff, seeing the potential of private-sector actors to generate results that were "beyond our expectations" though indirect leverage achieved in these systems, has been part of gradual process of incorporating market development perspectives into their practice.

However it is also true that for most LEAF-SAAKTI staff – especially those with several years experience of working directly with farmers and rural communities, or with line-agency staff in the public sector, the skill sets required for negotiating partnerships with private market actors were quite novel. This is not like contracting local NGOs to deliver project-funded outputs; or hiring line-agency staff to deliver a training package. Private sector actors, with their clear commercial orientation were still experienced by many staff as a threat to the poor: at best demanding special insight or analysis to manage well. This is presumably why the advice and support of Katalyst staff has, despite initial friction, come to be valued.

There is clearly more uncertainty about results with a market facilitation approach. Making markets systems work better for the poor is not easy, and does not always succeed. No doubt, some staff are more comfortable with the ease and predictability of business-as-usual i.e. using project resources to deliver services like training to familiar target groups such as LSPs. However, many LEAF-SAAKTI staff are clearly excited about the prospect of kick-starting or leveraging systemic transformations that have obvious economic benefits and replication potential for large numbers of poor people. They are entrepreneurial themselves: ambitious and willing to take risks if they can see potential rewards.

An important motivation for those LEAF-SAAKTI staff that learned from Katalyst's approach has been the emerging experience that their social objectives concerning farmer empowerment, inclusion of the extreme poor and gender equity were more likely to be realised and sustained when the groups and cluster platforms on which these outcomes depend have a strong economic rationale. This experience, rather than any convincing theoretical arguments, was a factor that changed attitudes. It created the willingness to exploit the powerful economic levers offered by partners such as the Sibpurhat traders, EastWest Seeds and Rangpur Dairy, who would certainly have previously been seen more as a problem than a potential solution.

For Katalyst, the collaboration has been an opportunity to experiment with a more flexible or relaxed attitude to its own initial guiding principles. Management in particular started PADMA in 2005 with an aversion to the idea of founding market system interventions on roles played by non-commercial partners, such as community groups and cluster platforms, whose long-term sustainability and incentives were unclear. This ran against their guiding principles, and also perhaps threatened Katalyst's distinct identity. However, under pressure from donors and advisors to explore potential synergies between existing donor initiatives Katalyst also was willing to experiment: testing the boundaries of the suitability of its approach.

The results of that collaboration have been significant, especially in the view of Katalyst field staff. For those with limited previous experience of rural society and economy, the importance of non-monetary incentives in people's livelihood strategies and relationships seems to have been a revelation too. Most exemplary is the case of local service providers, who Katalyst learned to appreciate can sometimes play very significant roles in servicing neighbouring poorer farmers needs based on social exchanges, reciprocity and status incentives. While retaining some scepticism about sustainability of these relationships – especially where SAAKTI is still subsidising LSP's transactions with farmers - Katalyst has nevertheless learned to take a more nuanced view of social institutions and structures.

This understanding has influenced Katalyst's strategy more generally in sectors outside the LEAF-SAAKTI collaboration, with a greater openness to the role of non-commercial actors, for example in the form of business membership organisations.

The key lesson from Katalyst practitioners was that “people make collaboration possible”. They learned to improve the way they communicated and related to their LEAF-SAAKTI partners. Partly this was simply about language: avoiding terms that others found alienating such as “interventions” and “back-stopping”. It was also about attitudes and respect, particularly for the complexity and conventions of rural society that enable teams to build a good rapport with farmers and other stakeholders. In this way, Katalyst staff overcame the perceptions that they were outsiders trying to push un-substantiated theories, and instead by listening better to their partner's concerns, found that they gradually won respect for their innovative solutions.

3.6 Conclusion: creative tensions

There remain, of course, sometimes significant differences between Katalyst and LEAF-SAAKTI perspectives even within the particular sub-sectors of their collaboration – such as in the bamboo products case above. These are never going to be entirely dissolved by trust and better communication, and perhaps this is just as well.

One important source of creative tension stems from the very different analytical focus which each project brings. For Katalyst, this analysis centres on the ‘market system’ and how it can be transformed in ways which create enduring benefits for relatively poorer people. Recognising the complexity of markets, and thus the limits of analysis, it pragmatically adopts a relatively empirical and entrepreneurial strategy – trying various ideas and assessing what works in the sense of a) being taken up by the market and b) creating positive impact for poor people. This is powerful for finding the levers necessary to achieve large-scale impact, but may gloss over diverse causes of marginalisation – factors which may prevent the rising tide of economic growth from floating all boats.

LEAF-SAAKTI's analysis of poverty is more informed by a sustainable livelihoods approach which puts poor people and their livelihoods in broad sense, at the centre of analysis. The project's relatively intense involvement with community level groups means that this analysis is strong on recognising diverse poverty contexts and needs, peoples' preferences including risk averseness,

and observing the impact of changes in markets, access to resources. It uses participatory methods in particular to try to identify entry points while keeping wary of negative environmental effects, gender biases or exacerbating exclusion. However this may also blinker the analysis to opportunities for large-scale impact, or external trends beyond the participants' horizon of awareness that threaten the local status quo.

In the first two years of the PADMA initiative, it seems these differences in analytical focus were the source of some considerable conflict between Katalyst and LEAF-SAAKTI. Intriguingly, however, as trust and mutual respect grew out of the relationship, the two organisations subsequently managed to arrive at a very productive working arrangement. The key to this seems to be that each is able to retain its distinctive organisational culture and operational approaches, while being able to hear and value the other's experience and ideas. A clear implication is that this kind of extended collaboration, rather than organisational integration, is a valid and appropriate way to harmonise development cooperation.

Annexes

Annex 1: Chronology of key phases and events in the collaboration

The following table provides a brief overview of the key phases and events in the development and evolution of Katalyst and LEAF-SAAKTI projects' collaboration – particularly in the vegetable sector in Bangladesh.

Dates	Phase or Event
1987	Village and Farm Forestry Project (VFFP) starts The first phase of VFFP began. Initially it focussed on traditional practices of cultivating trees on cropland. It ultimately ran for six phases until 2003, as part of SDC's sustainable land use programme (SLU).
1991	VFFP 2 - promotes private nurseries VFFP started to promote, through local NGOs, the establishment of private nurseries at the village level on a commercial basis.
Mid 1990s	VFFP 3 & 4 - awareness of market related issues The need to establish better market demand for tree saplings to ensure sustainability of community nurseries, was recognised during the VFFP phases 3 and 4.
1999	SHABGE⁷⁹ Project starts CARE began building capacity of farmer groups, through direct delivery of extension services and education (with Farmer Field Schools methodology). Had a particular focus on vegetable cultivation. Included encouraging local entrepreneurs to establish enterprises that provide information, services and good quality inputs to rural producers
October 2002	Katalyst Phase I programme begins The first phase of the Katalyst project began, managed by Swisscontact, and funded by a donor consortium comprising SDC, DFID and Sida.
2003	VFFP 6 - development of 'market extension' tool Under VFFP 6, Intercooperation hired an external consultant to elaborate the initial marketing ideas and approach that subsequently became LEAF's 6 Step Market Extension tool ⁸⁰ .
December 2003	VFFP and SHABGE projects end SDC wrapped up the existing 'natural resource management' activities (including VFFP and SHABGE) under SLU. At the same time it asked for a shift of activities away from the previous technical focus to a more community-centred approach.
early 2004	Phase 1 of LEAF, SAAKTI and AFIP projects start New inter-related LEAF, SAAKTI and AFIP projects ⁸¹ , managed by Intercooperation. Envisage 'active collaboration' with private sector but initially short on specifics.

⁷⁹ Strengthening Household Access to Bari Gardening Extension (SHABGE) project
www.carebd.org/projects%20dtl_SHABGE-DFID.htm

⁸⁰ Poitevin & Hossain 2006, *Marketing Extension: a powerful process in 6 steps*, LEAF Bangladesh
www.intercooperation-bd.org/publication.php

⁸¹ LEAF – Livelihoods, Empowerment & Agro-Forestry
SAAKTI – Sustainable Access to Agro-forestry Knowledge, Technology and Information
AFIP – Agro-Forestry Improvement Partnership

Dates	Phase or Event
2004	PADMA initiative conceived LEAF-SAAKTI and Katalyst collaborate on a number of joint studies or value-chain analyses including: Timber, Bamboo products and vegetable subsector (April 2004) Agreement reached on a Partnership for Agro-product Development and Market Access.
January 2005	PADMA contracted out to IDE Katalyst and LEAF-SAAKTI contract IDE-Bangladesh to manage the new PADMA project. Focus initially on vegetable and bamboo product sectors in Greater Rajshahi & Rangpur.
September 2005	Rajshahi vegetable sector work begins First successful 'match-making' workshop between vegetable-growers' cluster platforms and the Shibpurhat Traders Association in Rajshahi Initial 'direct training' of lead farmers / LSPs
October 2005	PADMA activities jointly managed by LEAF-SAAKTI & Katalyst Katalyst and Intercooperation took over direct management of the PADMA project activities, in response to concerns about project performance
2005 2006	Training of service providers, seed and input retailers in vegetable sector PADMA facilitated various training events for local service providers, vegetable seed and input retailers by major commercial suppliers: Bayer CropScience, Syngenta Bangladesh, EastWest Seeds(Lal Teer) . LEAF-SAAKTI negotiated participation of LSPs.
Late 2006	Disagreement over bamboo products sector Katalyst withdrew from work in the bamboo products subsector under PADMA
September 2006	SLU Mid-term Review Major mid-term review & planning workshop of Sustainable Land Use programme.
Dec 2006	PADMA initiative ends As the first phase of LEAF - SAAKTI projects end, the PADMA initiative is formally wound up and new collaborative arrangements for the second phase planned
January 2007	Phase II for LEAF & SAAKTI projects start In order to clarify roles, LEAF concentrates on activities related to 'demand' for services, and SAAKTI integrates all work on service provision (including PADMA collaboration).
March 2007	Market Development Partnership A new collaboration agreed between SAAKTI and Katalyst. A market development approach is mainstreamed in the LEAF-SAAKTI work, and Katalyst take on a back-stopping and advisory role. Alongside the established vegetable subsector work, four new value-chains / subsectors identified as priority focuses for SAAKTI activities with Katalyst support: Dairy milk; Medicinal plants; Spices and Fish (open water and pond fishery)
March 2008	Phase II of Katalyst begins Second five-year phase of Katalyst began with a broader consortium of donors including SDC, DFID, CIDA and Embassy of Netherlands.