

# MMW4P Programme Summary - Katalyst (Bangladesh)

## **Purpose:**

To increase the competitiveness of small businesses in selected areas and sectors by developing more effective markets for services.

## **Dates:**

Established in 2002 as a 5 year programme. Currently considering and designing Phase II.

## **Funding:**

Consortium of donors - DFID, SDC, Sida and CIDA provided a budget of £13.5 million. DFID is the largest funder contributing 64% of the total budget (£8.8 million).

## **History/Environment:**

Bangladesh is unusual in that the Government is a small player in most markets. Contrastingly NGO's are extremely large and influential. In addition to seasonal flooding, markets are also characterised by high population density making everyone reasonable close to markets. Bangladesh has been experiencing reasonable levels of growth but with growing inequality as incomes from agriculture and employment in the country's small businesses (formal and informal) have not kept pace with growth. However, the lack of a well functioning state that is responsive to the interests of the poor and capable of developing and implementing policies to address pro-poor growth has meant that the not for profit sector has exercised leadership on this issue. Their interventions have typically sought to build capacity amongst the poor rather than adopt a market based approach to delivering better outcomes sustainably. The private sector is dominated by a few, large, indigenous businesses that are linked to the political elite and multinationals whose engagement on the pro-poor growth agenda is limited to corporate social responsibility.

Conditions for Katalyst to influence change were therefore far from the perfect storm of having a clear policy or market issue to address and there are few, legitimate and credible stakeholders driving change. Recent political changes have brought a Interim Government more open to MMW4P thinking, though the capacity of Government and influence on markets remains small and Government staffing

highly volatile.

## **Driver of programme, positioning & timing:**

The drive to establish Katalyst came from donors, and Katalyst remains a donor programme. Katalyst is quite unique from other MMW4P programmes in that they have worked through Government to influence markets much less. The programme has attempted to forge closer links with government though this has only really happened in later years. Katalyst has instead worked much more directly with the private sector as an effective catalyst and facilitator of pro-poor change. Katalyst has also tried to influence and work through other donor and NGO programmes, though this has been made more difficult by the country's hugely powerful NGO community which regards the poverty agenda as its own. There are also larger IFI programmes that are providing BDS services and technical assistance to the financial sector and large and small businesses not using the MMW4P framework which makes it difficult for Katalyst to secure a distinctive niche as a donor programme. Katalyst has therefore not responded to a 'perfect storm' but instead been a change agent trying to influence other players. In terms of markets the timing is right from the point of view of presenting good opportunities to connect the poor better to the growth process and to gradually influencing other players, including the new Interim Government.

## **Governance:**

Originally, the Management Board of the Donor Consortium alone provided strategic direction and oversight. An attempt has been made to increase local ownership by establishing a Policy Steering Committee comprised of stakeholders from the public and private sectors and to integrate the programme in the aid architecture in Bangladesh by increasing the role of the Ministry of Commerce in project oversight. However, in practice, the Donor Management Committee has continued to provide ownership and direction. The recent availability of a fund to work with Government on areas of mutual interest has improved relationships with Government. In terms of donor coordination Katalyst has had to respond to the differing needs and priorities of different donors which has at times caused some confusion in overall governance and

direction.

### Management:

Contracted out to a consortium of international consulting firms. The large number of staff employed (73) serve as facilitators, managers of contractors (NGOs, consulting firms) and oversee grants. The team is more hands than other MMW4P programmes as it perceives local facilitators and service providers to be weak. This also reflects the environment in Bangladesh where large staffing is more typical. Katalyst staff are very dynamic and comfortable with the private sector so staffing remains fluid and dynamic rather than a liability. The contract with the management agent has some tension in that they are only paid through having expatriate staff, though they are responsible for overall programme delivery.

### Approaches:

Katalyst itself begun essentially as a BDS programme, designed by BDS practitioners and encompassing prevailing BDS thinking at the time. The initial focus and targets reflected an urban BDS orientation with typical sectors selected and typical cross cutting services (marketing, accounting, etc) intended to improve sub-sector performance. The programme has continuously evolved and taken on board MMW4P thinking, and has increasingly focused on rural areas and agricultural markets, now larger than urban interventions.

The programme has been organised into three divisions: i) Services which promotes service industries as a source of growth and employment and as providers of services other businesses need to develop; ii) Industry and Rural sectors addresses the markets from which large numbers of the poor earn their livelihoods as producers, employees and consumers; iii) Business environment which addresses the investment climate in rural areas as there are other programmes addressing the general investment climate. This structure is currently under review as part of design for Phase II. Specific interventions employ a variety of approaches to market intermediation: i) programme staff act as facilitators sourcing in specialists to provide technical assistance when needed; ii) some interventions are contracted out to local NGOs and consulting firms; iii) grants are provided to large businesses to develop new business models that help to improve market access for the poor, to kick start new markets (e.g. rural ICT) or to streamline regulatory processes (e.g. computerisation of business licensing).

Katalyst's approach has been refreshingly orientated around working with the private sector to identify strategic business opportunities that will impact

broader sectors. They have worked predominantly with the private sector through making 'deals'.

### Major Challenges:

- **Portfolio coherence and strategy.**

Katalyst's original strategic design has not helped them. The emphasis on urban BDS and initial choice of sectors and cross-cutting sectors has taken time to overcome and evolve. Additionally whilst their approach and business model has encouraged and benefited from entrepreneurialism and innovation, it has also led to a large number of small initiatives some of which are unrelated to a broader strategy.

- **Scaling up in markets.** There are many examples of successful interventions with large outputs and impacts. However, given the unique environment in Bangladesh (few easy levers on markets such as government policy) it has been difficult to scale up interventions to impact entire sectors. Katalyst has increasingly worked with larger private sector players to increase impact which is working successfully. Future challenge will be to catalyze broader demonstration effects and replication.

- **Influencing other players.** The programme has also had a difficult environment selling the MMW4P approach to policy makers in Bangladesh and other NGO's who are not attuned to it. Progress has been made, but the task remains large.

- **Influencing Government.** Despite establishing the Management Board and greater involvement of the Ministry of Commerce, the programme has been challenged to develop local ownership. Though improved (partly due to funding mechanism for working with Government), this has remained a challenge especially given capacity and turn over of Government staff.

- **Donor coordination.** Ensuring consistency in donor support and direction for the programme has been a challenge. This has improved in recent years.

- **Brand positioning.** As a multi-sector donor-started programme Katalyst has faced a significant challenge developing a brand and a reputation in Bangladesh.

- **M&E.** Katalyst has pushed the frontiers of M&E frameworks for MMW4P programmes. However, this will continue to be a challenge.

### Strengths:

- **Continuous learning.** Katalyst has proved effective and flexible as an organisation to continuously learn and evolve their approach. The design of Phase II provides another

important strategic opportunity to do this.

- **Impact to date.** The programme has demonstrated its ability to impact the lives of tens of thousands of households across a range of markets. The PCR for the end of Phase 1 indicated Katalyst had reached over 181,000 SME's.

- **Closeness to private sector.** Katalyst, probably more than any other MMW4P programme has been effective at understanding and working with the private sector as a means of bringing about change in markets. Though this has partly resulted partly from the necessity of their specific environment (where there are few alternatives available to impact markets), it has still been a commendable strength.

- **Business friendly staff.** Staff of Katalyst have been effective at understanding and working with business

- **Opportunity for impact going forward.** Katalyst has had numerous successes in piloting and implementing effective programmes they are now well positioned to identify and work on important cross-cutting issues (such as information failures, input markets and extension advice) to scale up interventions to ensure a substantial impact on poverty in Bangladesh.

### Key lessons:

- **Creating perfect storm.** Where the conditions of the perfect storm do not exist, it is much more difficult to catalyse change that will have large scale impact. With no legitimate and credible stakeholders driving the programme as a whole, multi-sectoral programmes have to find conditions near to the perfect storm in the markets in which they intervene. This can be done, but is harder.

- **Programme scope.** Giving a very wide multi-sector remit in terms of geography and markets to a MMW4P programme carries significant costs. In addition to difficulty with positioning and brand recognition, this has significant implications for the overall timescales of the project to become effective and also the cost and time necessary to identify appropriate sectors conducive for intervention.

- **Importance of initial design and flexibility.** Design of multi-sector MMW4P programmes should not be too prescriptive in identifying interventions up front. This is especially so when identifying cross-cutting themes that should only emerge following initial understanding of what is constraining specific sectors.

- **Local environment critical.** Responding to the unique environment in Bangladesh has been critical. Katalyst for instance has successfully worked predominantly with the private sector rather than through policy change which may be more effective in alternative environments.

- **Working with PS.** Katalyst has provided a good demonstration of how an MMW4P programme can directly engage with the private sector. Katalyst is considering other instruments for engagement as part of Phase II such as challenge funds.

- **Systemic change.** The design of interventions need to show how they are likely to lead to systemic changes for the market as a whole. Starting small (in one locality) is right because of the experimentation involved in finding what is needed to catalyse systemic change. However, there should always be a defined pathway for scaling up.

- **Governance arrangements** need to reflect where the ownership of the programme lies. In practice, governance at the level of the programme should be light touch, focusing on portfolio coherence and how to bring about wider enabling environment reforms. Specific interventions need to have their own governance arrangements that enable stakeholders to take the leadership role;

- **Credibility.** Where the programme itself lacks credibility, it needs to use credible and influential local intermediaries. If these are in short supply, it may be necessary to engage international experts that have credibility locally. Contracts that provide incentive for consulting companies to use their own staff may not therefore be helpful in this respect;

- **Buy-in.** Seeking out capable actors in the state and the private sectors and ensuring their commitment to the programme is crucial at the programme level.

- **Donor voice.** Donors must invest time to agree a common approach and objectives so as to not send mixed messages to the programme.

### Case studies/papers available:

Website provides materials including a range of papers and case studies.

### Reviews available:

MTR completed in 2005 and 2007 and internal annual reports.