

## Improving Business, Improving Lives

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### The Katalyst Project

#### Experiences

##### Knowledge Acquisitions

In 2000, Swisscontact started work in Bangladesh to increase the income of poor producers in urban and rural areas. It did this by identifying constraints in the market – identifying where the bottlenecks were, and linking private partners with producers and the public sector to address them.

About 80 per cent of Bangladesh is low-lying land which although fertile is prone to flooding and susceptible to the adverse effects of climate change. More than two million people live on chars – shifting river islands – where economic opportunities are impeded by geographical isolation, lack of access to basic services, weak markets and the effects of hazardous climate conditions. At around 166 million, Bangladesh's population is about 20 times larger than that of Switzerland, in a country just three times the size. The resulting pressure on land resources and the need to feed an ever-growing population mean that despite steady economic growth over the last decade – around 7% in 2016 (IMF) – at the start of the project, 63 million people in Bangladesh were living in extreme poverty. Climate change, traditional views of gender roles and a history of public sector control over industries, means that innovation – the lifeblood of business – can be slow to take root.

Working with farmers and small businesses, Katalyst engaged the private and public sectors, and linked them with poor producers who want the same thing – improve their livelihood. Although it followed a number of approaches over its lifetime, the basic principle remained the same: to act in a facilitating role to achieve systemic change which would impact the lives of the beneficiaries even after project end.

Following are some of the learning experiences on a portfolio and on an operational level:



**Measuring systemic change output and outcome levels require multiple tools and frameworks:**

Katalyst was mandated to deliver systemic change in selected sectors. Initially, the systemic change measurement framework was outlined to focus on interventions and systemic change was measured on output level. However, further research indicated that systemic change takes place as effect of multiple interventions and that systemic changes are visible not at intervention level, but rather on a sector level. Capturing systemic change therefore required a tool taking account of the complexity of the systems and able to assess behavioral changes among market actors on a higher level of the impact logic. Measurement of systemic change was thus done through multiple measurement frameworks and tools developed in Katalyst. These tools, such as the scale and sustainability index and the Adopt-Adapt-Expand-Respond (AAER) matrix, helped measure systemic change both quantitatively and qualitatively. These measurements on the output level were complimented by Sense Maker studies, which looked into three different dimensions such as Transformation, Scale and Institutionalisation. The findings indicated clear steps of systemic change also on outcome level. Feedback from external experts, such as the Springfield Centre and the Strategic Review Panel of Katalyst, were instrumental for Katalyst's work on systemic change in the last phase.



**Anchoring inclusive business models needs a long term strategy:**

The success depends on the nature of partners, market characteristics and the relationship to relevant stakeholders. Identifying key stakeholders and change makers in organisations and building up strong relationships results in a stronger buy-in and makes anchoring more likely. Strong evidence of inclusive business models and tools generate better response and more credibility with anchoring institutions. Nevertheless, the process of engaging with public institutions is time consuming and challenging, for instance – the frequent change of key decision makers which are high-potential scale agents. For example, the LAN cross-sector and the Capitalisation unit have anchored inclusive business through a Private-Public Partnership at an institutional level with DAE. The extension manual of DAE was revised to make the necessary amendments for incorporating operational instructions. The process took more time than initially planned. The senior level management at DAE had to be sensitized and a lengthy amendment process had to be followed. After concerned efforts, the revised manual has now been published but both central and regional level staff is yet to be oriented on the new operational processes. As Katalyst ends in March 2017, these remaining activities will be completed during the potential extension period.



**Developing a culture of innovation in private businesses takes time:**

The initial idea of the Katalyst Innovation Fund (KIF) evolved as the project struggled to find solutions to certain constraints. The main assumption was that the innovation fund would motivate key market players to think about inclusive business solutions and that the wider anchoring would bring up additional innovate business models. The core idea of the KIF was to share constraints of market systems with private sector partners so that they would use their know-how and capacities to develop solutions, turning these constraints into business opportunities. The KIF delivery mechanism therefore was introduced to foster the development and introduction of innovative business models. But, while working with partners on the detailing of grant modalities, it became clear that

private sector partners were more interested in the capacity of Katalyst in business modeling rather than in the financial support of the grants. The partnership grant experience suggests that developing a culture of innovation with private businesses takes more time than a project's life span and requires further mentoring.



### **Engaging government at all levels of programme management induced a sense of ownership by MoC:**

The capacity building of government staff and developing project ideas with the BPC (Business Promotion Council) shifted the way Katalyst engaged with the host government. Now the BPC is coordinating the services for enterprises provided to its member associations in a more market-oriented way. For example, the agro-product BPC started promoting contract farming to their member companies in the vegetable sector for the export markets in a facilitative way. Better alignment of sector activities with the mandate of MoC through coordinated and joint activities with the MoC and the BPC, joint field visits and monitoring with multiple government officials, have contributed to significantly improved government relations.



### **Extensive monitoring of the financial process necessary to ensure compliance with donor requirements:**

In recent times and on a worldwide level, an increasing public awareness and scrutiny of development initiatives has led to an ever closer monitoring and assessment of development funds. A project like Katalyst with a strong facilitative role puts as much as possible responsibility for implementation to the partner organizations, including management of financial funds. This shift of responsibility bears risks in terms of quality management as well as administration of financial funds.

A project like Katalyst with a strong facilitative role puts as much as possible responsibility for implementation to the partner organizations, including management of financial funds. This shift of responsibility bears risks in terms of quality management as well as administration of financial funds. In the current phase of Katalyst, the financial system has been enhanced by introducing an initial assessment of the financial system of implementation partners before signing implementation contracts. Through careful assessment of the financial and accounting system of the sub-contractors before finalising a contract, the project has been able to reduce the financial and fiduciary risk. On the administrative side, several efforts were done on the procurement side. Based on lessons learned during the phase 2, Katalyst implemented an initial audit of the financial systems of its co-facilitators, to ensure that all respond to the requirement of the project. In addition, a monitoring of the total value of contracts per facilitator, together with a maximum limit, was introduced in order to limit the inherent risk. Finally, the SDC procurement manual was integrated in our processes to ensure full compliance. The management information system, which supports the management through a timely follow up of all contracts and assurance of efficient audit trail, was adapted regularly in order to reflect changes in the processes. Resources needed to comply with financial and procurement requirements increased over phase 3.



### **Which external factors favoured respective market changes?**

The context of Bangladesh was extremely favourable for the nature and success of the project. Important factors included the high number of small farms and enterprises with a high incidence of poverty in relative geographical proximity, their high levels of competition and developed entrepreneurial spirit, the availability of well-educated

project staff, the country's continuous economic growth and the government's poverty reduction strategy. These factors could be said to be unique in their combination. Moreover, the agricultural sector of Bangladesh, lagging in comparison to neighbouring countries, was (and still is) on its way to modernisation and was thus likely to be more receptive to the changes Katalyst was working to initiate.

Cooperation among the donors (with SDC and DfID as core donors plus additional donors which changed) and their decision to approve the three project phases without recourse to public tender provided the basis for a continuous learning and improvement process of the project team. However, scarce resources in the donor country offices limited their steering capacity and provision of support in the dialogue with the national counterpart, the MoC. In addition, a better resourced donor secretariat could have reduced problems with formal registration of the project with the Government of Bangladesh.



### Which objectives and strategies were pursued by the project?

An important breakthrough came in 2004, with the consensus among donors that the project was responsible for achieving positive impact on the poor. Implicitly this meant the provision of the project with a) the flexibility to select and adapt its strategies for optimising impact, and b) less strong steering by the donors.

The phases of "innovation and testing", "scaling-up" and "capitalisation and consolidation of systemic changes" have been proved a logical sequence over the course of the project and should be adopted as part of the long-term planning of any MSD project.



### Which approaches and instruments were suitable in which markets and sectors?

Systematic market analysis, the identification of key constraints and market actors and an iterative approach to defining strategy and making deals with partners have become an established process in MSD projects. Another key ingredient is a consistent MRM system which employs appropriate measurement methods and instruments and with the DCED standard providing suitable guidance. ***The integration of MRM into the strategic management of interventions is essential.*** A regular, planned DCED audit can provide useful motivation to the project team in this regard.

Although three DCED audits confirmed the robustness of Katalyst's MRM system, an accompaniment of the results measurement activities by an external evaluator assigned by the donors would have added value and provided better alignment with the donors' reporting of results.

Alternative methods (such as randomised control trials, beneficiary assessments and analysis of systemic changes using SenseMaker®) are promoted by academia and consultants worldwide and were tested over time in Katalyst. However, these make heavy demands on resources and should not be seen as replacements for the establishment of business models with results chains and indicators and their continuous measurement.



### Which were the conducive management principles and resources?

Early and continuous investment in staff skills proved to be a key to Katalyst's success. At the beginning, relevant management resources were missing within the implementing consortium. Swisscontact invested heavily in appropriate instruments and over the course of the project developed a systematic process with appropriate tools and resources which will ensure a steep learning curve in new MSD projects. A generous project budget with a flexible structure allowed for such investments.

A high degree of delegation of responsibilities to implementing teams guided by set of key questions and a separate MRM unit, mandated to support the implementation teams, proved a successful model.

A flexible budget structure allowed the project to work with a portfolio of different sectors and interventions. This flexibility was essential, particularly considering the high staff input compared with co-financing of partners. This differed from 'traditional' projects and conflicted at times with the need of donors to present precise plans and budget lines to their constituency. In response, the donors devised a balanced method of steering based on a few key indicators and avoiding micro-management. Although they did thus grant the flexibility needed (particularly during the first two phases), this had to be 'compensated' by an enormous number of external reviews, evaluations and intensive reporting. This absorbed considerable project team resources.



### How were partnerships managed?

Over time, Katalyst learned how to approach private sector partners and cooperate with them. Based on proven successes, the image of Katalyst as a reliable partner not only in business but also for government institutions was consolidated. Early branding and perseverance in equal measure allowed Katalyst to appear to be a co-investor rather than a donor-funded project. Such positioning takes time to achieve and is not always easy to maintain in the face of other projects which profile themselves more as 'helping hands'.

Doing business in a context like Bangladesh involves inherent risks. To mitigate against these, a resource-intensive system of controlling with, among others, regulations, well-established processes, audits and monitoring is required. However, even with all these controls in place, there is no 100% guarantee of success. It would be a pity if this reduces the readiness of the donors or implementing agencies to implement similar projects.

An important element of Katalyst's implementation strategy was the project's cooperation with co-(and later sub-)facilitators. Although these brought with them sector knowledge, implementing capacities in specific locations and more flexibility in terms of allocation of resources, at the same time the capacity building required by their staff, the need for Katalyst to oversee their implementation (including MRM) and their own overheads, did not lead to a reduction in project costs. Analysis of whether the cost of building-up the additional capacities needed to implement MSD interventions justifies the additional costs of the project has not been conducted.

### Acknowledgements

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