



## LOCAL ECONOMIC DEVELOPMENT in BANGLADESH

Programme Feasibility and Scoping Assessment for  
Swiss Agency for Development Cooperation



Prepared by: Gerry McCarthy and Rubaiyath Sarwar

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# ABBREVIATIONS

ABCD	-	Asset Based Community Development
ADB	-	Asian Development Bank
AIn	-	Appreciative Inquiry
BBS	-	Bangladesh Bureau of Statistics
BEE	-	Business Enabling Environment
BMDf	-	Bangladesh Municipal Development Fund
BMIS	-	Business and Market Information Systems
BMO	-	Business Membership Organization
BRAC	-	Bangladesh Rural Advancement Committee
BS	-	Business Services
BSP	-	Business Services Provider
CBO	-	Community Based Organization
CA	-	Central Anchor
CCA	-	Climate Change Attribution
CEE	-	Community Economic Empowerment
C-GAP	-	Consultative Group to Assist the Poor
CHT	-	Chittagong Hill Tracts
DAE	-	Department of Agricultural Extension
DoF	-	Department of Fisheries
DoL	-	Department of Livestock
DAGs	-	Disadvantaged Groups
DANIDA	-	Danish International Development Agency
DCED	-	Donor Committee for Enterprise Development
DDDC	-	District Development Coordination Committee
DFID	-	Department for International Development (now UKAid)
DLEDF	-	District Local Economic Development Forum
DRR	-	Disaster Risk Reduction
FS	-	Financial Services
FSP	-	Financial Services Provider
GDP	-	Gross Domestic Product
GEP	-	Growth and Employment Profile
GoB	-	Government of Bangladesh
ILGSP	-	Improving Local Governance for Services Programme
ILO	-	International Labour Organization
IRAP	-	Integrated Rural Accessibility Planning
KAB	-	Know About Business (ILO)
LED	-	Local Economic Development
LEDF	-	Local Economic Development Forum
LGED	-	Local Government Engineering Division
MAB	-	Municipalities Association of Bangladesh
MOLGRDC	-	Ministry of Local Government, Rural Development and Cooperatives
MSE	-	Micro and Small Enterprise
MSME	-	Micro, Small and Medium Enterprise
NGO	-	Non Government Organization
PIU	-	Project Implementation Unit
PS	-	Private Sector
PSD	-	Private Sector Development
REDD	-	Reducing Emissions from Deforestation and Degradation
RET	-	Renewable Energy Technology
SDC	-	Swiss Agency for Development and Cooperation
SIYB	-	Start and Improve Your Business (ILO)
SME	-	Small and Medium Enterprise
TDIM	-	Territorial Diagnosis and Institutional Mapping
TEVT	-	Technical Education and Vocational Training
Tk	-	(Bangladesh) Taka
UDCC	-	Union Development Coordination Committee
UGIIP	-	Urban Governance and Infrastructure Improvement Project
UNDP	-	United Nations Development Programme
UNO	-	Upazila Nirbahi Officer
UPPR	-	Urban Partnerships for Poverty Reduction
UzDCC	-	Upazila Development Coordination Committee
UzLEDC	-	Upazila Local Economic Development Committee
VCU	-	Value Chain Upgrading
WG	-	Working Group

NOTE: '\$' reference in this report refers to the US\$

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# Introduction

## Study Objective

The main objective of the Study was to assess the potential for strategically planned and locally-owned Local Economic Development (LED) initiatives in three municipalities contributing to Swiss Agency for Development Cooperation (SDC) decision-making on whether or not to proceed with the design of a full LED support project. As pre-agreed with SDC, the geographical focus of the study for possible locational LED efforts was Dinajpur, Habiganj and Natore Sadar municipalities. The original study Terms of Reference are provided in Annex 3. When it became apparent early during the field study that the municipalities were not appropriate entry points for LED, we considered alternatives and refocused the territorial snapshots at district level.

Our report also covers the additional request from SDC during the field findings debriefing to include an overview of what LED is, what a territorial LED effort involves and how this is approached.

## Report Structure

Chapter 1 elaborates a strategic rationale and fit for LED efforts in the three target locations and provides an overview of how a LED programme can be practically approached with the first time local stakeholders in the target areas. The Chapter presents an overview of other emerging LED initiatives and summarizes findings regarding assessment of the target municipalities as appropriate LED entry points and alternatives. An overview of the key stakeholders is provided together with a draft institutional framework and suggestions on institutional positioning.

Chapter 2 presents a Growth and Employment Snapshot of the three target locations including an overview of pro-poor growth, employment and engagement potentials.

LED challenges are explored in Chapter 3 while SDC's comparative advantages for the LED pro-poor potentials in the study areas are summarized in Chapter 4. Our conclusions and recommendations are presented in Chapter 5.

# 1. LED in Bangladesh

## **CHAPTER OVERVIEW:**

Chapter 1 covers our response to SDC's request for an overview of what LED is, what a territorial LED effort involves and how this is approached. For the former, we considered the rationale and strategic fit for LED in the target territories towards developing a responsive short definition based on what LED needs to achieve. As also required by our ToRs, we present our findings on LED stakeholders and entry points.

## **1.1 Rationale, Strategic Fit and Definition**

Before considering an appropriate definition of LED for the target areas, we considered its rationale and fit and what it needs to achieve. To elaborate a rationale for LED, we explored the impact of Bangladesh's impressive annual GDP growth rate of 6-7% since 2004/05 on local economies with the stakeholders in the three areas visited. We particularly considered impact on employment creation and income increases for poor and Disadvantaged Groups (DAGs).

What we found from stakeholders is that the national GDP growth founded on selective urban manufacturing export activities is not translating into equivalent broad-based growth and employment at the local level. High underemployment especially in rural areas has sharply accelerated rural-urban and out-migration in recent years (especially of young adult males). Increased migrant worker remittances are however contributing to poverty reduction by keeping their families above the poverty line.

Worst affected by underemployment are rural subsistence farmers and landless households dependent upon agricultural labour for whom agriculture provides dismal livelihood options. Not surprisingly, the rural poor are increasingly taking up other livelihood options in the services sector which has been enjoying considerable expansion. However, much of this consists of low quality informal activities at microenterprise level where the main impact is self-employment survival with inadequate limited growth for job creation. The hardcore poor and disadvantaged have difficulty accessing better quality employment at home and abroad due to limited education and skills as well as access to productive assets (especially land and finance). Women remain marginalized in access to productive employment as well as household and development decision-making while youth employment creation is a huge challenge. According to the local stakeholders, the main beneficiaries of Bangladesh's growth are better-off people.

To confirm whether these findings were unique to the study areas or part of a broader national picture, we completed a rapid desk review of the overall growth and employment context in Bangladesh. The findings summarized in Annex 4 confirm the latter, and in particular that: (1) an annual GDP growth rate of at least 9-10% is required to begin making substantive inroads into the 40% national underemployment level while also addressing job creation for the 2 million mostly young people entering the labour market annually; (2) the quality of GDP growth for employment creation is low and has been declining (poverty and underemployment are closely related in Bangladesh); and, (3) the share of income from growth has significantly increased only for the top 10% of the population whereas the share for the bottom 20% has declined.

Research by DFID summarized in Annex 4 confirms a close relationship between growth and poverty reduction, especially agricultural growth founded on productivity increases. In Bangladesh, the agriculture sector comprises 50% of the workforce, the majority of which are impoverished rural marginal farmers and landless households highly dependent upon farm labour. However agricultural productivity is low as the sector only contributes around one-third of GDP. Agriculture is the backbone of the local economies studied.

Since national policy for accelerating GDP growth and individual sector and subsector interventions are not generating sufficient broad-based equitable growth for job creation in Bangladesh, there is a strong case for accelerating further job-rich and equitable growth through decentralized development. However, as confirmed by stakeholders, the local development agenda is mainly focused on social policy and programmes for poverty reduction. Stakeholders also reported difficulties reaching the hardcore poor because of their preoccupation with daily survival needs preventing them from attending project and development meetings.

An important rationale for LED in the study areas therefore is filling the local development gap for stakeholder strategy-making and implementation to accelerate inclusive economic growth. In addition to accelerating growth, the LED approach must generate significant productive employment impact for ultimate target beneficiaries so it needs to be employment-centred or job-rich and inclusive. An LED model will also need to build stakeholder capacity and combine the different fields of economic development to leverage growth and employment impact at scale as well as resources for the LED efforts while ensuring that growth is environmentally sustainable.

The strategic fit and value of LED is its flexibility as a model for enabling local stakeholder capacities to systemize employment-centred and inclusive economic growth strategy-making and implementation in decentralized local development.

We suggest the following 'what is' definition of LED for the target areas: *"the purpose of LED is to accelerate employment-centred and inclusive economic growth with the objective of an equitable distribution of benefits through the economic empowerment of hitherto marginalized groups"*.

The core strategic objective of LED is productive employment creation for ultimate target beneficiaries.

## **1.2 LED Approach and Models**

### **1.2.1 Organizational Approaches**

There are two main types of organizational approaches to LED generally referred to as 'strategically planned LED' and 'pragmatic LED'. The core approach to the former embedded in the manuals of organizations such as World Bank, ILO and UN-Habitat (written by the same group of persons) is based on a comprehensive upfront territorial diagnosis and institutional mapping (TDIM) exercise followed by stakeholder visioning and goal-setting, and strategies and activities to realize the goals. While a recent SDC study states a theoretical preference for this 'strategically planned LED', it recognizes that this may not be appropriate in some contexts<sup>1</sup>. That context is LED for first time stakeholders in developing countries.

Shortcomings of the 'strategically planned LED' approach include: (1) lack of a standard format for TDIMs leading to expensive and time-consuming TDIM exercises given limited local data availability in most situations, and much irrelevant data collection; and, (2) overwhelming local stakeholders with limited LED absorption capacity with data and conclusions for visioning (also difficult to do when one does not know what to vision) and goal-setting without a specific overall growth focus often leading to disjointed sector, subsector and other economic development plans and activities that limit growth and employment impact.

'Pragmatic LED' is more appropriate for first time LED stakeholders in developing countries. A simple, practical approach developed by the late Jorg Myer-Stammer and elaborated by others is that of primarily focusing on creating a unique competitive advantage. For urban-rural economic areas such as those covered in the study, this means positioning local producers and enterprises in dominant, niche markets and subsequently keeping them there through systemic competitiveness. To reach the majority of ultimate target beneficiaries in the study territories, the main intervention focus would be on product-specific agricultural value chain upgrading complimented by infrastructure investments. In industrialized urban

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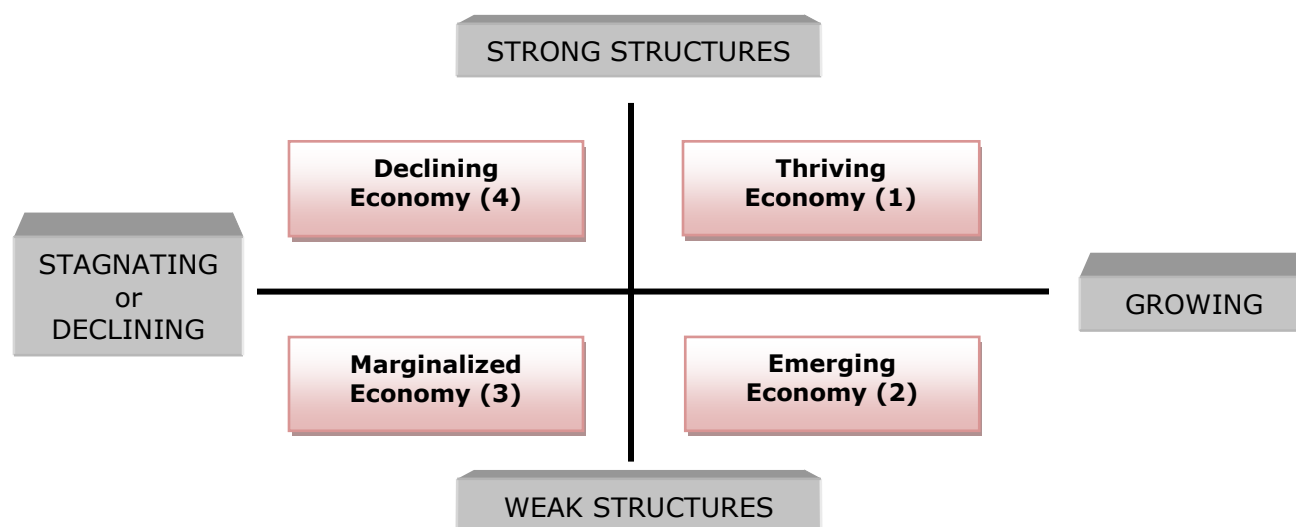
<sup>1</sup> SDC. 2009. *The Executive Summary of the Documentation of SDC Experiences with Local Economic Development (LED)*.

areas, such LED strategy often centres on improving the competitiveness of specific industrial sectors/ clusters to create more skilled labour opportunities, or on occasions, to preserve or save existing jobs.

### 1.2.2 Territorial Economic Scenarios

LED processes are developed and managed responsive to the specific features of local economies with no one-fit-all LED scenario. However, LED situations can be divided into four general types on a matrix using two criteria: firstly, the overall strength or weakness of economic structures (with respect to producers and business, and with respect to supporting institutions), and secondly, the progress status of the local economy. Such a combination matrix generates the territorial economy scenarios described in Diagram 1 below.

**Diagram 1: Territorial Economy Scenarios**



SOURCE: JORG MYER-STAMMER

The four types of economies that emerge from the matrix towards competitive advantage creation strategy-making are:

- (1) **Growing district economy with strong economic structures** (typified by a long history of economic development, competitive value chains/clusters with highly functional producer-firm relationships, and developed locational factors).
- (2) **Growing district economy with weak economic structures** (typical of a local economy in the early stages of growth driven by an emerging value chain/cluster but with business and financial services and locational factor deficiencies).
- (3) **Emerging district economy with weak economic structures** (typified by limited local production activities, shallow business sector, merging sectors with limited activity but some growth potential including subsistence agriculture, and where the main sources of income include such as remittances, development aid flows and government transfers).
- (4) **Stagnating or declining district economy with strong economic structures** (typified by the loss of a major industry or the decline of a major business sector or sectors, or perhaps that never had a competitive edge and stakeholders either are not or are having difficulty in addressing this).

The target study territories resemble Type 2/3 economies above: additionally, stakeholders have not been addressing the creation of a competitive edge.

### 1.2.3 LED Strategies

Under the 'pragmatic LED' approach, common LED terms such as 'LED strategies' and 'LED strategy-making' can be misunderstood as there is only one overall LED strategy for accelerating inclusive growth

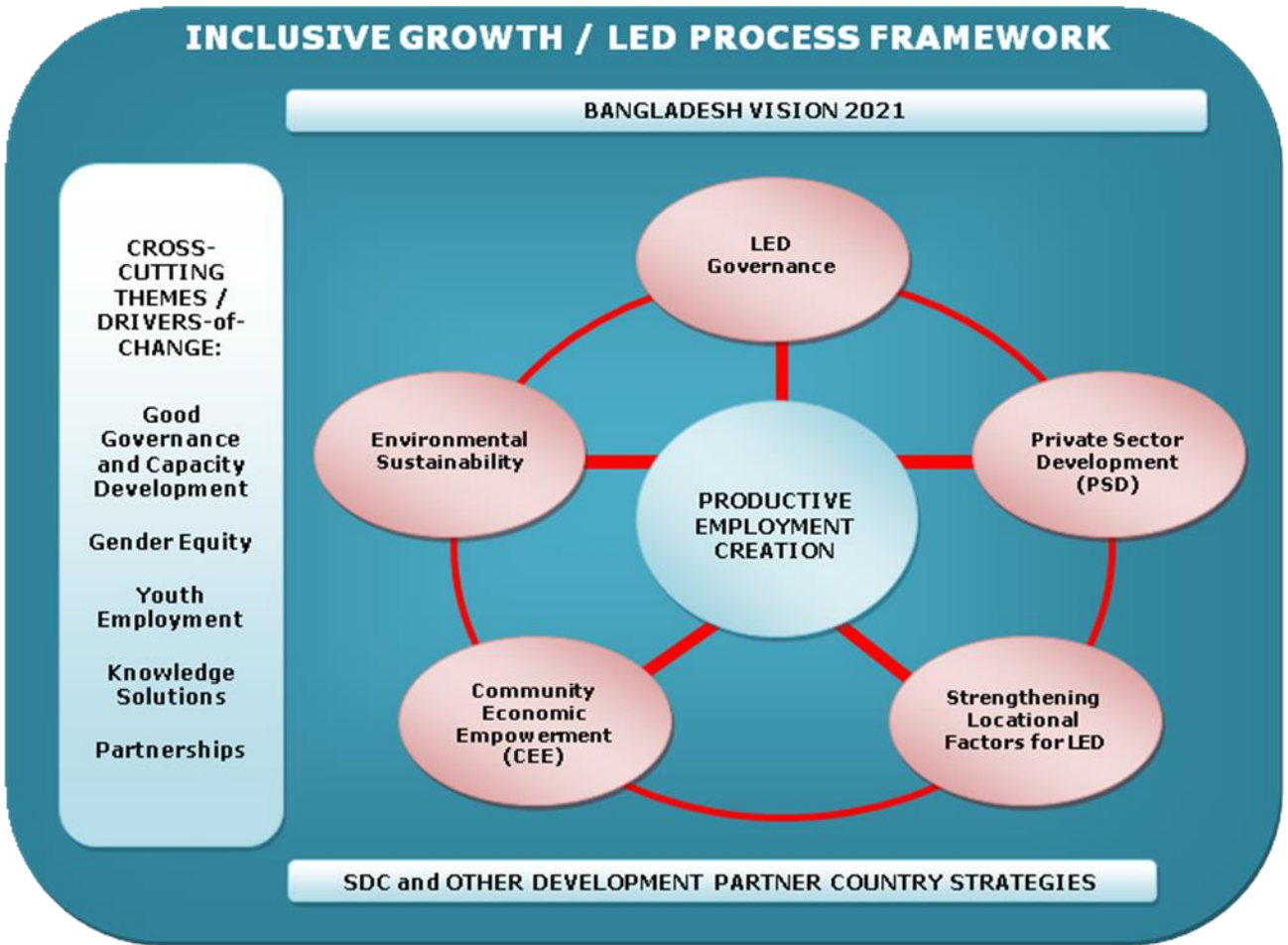
which is to build a key or unique competitive advantage. Other LED strategies are best considered as various responsive initiatives contributing to the overall strategy and/or to exploit its multiplier employment impact (in building the competitive advantage or growth spin-off) and/or some critical foundations that may need to be laid for improving overall economic performance and making growth more inclusive. Examples of these include:

- Optimizing the use of labour-based technologies and community contracting in the provision of infrastructure to create more immediate job opportunities for the poor.
- Improving the subterritory skills development effort so that it benefits the local economy.
- Better stakeholder sector coordination and employment creation accountability (such as in infrastructure, skills development, business and financial services and so forth).
- Making the local public administration more business-friendly.
- Gender equity.
- Strengthening local business networks.
- Mainstreaming green jobs and green growth.
- Community economic empowerment (CEE).
- Development of nonfarm economic and employment opportunities accruing from increased consumer purchasing power accompanying inclusive agricultural growth.

#### **1.2.4 LED Programme Framework**

An appropriate inclusive growth/LED programme framework for the target territories should inter alia be responsive to integrating the different fields of economic development to leverage growth and employment impact, promoting good practices in sectors and subsectors, effectively engaging ultimate target beneficiaries and ensuring that growth is environmentally sustainable. The suggested responsive framework which also accommodates the Bangladesh Vision 2021 and SDC's country programme strategy as well as those of other development partners (for their buy-in) is presented in Diagram 2 below.

#### **Diagram 2: Suggested Inclusive Growth / LED Process Framework**



(a) LED Governance and Capacity Development

Governance in LED is about shaping the LED effort and managing it such that it develops smoothly. At entry, LED initially requires an initial voluntary core group of key local public and private stakeholders. The popular way of governing an LED initiative is to create a Local Economic Development Forum (LEDF) which brings a core group of key stakeholders together regularly and whose main role is coordination, leveraging and troubleshooting. Other important stakeholders and actors are accommodated in LED efforts via working groups of the LEDF (e.g. value chain upgrading, infrastructure planning and coordination, local business environment reform issues and so forth). The LED Forum is a gathering of organizations and individuals that are involved in local economic development and not a representative institution for all involved in development at which the core LED group should consist of those with an interest in building LED momentum.

The capacity development needs of the target study area stakeholders are summarized in Chapter 2 / Section 2.3.

(b) Private Sector Development (PSD)

There is no LED without competitive business growth and expansion. Producers and enterprises are the main clients of LED which addresses three types: (1) business retention and expansion (the most relevant to the study areas); (2) start-up promotion including entrepreneurship promotion; and, (3) investment promotion.

Value chain upgrading and cluster development are cross-cutting initiatives that systemically address all three types. Also relevant to PSD is an enabling business environment where practical activities include creating a business-friendly public administration and strengthening local business networks.

Potentials for PSD and other areas of relevance for LED in the study areas are presented in Chapter 2 / Section 2.4.

### (c) Locational Factors

An important thrust of LED processes in the study areas will be addressing locational factor deficiencies for accelerating inclusive growth. Locational factors consist of tangible and intangible factors. Instruments targeting the strengthening of tangible locational factors to create strategic competitive advantages include transport and communications infrastructure development, real estate development, skills development programmes, fiscal incentives and subsidies, and predictable energy and environmental costs. Instruments targeting the strengthening of intangible locational factors that make living conditions more attractive for workers, entrepreneurs and the wider local population include improving the quality of local housing and neighbourhoods, improving the quality and availability of education and health services, securing good environmental quality, increasing the availability of sports and cultural infrastructure, and so forth.

The important locational factors and related issue in the target study areas are covered in Chapter 2 / Section 2.5.

### (d) Community Economic Empowerment (CEE)

Under the definition of LED provided in Section 1.1.1, empowering hitherto marginalized groups essentially means that ultimate LED target beneficiaries have access to information on productive employment and economic opportunities and the means to engage in or develop them (e.g. infrastructure, technical and vocational skills training, business and financial services, etc). Importantly, it also means that the poor can participate in informed local development decision-making and planning as envisaged by decentralized development.

CEE is a community capacity building process at two levels, firstly for sequenced timebound poverty reduction for poor communities, and secondly for preparation of community and inter-community development plans for inclusion in local development planning and grant allocations (and to solicit funding from other sources). The pro-poor potential of CEE in the study areas is explored in Chapter 2 / Section 2.6.

### (e) Environmental Sustainability

In the era of global concern over climate change and environmentally sustainable growth, LED must responsively promote green growth and green job creation in the context that economic development activities are undertaken in a manner that ensures the local resource base and biodiversity is left intact (and even enhanced) for future generations. Climate Change Attribution (CCA) [comprising mitigation (reduction of carbon emissions) and adaption (to the adverse changes resulting from climate change)] is now a major concern for all economic development planning and programming. Changing weather patterns and seasonal natural disasters affect communities across Bangladesh including the study area while these and population pressure threatens the natural resource base that so many people depend upon. Also of significant relevance is the prospect that Bangladesh will receive substantial CCA funding which with responsive capacity building local stakeholders can also programme into productive employment creation.

Environmental sustainability issues and pro-poor potentials relevant to the study areas are elaborated in Chapter 2 / Section 2.7.

## **1.2.5 Starting and Sequencing an LED Effort**

A practical quick-start entry point in targeted territories for a support project is to arrange with the key institutional focal point to gather a core group of local stakeholders (likely to contribute proactively to an LED initiative) for an introductory LED sensitization delivered through the LED Café approach focusing mainly on participatory elaboration of the concept of a key competitive advantage and identification of quick-win activities. Subsequent LED effort sequencing has three phases:

1. ENTRY PHASE of about 12 months during which the main LED institutions are established, initial stakeholder capacity building delivered, the initial Growth and Employment Profile (GEP)<sup>2</sup> is prepared, quick-win activities identified and implemented to build early momentum and create stakeholder interest and confidence in the LED effort, and strategies for the next sequencing phase agreed and translated into action programmes, activities and investment plans for resource allocation and mobilization.
2. MOMENTUM-BUILDING PHASE of at least 3 years and possibly longer until the LED effort is clearly maturing into a key competitive advantage with scale outreach and impact.
3. STRATEGIC LED PHASE which is continuous for maintaining the key competitive advantage and may further involve strategic cooperation with neighbouring territories under a regional umbrella. Stakeholders will also develop strategies for further upgrading economic performance of the territory (e.g. attracting industrial investment that benefits the territory) and diversifying the economic base.

## 1.3 LED and Related Initiatives

### 1.3.1 Emerging LED Initiatives

The Local Government Engineering Department (LGED), ILO and UNDP have evolving LED initiatives in Bangladesh. Backstopped by DANIDA, the Local Government Engineering Department (LGED) has recently published a selective tender for technical consultancy services to develop LED processes in 5 Upazilas (4 in Noakhali District and 1 in Laxmipur District) based on an LED manual developed for LGED by DANIDA. The approach here is various stakeholder capacity building workshops complimented by value chain, infrastructure and other assessments leading to a final stakeholder LED investment plan workshop. The manual has no central LED strategy focus such as creating a key competitive advantage but applicants can propose technical approaches.

ILO has just completed design of its pilot LED project for several municipalities in the greater Dhaka area. The project is a component of the UNDP UPPR programme and is mainly employment-creation focused based on components of ILO's employment department including value chains, small enterprise development, social finance, cooperatives, skills development for informal sector employment, employment-intensive infrastructure, and related stakeholder capacity building. The project also does not have a key competitive advantage focus. Design of UNDP's LED programme for the Chittagong Hill Tracts (CHT) is complete using an practical approach similar to that suggested in this Report.

Inter-cooperation is exploring the establishment of LED platforms at Upazila-level mainly centred on a membership of local BMOs and NGOs Stakeholders, the latter to link local communities with services provided by BMOs. These groups were selected to lead the platforms as they are more permanently resident compared with government officials that are regularly changed. Inter-cooperation is considering a LED agenda for this.

### 1.3.2 LED-Related Initiatives in Areas Visited

LED-related projects in the study areas include the Urban Partnerships for Poverty Reduction (UPPR) Programme in all three municipalities visited, Katalyst Improving Local Governance for Services Programme (ILGSP) in selected Upazilas of Natore and Habiganj Districts, and Urban Governance and Infrastructure Improvement Programme (UGIIP) 2 in municipalities of Natore and Dinajpur. The District and Upazila local administrations are implementing their annual infrastructure and agricultural extension work plans. Municipalities are also awaiting a second phase of funding from the World Bank for the Bangladesh Municipal Development Fund (BMDF): grants to date are invested in urban infrastructure.

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<sup>2</sup> A Growth and Profile Employment Profile (GEP) is a living document supporting LED stakeholder strategy-making. Its scope at point of initial preparation or updating is determined by the stakeholders responsive to LED priorities. Its content includes basic socio-economic facts (for the overall territory and in more detail for targeted sub-territories), a perspective of pro-poor LED potentials in the context of each of the components of the LED framework, and conclusions for stakeholder strategy-making. The GEP includes relevant assessments.

## **1.4 Entry Points, Stakeholders and Institutional Framework**

### **1.4.1 Territory Considerations**

Before initiating the LED process, the territory or the entry point for LED needs to be carefully defined. Responsive to the findings in Section 1.1 and Annex 4, the territory should be such that it offers scope for inclusive and job-rich growth impact for large numbers of clients (producers, enterprises, service providers, workers, etc) and ultimate target beneficiaries, and participation of key public and private decision-making institutions [such as local development authorities, line agencies, business membership organizations (BMOs), producer groups and others] to drive a collective LED effort.

As the majority of LED ultimate target beneficiaries are located in the rural agriculture sector in the target areas, product-specific value chain upgrading can be expected to play a pivotal role in building a key competitive advantage. Thus the majority clients of LED will be the producers, workers and enterprises (i.e. traders, service providers and other) who participate or could participate in the value chains prioritized for upgrading by stakeholders (on the basis of the highest pro-poor employment creation impact potential).

This has a strong implication on the overall territory we define for LED intervention. If the territory is too small (for example in the context of Bangladesh, a Union Parishad), the scope for benefiting large number of beneficiaries becomes thin since actors in the backward and forward linkages of the value chain will most likely be missing as may key LED decision-making stakeholders. If it is too large (for example, a Division), the economy is too diverse and disperse for focusing interventions and managing the expectations of a large diverse group of stakeholders and beneficiaries.

Other issues to be considered in defining the LED territory include: (1) what LED ultimately needs to achieve (which as elaborated Section 1.1 for the areas studied is employment-centred and inclusive local economic growth at scale especially for rural beneficiaries); (2) the niche of LED (which as per Section 1.1 is adding a component for stakeholder inclusive growth strategy-making to complete the local development agenda); and, (3) providing a broad range of public, private and civil society institutions and organizations (including local authorities, government line agencies and departments, BMOs, business and financial and vocational training service providers, etc) with the incentive to participate in a collective LED effort.

### **1.4.2 Assessment of Municipalities as LED Entry Points**

As required by the study ToRs, the appropriateness of the three municipalities as LED entry points was assessed. For this we considered: (1) scope to integrate large number of producers and enterprises participating in key product specific value chains on which the LED efforts are expected to substantially focused; and, (2) scope to facilitate key public and private stakeholders in partnerships for LED strategy-making and implementation.

On both these fronts, the municipality appeared to be weak as an entry point.

The Municipality Act 2009 provides scope to the municipalities to initiate projects through which they can generate revenues and also to establish various public-private partnerships. All three municipalities have well-defined services which are of 3 main types – engineering (water, roads, sanitation, drainage, street lamps, electrical, vehicles), administration (education, tax, licensing, and bazaar management) and health and conservancy (medical, conservancy, health and family planning). The municipalities have relatively strong locational factors contributing to an enabling environment for business (tax, licensing, market infrastructure, roads, electricity, water, etc), one of the cornerstones of LED.

However, municipalities are not mandated to go beyond their designated administrative boundaries. The product specific value chains found to have the highest potential for pro-poor growth are mostly rural and

concentrated on several Upazilas within a district. For example, in Habiganj, we found good potential for further expansion of duck rearing on the haor area which is amongst the top duck rearing zones in the country. Habiganj is also a major rice production district in Bangladesh but the major production clusters of Baniachang and Chunarughat are located outside the Habiganj Sadar Municipality while production expansion scope exists in the rural Upazilas of Lakhai, Madhabpur, Ajmeriganj, Nabiganj and Bahubol Upazilas. Habiganj District (Zila Parishad) has 6 municipalities and 8 Upazilas. Thus, if the LED effort is concentrated in the Sadar Municipality area, it will fail to create an impact on the major local economic sector that engages the highest number of LED clients and ultimate target beneficiaries. For maximum impact, this means the LED effort needs to be spread on several municipalities and Upazilas.

Municipal services are confined within urban territories or the township and municipalities do not cater to the vulnerable poor population of the district residing within Upazilas and Unions beyond the municipal boundary. These population groups are also among the key economic agents for the major value chain and private sector business potentials identified in the study districts. If used as LED entry point, the municipality will fall short of reaching core economic agents of the respective district. Also, the municipal administrations clearly noted out that the territorial definition is very important for the municipality as it has conflicting issues in regard to municipal tax and services. For example, the Dinajpur municipality reported that they have certain pockets of voters under the municipality who cast votes but refuse to pay municipality taxes making a point that they belong to the Union Parishad but not on the municipality.

The poor population under the municipal area, which is pre-dominantly urban, is engaged in diversified range of economic activities. This is specifically evident from the profile of the beneficiaries reached by the UPPR. The beneficiary profile for UPPR is reflected on the following excerpt from a case study of the programme: *"The residents of Rishipara are generally employed as house servants, day labourers, rickshaw pullers, cobblers, cooks, barbers and garment workers and average monthly income is approximately 3,000 Tk."*<sup>3</sup> The scope is more for social mobilization-type community development rather than for community economic empowerment: *"Altogether 139 community volunteers assembled to unblock almost 1,000 feet of the Municipal drain in six days, with both the Municipality and the community contributing rakes, wheelbarrows, baskets, spades and crowbars.... Arguably the greatest achievement from this community-led event, however, is the evidence that if a community is united it can be empowered to not just make but also act upon decisions that affect their lives."* There is a potential conflict with UPPR if the LED programme is centred in municipalities: the mandate of UPPR covers community empowerment, settlements improvement, livelihoods improvement, supports for the extreme poor, town-level economic development and poverty reduction, capacity building, social problems and policy advocacy.

Under 'settlements improvement', UPPR is expected to fund and provide technical support for the development and implementation of community contracts for the construction of basic services such as sanitation and water supply, and access to environmental improvements such as drainage, solid waste management and cleaning of ponds. This has a potential overlap with the LED component for strengthening infrastructure and other locational factors.

It is stated that for livelihood improvement the emphasis will be on supporting access to livelihoods opportunities that are outside the slum-based economy through developing links with town-level private sector organizations such as trade and industry-based federations. Besides, the project is expected to provide technical and financial support for the preparation of town economic development and poverty reduction strategies with the participation of local government, the private sector, civil society, academic institutions and urban poor community representatives. The basis of the project's capacity building approach is to build long term sustainable relationships between urban poor community leaders, the local government and service providers. All of these have potential overlap with the concept of public, private and civil society partnership in LED. Even though the approach of LED will certainly differ from the approach of UPPR on

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<sup>3</sup> <http://www.upprbd.org/cms/ItemlibManagement/ItemLibrary/Doc/IL-124.pdf>

economic development and involvement of public, private and civil society partnership for the process, the local stakeholders including the municipal authorities will find it difficult to accommodate different approaches with similar development goals.

### **1.4.3 Alternative LED Entry Points**

As it was evident from the first field visit to Habiganj municipality that a similar limited situation for LED entry would prevail with the other two study municipalities (which was duly confirmed), we assessed three other possible LED entry points – Chamber of Commerce, Upazilas and the District Commission Offices.

A major drawback of the Chamber of Commerce and Industry is that it does not represent agricultural producers who form the largest block of economic agents in each of the three districts visited: it mostly represents urban traders, importers and exporters or SMEs. It also does not provide services to rural farmers and others: its main role is in protecting members from illegal tolls, bribes and criminal extortionists, and to control taxes.

Katalyst, UKAid, SDC, CIDA and the Royal Netherlands Embassy funded market development project has worked with the Chambers but later discontinued activities as the incentives of the Chambers were not on strategic development but on publicity campaigns. Katalyst found them more interested in seeking funds for logistics (renovation of office space, procurement of computers, furniture, etc) and administration purposes and to organize popular events like trade fairs which would help the executive committee achieve political influence in their territory. Furthermore, the activities of the Chambers were found to be periodically centred on a particular business sector represented by the members of the executive committee. Another major drawback of Chambers and BMOs as focal point LED institutions is that they are unlikely to mobilize the level of resources needed to build and sustain LED efforts.

An advantage of Upazilas as an entry point for LED is that they are an important focus for local development capacity building including development planning. Under the envisaged decentralized development planning system, Para to Ward to Union Parishad (UP)-level plans and subprojects are consolidated at the Upazila (Uz) level by the Upazila Development Coordination Committee (UzDCC). It is at these levels that the majority of LED clients and ultimate target beneficiary groups are located, engaged and addressed. Thereafter, Uz plans are consolidated at the district level by the District Development Coordination Committee (DDCC) for onward submission to central government where local development resource allocations are finalized for line agencies and departments, budgets and UP block grant allocations. In practice however, line agencies and departments still develop their own work plans and budgets which are reviewed and approved by the relevant ministries and departments in Dhaka who also control resource allocations.

The main disadvantage of the Upazila as an LED entry point is territorial scale limitations for job-rich and inclusive growth impact for clients and ultimate target beneficiaries. Upazilas would have poor leverage for simultaneously developing major LED opportunities common to several other sub-territories (e.g. the rice sector in Habiganj) while coordination difficulties with the LED efforts of other Upazilas could also be foreseen. It is unlikely that any one Upazila could facilitate broad-based stakeholder partnerships for LED efforts involving multiple sub-territories.

We found that the District (Zila Parishad) offers the best territorial scope for leveraging scale growth and employment impact and broad-based engagement of key public-private stakeholders, mainstreaming good practices and aggregation of growth and employment results. It fits the medium between too large and too small a territory for LED. Possible disadvantages are the absence of locally-elected public officials for the District Councils and weak DDCCs: capacity building can address the latter. The District may evolve as the apex of decentralized development in the future.

### **1.4.4 LED Stakeholders and Actors**

The District Commission (DC) Offices could create a district-level LEDF under its mandate for “accelerating economic development, ensuring coordination in all government activities related to ‘nation building’, and encouraging and collaborating with local self-government initiatives”. The DC is also the principal channel of communication between the district and higher levels of government: such links can contribute significantly to the sustainability of LED. The DC of Habiganj stated that his office can take ownership of inclusive growth/LED processes and coordinate amongst different agencies.

The Municipality Association of Bangladesh (MAB) is very well organized and networked. Thus as key stakeholders in the LED efforts, scope for leverage, learning and knowledge dissemination will be high. According to stakeholders at the Bangladesh Municipal Development Fund (BMDF), a major gap in urban development where LED could be of assistance is urban economic planning. LED approaches could also assist in plugging gaps in the UPPR such as capacities for employment-intensive infrastructure planning and projects implementation through community contracting including solid waste management, MSE and skills development and community economic empowerment, and creating an enabling business environment. Such support from LED can provide municipalities with incentive to contribute proactively to the LED efforts.

The Chambers and BMOs have key contributions to make to LED efforts such as taking the lead role in strengthening business and financial services delivery for competitive MSME growth, entrepreneurship promotion, value chain upgrading, local business environment reform and other. The development and ownership of BMO capacity building initiatives at local level could be strengthened by involving private sector federation-level BMOs at central level.

Upazilas are an important local development gateway to the majority of LED clients and ultimate beneficiaries in the target areas. The Katalyst ILGSP is intervening through Upazila BMOs (UzBMOs) represented by merchants’ association and multi sectoral businesses in which the Upazila has a competitive advantage. UzBMOs are representative of the poor target beneficiaries: they have more incentive to engage directly on economic issues as it has direct and immediate relationship with their business growth.

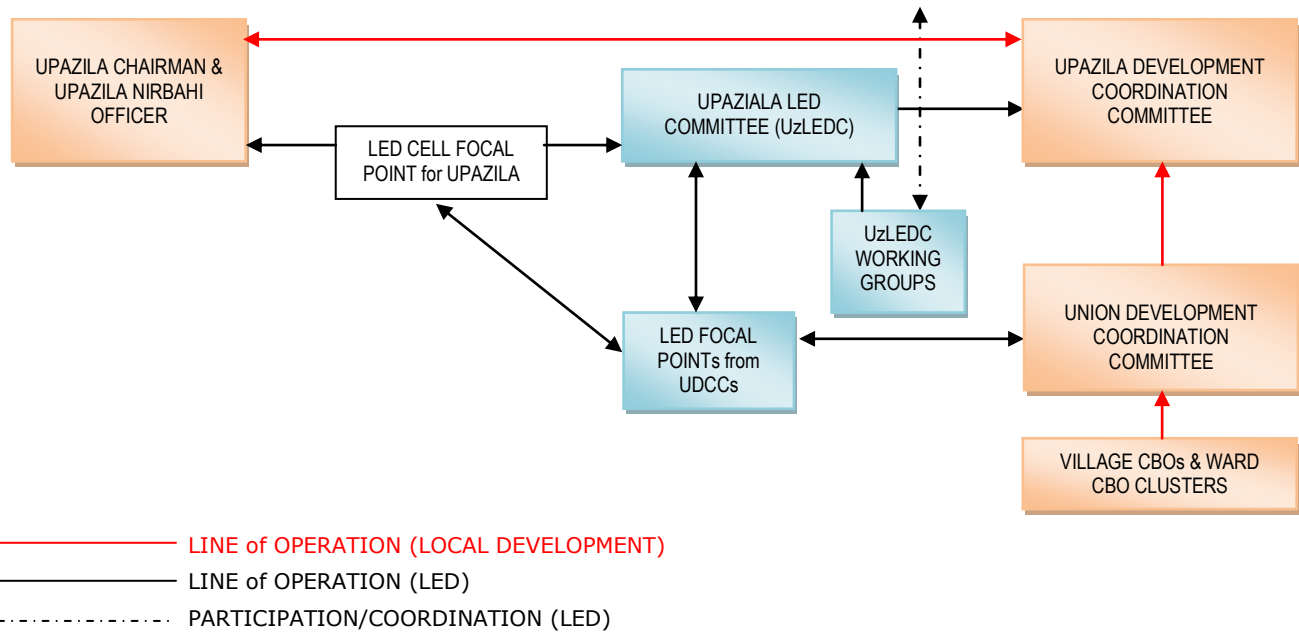
The key district level decision-making institutions and organizations for driving district LED efforts are the District Commission Offices, Municipalities, and the Chambers of Commerce and other BMOs.

Local NGOs play a crucial role in linking interventions, services and service providers to the poor and promoting gender equality while also enjoying a new emerging role as local development watchdog. They can also play an important role in results measurement of LED subprojects including baseline surveys. As there are large numbers of local NGOs in the target areas but no representative consortia, an LED support project can consider assisting NGOs to form these so that civil society can have representation on LEDFs (also towards improving weak coordination amongst NGOs).

Worker organizations represent workers which may be important for the LED efforts in the target areas given that target underemployed beneficiaries include a large proportion of landless agricultural workers who are poorly organized and lack social protection. As an effective internal and external communications strategy is important for promoting broad-based awareness and acceptance of the LED efforts, the Press Club may be an important stakeholder. Other key stakeholders and actors to be accommodated in LED efforts at District and Upazila level include various government line agencies and departments and service providers, and the Upazila Nirbahi Officers (UNOs). Respected local development, business and opinion leaders can make valuable contributions to building LED momentum: retirees may have more time to give to this than other voluntary stakeholders.

As a component of the local development agenda, inclusive growth/LED is a process requiring buy-in by stakeholders at local and national levels. Key stakeholders at the central level relevant to a Central Anchor for inclusive growth include a focal point ministry, other inclusive growth-oriented Ministries, Ministry of Finance, Planning Commission, Municipalities Association of Bangladesh (MAB), the federations of employer and worker organizations and the Press Club.





**1.4.6 LED Institutional Memberships and Positioning**

An overview of the suggested composition and roles of the various institutions is provided in Annex 5. LED experiences from Nepal strongly suggest that that the membership of a DLEDF and UzLEDC should be small in number and gender balanced (particularly to avoid possible public sector domination) and that other key stakeholders such as government line agencies be accommodated via specifically-tasksed working groups established periodically by the DLEDF and UzLEDCs (e.g. product-specific value chain upgrading, sector/subsector coordination, etc). The role of a value chain upgrading working group for example would include outsourcing value chain analysis, design of the value chian upgrading action programme, monitoring outsourced implementation and overseeing results measurement and reporting. Working groups established and tasked by the DLEDF can have matching sub-groups in relevant Upazilas.

As noted in Section 1.2.4(a), a DLEDF is a gathering of key stakeholders and individuals interested in moving the LED effort forward. Members will have different interests and motivations. The DC and Line agencies may be driven by development advancement of their own agendas. Municipalities may see opportunities to increase their revenue generation. Chamber and BMO members may have political or business gain motivation. NGOs and employer associations could be driven by prospects for increased project contracts and membership expansion opportunities respectively. Capacity building must aim to consistently align all stakeholders behind a shared vision of creating a key competitive advantage.

Institutional positioning of a DLEDF is important for its success and that of the LED effort. A formal alignment with the key focal point local development authority poses possible risks such as political interference, domination by the responsible line ministry and less engagement appeal for private sector institutional participation and contributions. If positioned too far from the local development authority, the DLEDF is unlikely to significantly influence inclusive growth planning and resource allocations for the LED effort.

As the DLEDF and UzLEDC are gatherings of key stakeholders and actors relevant to advancing the LED effort rather than broad-based development representative institutions, a solution is to pitch them as informal institutions but with an appropriate legitimate mandate to advise the local development authority on inclusive growth strategies and resource allocations, and otherwise to include design and oversight of the

implementation and results measurement and reporting of LED action programmes and activities. As there are no locally elected officials at council level, further consideration needs to be given as to which authority can/should provide this mandate.

## 2. Growth and Employment Snapshots

### CHAPTER OVERVIEW:

As a district-level entry point provides the optimal scope to leverage LED growth and employment impact for target clients and ultimate beneficiaries at scale, the Growth and Employment Snapshots provided in this Chapter cover Dinajpur, Habiganj and Natore Districts. These Snapshots are presented as a perspective of the five components of the LED programme framework in Section 1.2.4/ Diagram 2, and include a brief overview of existing SDC-financed LED-related activities and LED and sector experiences elsewhere where relevant.

### 2.1 Socio-Economic Overview

#### 2.1.1 Habiganj District

Habiganj District is located in north eastern Bangladesh and is part of Sylhet Division. It has 8 Upazilas, 6 Municipalities, 36 Wards, 77 Unions, 124 Mahalla, 1241 Mouza and 2093 Paras. The current population is estimated at around 2 million. This part of Bangladesh is characterized by alluvial plains which are dissected by various connecting rivers as well as streams, lakes. It is vulnerable to both flood and drought. Its rivers include Barak, Bheramahana, Gopala, Kalni, Kalishiri, Khowai, Korangi, Kushiara, Meghna River (lower), Ratna, Shwasanali, shutki, Sonai, Korangi, Shutang, Tentulia, Jhingri, Bizna and Yojnal.ap

The land area of 2,637 sq km is devoted mainly to agriculture due to its fertile alluvial soils with 60% of total agricultural land cultivated. Forestland accounts for 4.53% of the total land area. For cropping, 51.6% is single-crop, 38.7% double-crop and 9.7% triple-crop. The workforce composition by sector is agriculture 42.26%, agricultural labourer 20.55%, wage labourer 6.45%, commerce 8.2%, services 4.69%, industry 1.7%, fishing 2.73% and others 13.42%. The literacy rate is 45%. Mineral resources include natural gas, silica sand, mineral sand. The 3 natural gas fields are Rashidpur gas field (1960), Bibiana gas field (1998) and Habiganj gas field (1963). The approximate stock of these gas fields is 5.5 trillion cubic feet.

There are 126 hats and bazaars and 23 fairs. Habiganj has a large diaspora in the UK and high remittance levels. Diaspora investment in urban shopping complex construction in urban areas of the District has been increasing in recent years. The road network comprises 321 km pucca, 205 km semi-pucca and 1592 km muddy. There is 107 km of operational railway. Habiganj is famous for folk Literature: *Mathura Sundari* and *Dhupar Path*. The main poverty pockets are Lakhai, Ajmeriganj and Baniachang Upazilas and the main cause is seasonal displacement by flooding.

Outline information on potential LED target value chains in Habiganj District is provided in Section 2.4.2. Other PSD potentials for further elaboration include:

- The main crops are rice, tea, wheat, potato, jute, groundnut, Betel leaf and oil seed. Tea gardens cover 15,700 ha while there are 3 rubber gardens. The main fruits are mango, jackfruit, banana, litchi, coconut, lemon, pineapple and blackberry.
- Industries (small in number) include textile mill, umbrella factory, flour mill, rice mill, ice factory, soap factory, dry fish processing center and biscuit factory. Popular cottage industries include weaving, bamboo work, goldsmith, blacksmith, pottery, tailoring and welding.
- There are over 1500 fish, dairy and poultry enterprises.
- The main exports are paddy, fish, shrimp, frog-legs, dry-fish, tea, Betel-leaf, dates, molasses, rubber, bamboo, natural gas, oil and textiles.

### 2.1.2 Natore District

Located 220 kms from Dhaka in northern Bangladesh, Natore District has an estimated population of 1.8 million. It part of Rajshahi division and consists of 6 Upazilas and 8 municipalities including Natore Town with a population of around 85-90,000. Lalpur Upazila has the lowest average annual rainfall in Bangladesh. Natore's major rivers include Atrai, Baral, Narod and Nandakunja. Most of the landmass of 1896.05 sq km is plain land; Chalan Beel, the largest of its kind in Bangladesh, is partly located in Natore. The average literacy rate is 59%.

Of the total cultivable land area of 142,880 hectare, 72% is single crop, 25% double crop and just 3% triple crop 3%. Around 29% of rural households are landless while 37% are small farmers, 25% middle farmers and 9% well off farmers. The workforce composition is agriculture 41.75%, agricultural labour 28.84%, wage labour 3.01%, commerce 10%, services 5.02%, fishing 1.32% and others 10.06%. There are 152 hats and bazaars and 13 fairs. The main poverty pockets are in Shingra and Gurudaspur Upazilas and the main cause is landlessness.

Outline information on potential LED target value chains in Natore District is provided in Section 2.4.3 of this Chapter. Other PSD potentials for further elaboration include:

- The main crops are paddy, wheat, sugarcane and Betel leaf.
- The main fruits are mango, jackfruit, banana, coconut and litchi.
- Industries (small in number and size) include sugar mill, rice mill, oil mill, flour mill, printing, industrial alcohol, biscuit factory and ice factory: Pran has a food processing presence.
- Cottage industries include potteries, goldsmiths, blacksmiths, mat-making and other.
- Natore town is famous across Bangladesh for its unique 'Kacha Golla' sweet.
- The main exports are sugar, paddy and vegetables.

### 2.1.3 Dinajpur District

Dinajpur District is part of Rangpur Division in northern Bangladesh with 8 Upazilas and 2 municipalities, a population approaching 3 million and a land area of 3,437.98 sq km: cropping intensity is 183%. The main rivers are Dhepa, Punarbhaba an Atrai. Around 40% of rural households are landless while 30% are small farmers, 25% middle farmers and 5% well off farmers. The workforce composition is agriculture 42.85%, agricultural labour 29.19%, wage labour 2.48%, commerce 10.2%, transport 1.67%, service 5.58% and others 8.03%. The average literacy rate is 60%. Dinajpur is highly rich in coal resources: the Boropukuria Coal Mine powers a 250MW generation plant.

The main poverty pockets are Kaharol, Khanshama and Birol Setabganj Upazilas where lack of cash crop diversity limits production incomes and wage labour opportunities.

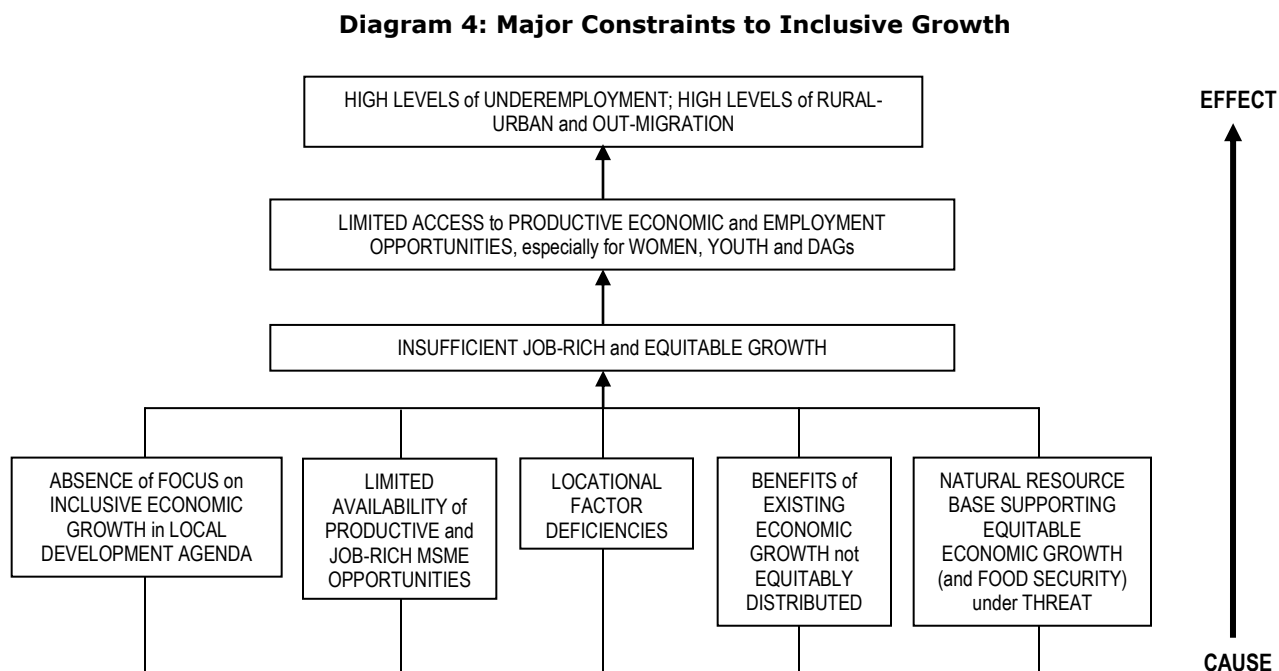
Outline information on potential LED target value chains in Dinajpur District is provided in Section 2.4.4 of this Chapter. Other PSD potentials for further elaboration include:

- Dinajpur is famous for production of 'Katharivog' rice as well as litchi and mango, and is rich in wheat production.
- Other crops and fruits include maize, potato, brinjal and tomato, and jackfruit, banana and blackberry.
- Industries (small in number and size) and cottage industries include rice milling, wheat grinding, noodle making, mustard and other edible oils, jute products, brick-making, Sal leaf, plastics, artisanal handicrafts (wood/bamboo/embroidery/sola work), furniture making and other.
- The area has some cultural tourism features attracting relatively small numbers of domestic tourists.

## 2.2 Summary of Overall Constraints and Pro-Poor Potentials

### 2.2.1 Overall Constraints to Inclusive Growth

Based on feedback from stakeholders and other observations the common major constraints to local inclusive growth in the three target areas are summarized in the problem tree in Diagram 4 below.



### 2.2.2 Summary of Main Pro-Poor Potentials

The major overall pro-poor potential or pro-poor value of LED for the target areas would be systemizing employment-centred and inclusive growth in the decentralized local development agenda under locally-owned partnership efforts by key public, private and civil society stakeholders. This would compliment the existing local development component for poverty reduction while providing an appropriate avenue for channelling long term government and donor resources to LED efforts.

As further elaborated in Section 2.4.2, value chain upgrading potential for accelerating local inclusive growth exists in all three districts visited. Local and regional market spin-off potential exists for employment creation in farm and nonfarm MSME activities and skills development for informal sector employment (specific local gaps and niches to be duly elaborated through focused GEP assessments). More immediate employment can be created for needy households and communities by increasing investments in employment-intensive infrastructure optimizing labour-based approaches and community contracting (also to bolster the purchasing power of very poor households undermined by rising inflation). Opportunities also exist for labour-intensive works in environmental conservation and upgrading as well as disaster risk management (including climate change attribution) such as water harvesting and flooding prevention.

LED enables stakeholder capacities to consistently focus on pro-poor growth and employment creation. Opportunities exist to empower impoverished and disadvantaged communities to effectively engage in productive economic and employment opportunities and local development planning.

## 2.3. LED Governance

The emerging, growing target area economies have never had an LED effort and most stakeholders have no experience of and limited absorption capacity for LED. Most public stakeholders met perceive LED as infrastructure. The Deputy Commissioner of Habiganj stated that “*local stakeholders need a mindset change*”. Capacity building training and progress review events should therefore continuously align the core stakeholders behind a shared vision of creating a unique competitive advantage with significant pro-poor employment impact: progress checks on position should focus on where stakeholders have got to as well as perspective of what remains to be done to get there. All stakeholders will have at least some initial difficulty grasping the concept of competitiveness. As LED efforts begin to mature after several years of sustained, gradual momentum-building, stakeholders can consider more strategic LED approaches.

It will be important to ensure that stakeholder capacity building manages anticipated high stakeholder expectations with the realities of rolling-out LED efforts and gradually building LED momentum. The DLEDF is likely to focus initially on two product-specific value chains adding one or two more annually, and complimentary connectivity, production and marketing infrastructure planning and investments. Managing the tensions and potential for conflict that can prevail between some sets of LED stakeholders and actors that can adversely impact on the LED efforts will also be important for the success of the LED efforts.

The LED process should include a strategy and activities for communications which will be important for promoting broad-based acceptance of the LED efforts and approach, and also for gender to ensure that women are equitably targeted for economic and employment opportunities and contribute to LED strategy-making: every LED strategy, action project and subproject should have a gender equality component.

Based on the draft LED institutional framework in Section 1.2.6, an overview of the capacity building needs of the various institutions and stakeholders is provided in Table 1 below.

**Table 1: Overview of Required LED Stakeholder and Actor Capacity Building**

LEVEL	INSTITUTIONS / STAKEHOLDERS / SERVICE PROVIDERS	REQUIRED RESPONSIVE CAPACITY BUILDING
<b>Support Cells</b>	LED Cells and personnel at national, district and Upazila levels	Full LED training including role as per Annex 5/Section 1; LED process management support training including finance; results measurement and reporting training; institutional development support
<b>National</b>	Bangladesh LED Central Anchor	Sensitization on the LED process and the Project’s role in systemizing LED in decentralized local development; Training in LED role as per Annex 5/Section 2; institutional development support as relevant
	Working Groups of the Central Anchor	Sensitization on the LED process; Subject matter training and capacity building as relevant
	Focal Point Ministry	Sensitization on the LED process and the Project’s role in systemizing LED in decentralized local development; Training in LED role as per Annex 5/Section 4
<b>District</b>	District Commission Offices and government line agencies and departments	Sensitization on the LED process and the Project’s role in systemizing LED in decentralized local development; Training in LED role as per Annex 5/Section 5
	DDCC	Sensitization on the LED process and the Project’s role in systemizing LED in decentralized local development; Training in LED role as per Annex 5/Section 6
	DLEDF	Full LED training; training in LED role as per Annex 5/Section 7; support for management and coordination meetings, exchanges and field monitoring

	DLEDF-WGs	Sensitization on the LED process; comprehensive LED training in subject-matter areas; training in LED role as per Annex 5/Section 8
<b>Municipality, Area and Community</b>	Municipalities	Sensitization on the LED process and the Project's role in systemizing LED in decentralized local development; role and related capacity building training to be elaborated
	Chamber of Commerce and Industry and other BMOs (including BMOs at Upazila level)	Sensitization on the LED process; roles and related capacity building training to be elaborated
	UzDCC and UDCC	Sensitization on the LED process and the Project's role in systemizing LED in decentralized local development; UzLEDC training in LED role as per Annex 5/Section 9; UDCC role and related capacity building training to be elaborated
	UzLEDC-WGs	As DLEDF WGs above
	Village CBOs and Ward Clusters	(Via CEE training) sensitization on LED process and how to access productive economic and employment opportunities and the means to develop these, engagement in participatory infrastructure planning processes, preparation of the economic content of community/inter-community action plans, etc
<b>Implementation</b>	Service providers and implementing partners	Training of CEE facilitators for onward CEE training of target marginalized communities; skills training/upgrading of other service providers and implementing partners in specific action programme services/ implementation subject areas; support to sectoral service provider coordination and accountability

## 2.4. Private Sector Development

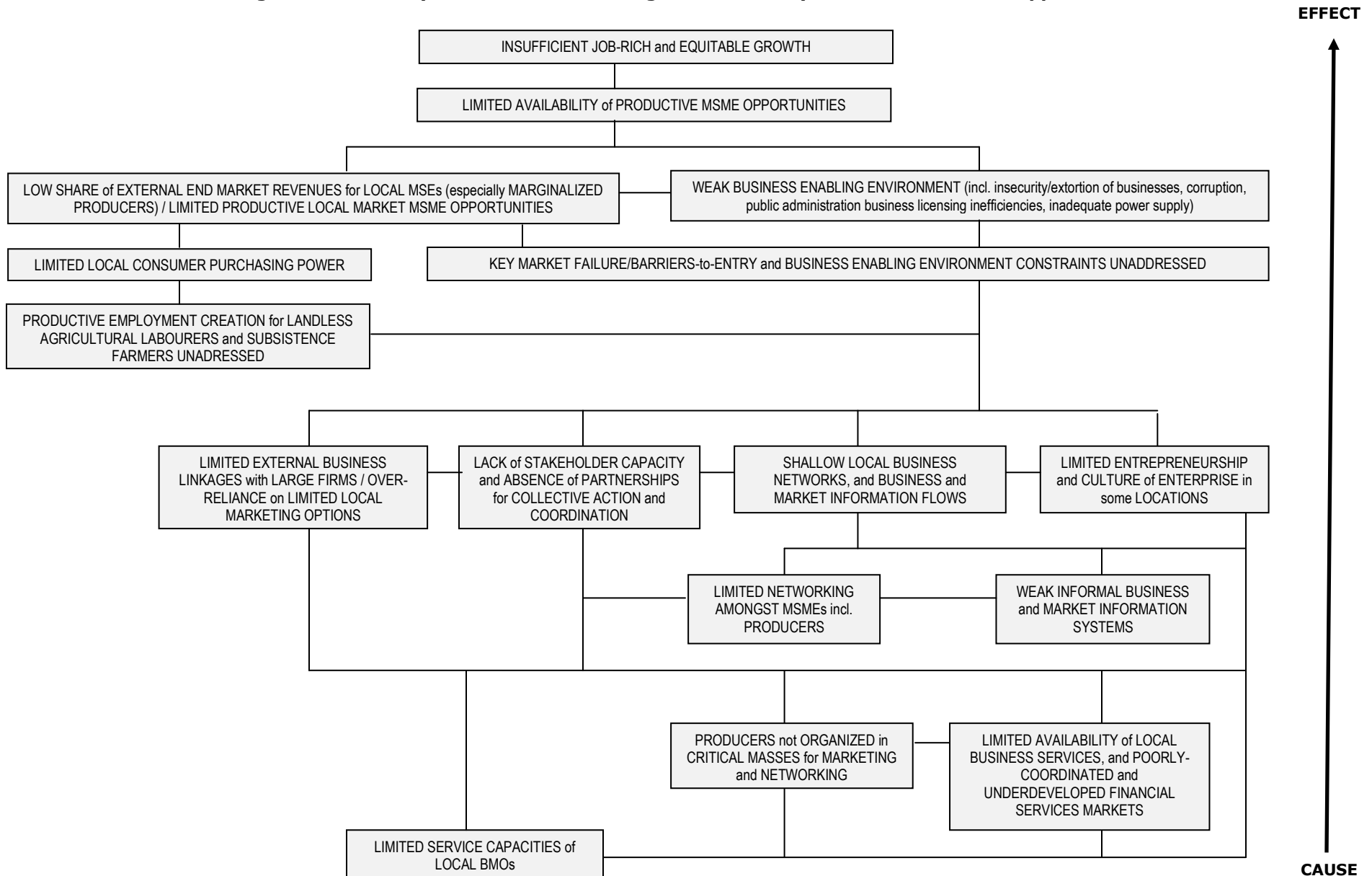
### 2.4.1 Overview of PSD Constraints

The problem tree summarizing constraints that limit the availability of productive MSME opportunities in the target locations is provided in Diagram 5 overleaf. The concept of 'competitiveness' is missing amongst producers and enterprises and their representative organizations as well as extension services. This will be a key area for capacity building.

Employment creation and inclusion shortcomings of agricultural value chain upgrading initiatives include:

- Limited focus on creating more and better quality employment for landless farm workers who comprise over half of the rural workforce, and improving labour productivity.
- Main focus on middle-poor and commercial farmers due to difficulties engaging with very poor subsistence farmers.
- Inadequate emphasis on addressing value chain finance issues, especially for small farmers.
- Weak ownership transfer to and capacity building for value chain stakeholders for networking to sustain value chain competitiveness post-project.
- Limited emphasis on crop diversification.

**Diagram 5: Summary of Constraints Limiting the Availability of Productive MSME Opportunities**



Most programmes and projects appear to have difficulty reaching the hardcore because their preoccupation with daily survival needs often precludes their involvement in projects. In most situations the main entry-point for engaging very poor farmers and farm workers is community development. Much more proactive engagement will be required at community level to organize and upgrade the skills of workers and farmers to that they can engage in value chain initiatives as producers and workers (see also Section 2.6).

LED support projects should allocate some resources for assisting local stakeholders to identify and kick-start competitive diversified business activities with pro-poor income and employment growth potential even though there may be a lead-time to generating momentum at scale.

Business enabling environment constraints common to the three locations include inefficient business registration and licensing, and weak business networks compounded by lack of producer organization. Strong business networks are crucial for facilitating business linkages and information flows as well as dialogue on business issues leading to affirmative action on addressing market failure/barriers-to-entry and business environment reform. In the target districts, networking promotion activities could include the Chamber organizing an entrepreneurs coffee morning with an invited speaker to stimulate discussion around a particular pressing business issue. All three districts are rich in Hat Bazaars and Fairs which potentially provide excellent platforms for exposure of local business and financial services (mini service exhibitions) and networking between enterprises and producers.

Many local producers in the target districts have little or no access to market information and are price-takers. This is compounded by widespread lack of producer organization and weak local market and business information systems (including information on major crop production and marketing opportunities and potential opportunity development services and marketing options available for productive returns), which together with organization in critical masses are important factors for improving the bargaining position of producers. This is in turn compounded by limited availability of business and financial services for all existing/would-be entrepreneurs from marginalized groups. Assessments of gaps and niches for farm and nonfarm MSE opportunities in local markets are not available.

Lack of information is a common problem for producers and enterprises in the study areas and is often wrongly simplified by development practitioners as lack of producer access to market price information: information needs are more elaborate such as where to find buyers, where to find inputs, where to find advice/training for farming/business, where to find credit and so forth. This type of situation arises because small business proprietors and producers have either never learned how to actively seek information and/or are not involved in a social or networking system where relevant information is freely available and exchanged. It is important in locations with weak economic structures and shallow business networks to stimulate/support a learning process amongst producers and small businesses where firstly, available information is shared, and secondly, where the actors actively seek information that is not locally available.

All entrepreneurs require access to a variety of business services (BS) and financial services (FS) to start and expand enterprises. Many important BS required by entrepreneurs and producers scarcely exist in the locations visited: examples include business skills training and counselling, producer group building and networking, product design and development, quality issues training, private agricultural extension services filling the sizeable gap in the service delivery capacity of local government line agencies, and so forth. In response to limited entrepreneurship and a culture of enterprise, special efforts will be required to promote women and youth entrepreneurship as these groups are particularly marginalized in access to enterprise and employment opportunities and have the highest un/underemployment rates.

Aggressive competition amongst MFIs has been creating a problem of client and institutional indebtedness. LED will need to facilitate better cooperation and coordination amongst MFIs and other FSPs as well as broad-based introduction of financial literacy education training. The issue of lack of access to finance for producers as well as other value chain actors needs to be more comprehensively addressed by

value chain initiatives. Specific financial products need to be developed for youth MSE start-up and for youth out-migration.

As regards entrepreneurship promotion at the microenterprise and income generation level, there is a lack of appreciation amongst development practitioners that they are preparing clients for private sector activities. These are typically regarded as non-private sector and treated to subsidized project income generation support. While initial productive asset and services subsidy is an appropriate intervention strategy for very poor beneficiaries, a shortcoming of many projects is the absence of sustainable exit strategies whereby beneficiaries are engaged in market systems with access to business and financial services on commercial terms. Some beneficiaries are repeatedly targeted by subsequent projects creating a dependency syndrome.

Business is business at all levels of micro, small, medium and large enterprises, and therefore to be managed from sound commercial principles where profit and wealth accumulation with social responsibility by entrepreneurs is the overall objective. Bangladesh's definition of the PS provides some useful guidance.....*"The PS is the part of a nation's economy which is not controlled by the government, the national economy made up of and resources owned by private enterprises: part of an economy in which goods and services are produced and distributed by individuals and organizations that are not part of the government or state bureaucracy. The PS includes the personal sector (households) and corporate sector (firms), and is responsible for allocating most of the resources within an economy. The PS also covers all types of market players including the self-employed and producer groups in the informal economy, small, medium and large enterprises, and transnational companies"*.

Youth are poorly targeted for entrepreneurship development and broader empowerment while little attention is paid to business issues awareness-raising, business development and entrepreneurship promotion by local media. Insufficient attention is being directed at attracting that inward investment or linkages with large external firms that would add value to the local economies (including factors that need to be addressed to make the locations more attractive). The Chambers and municipalities could play a key role in this but lack capacity.

## **2.4.2 Overview of Potential Target Value Chains in Habiganj**

### **(a) Rice Milling**

Habiganj is one of the foremost rice production districts in Bangladesh. It has a surplus production and this has stimulated growth in rice milling in the district. There are more than 50 rice mills in the Sadar Municipality area and the number is in more than hundreds across the district. Furthermore, the traders from Habiganj supply to rice mills in other neighbouring districts like Bhairab and Brahmanbaria which indicates that the rice milling subsector in Hobigonj can grow further both in numbers and in volume of rice milled in the district.

Each mill on average employs about seasonal 50 labourers over half of which are women. The subsector thus offers inclusive growth opportunities for the poor: rice milling also supports the poor to extend their source of income in the lean period of monsoon after rice harvesting in the Aman season. DAE is promoting submerged varieties to increase area under rice production in the Aush season. This can be further supported. Also, irrigation will help to expand production in the Robi season for production of Boro. Improving seeds quality and post harvest processing are also key areas for intervention.

### **(b) Duck Rearing**

Abundance of haor or seasonal water bodies provides locational advantage for duck rearing in Habiganj. The district is a major exporter of duck eggs and culled duck meat across the country. It is particularly conducive for self-employment of the women. Unavailability of quality ducklings, due to limited number of

hatcheries and parent stock is a major challenge for growth. Vaccination service is also unavailable which makes duck rearing vulnerable to disease outbreak.

### (c) Seasonal Fruit Production

DAE in recent years has been promoting production of seasonal fruits which include pineapple, banana, papaya and guava. Lemon is also being produced in a few clusters. The subsector is expected to grow further and will be one of the major sources of income and employment for the agricultural households. An intervention has the opportunity to develop the backward and the forward linkages to sustain seasonal fruit production in the District.

## **2.4.3 Overview of Potential Target Value Chains in Natore**

### (a) Medicinal Herbs

Natore is famous for production of medicinal plants, particularly Aloe vera, shimul and misridana. DAE has also identified Sajana as a potential variety for extension and has recently supplied about 280,000 seedlings to farmers. Production is concentrated in certain unions including Laxmipur, Kholabari, Barabaria, Kathalbari and Toltolia Para. Small farmers with less than 50 decimal lands are mostly engaged in cultivation which increases the pro-poor potential of medicinal plants in Natore. Potential for cultivation in homestead attracted many women to be engaged in cultivation of medicinal plants.

Farmers have traditionally grown the crops and the knowledge of cultivation is transferred from generation to generation. However, limited knowledge on use of inputs (fertilizer, insecticides and pesticides) and disease control is a major threat for the existing farmers. Even though potential in both national and export market is high the growth in production has been sluggish which indicates problem in market access. Inter-cooperation and Katalyst worked on promotion of medicinal plants in Natore and a new intervention can collaborate with Inter-cooperation to review progress and re-start interventions. DAE is willing to partner to strengthen extension services. Scope for partnership with pharmaceutical and ayurvedic companies is also high. Even though the sector offers strong pro-poor potential, the number of targeted and benefited beneficiaries will be low in comparison to fisheries or agro-processing subsectors.

### (b) Fisheries

Low costs for pond leasing, access to adjacent districts through railway, availability of seasonal water bodies (chalanbeel) contributed to the growth of fisheries cultivation in Natore. Tilapia, Ruhi, Silver-carp and brigades are the widely grown species. Production of pungas has also been showing growth trends. Fish produced in Natore is exported to Rangpur, Dinajpur, Bogra, Dhaka, Panchagarh, Domar and Nilphamari. Increasing production and market opportunities attracted large number of youth to undertake fish cultivation. Integrated fish farming is also becoming popular. Depleting water table, increased cost of fertilizer and feed, reduced genetic purity of the fingerlings (for example for mono-sex tilapia) etc., have been identified as key constraints for growth.

### (c) Agro-Processing

Natore is predominantly an agricultural production zone and the farmers are engaged in diversified crops. Farmers in Noldanga (Nol Danga), Singra and Gurudaspur Upazilas widely grow paddy while farmers in Baghatipara and Lalpur Upazila produce sugarcane and Robi crops which include Lentil, Groundnut, Kleshari and mustard. Even though the District has diversified its agricultural production, agro-processing has not flourished. Value addition at local level will hugely increase local employment and increase income at the farm gate which is currently restricted by the presence of several trading intermediaries. Pran has set-up collection centres in the district and has been engaged in contract farming. However, their operation is limited.

An intervention can help foster growth agricultural production and value addition and generate additional income and employment in Natore by partnering with selected agro-processing companies in Bangladesh to set-up processing facilities and to expand contract farming in the district.

#### **2.4.4 Overview of Potential Target Value Chains in Dinajpur**

##### (a) Rice

Dinajpur is the major rice production hub on the northern part of Bangladesh. Inexpensive land leasing costs attracted many farmers from the eastern part of the country developing trade with the eastern districts. However, productivity has either stagnated or declining due to over-cultivation. The focus for an intervention would be partnering with DAE and the private sector for extension of high yielding varieties. There are more than 300 rice mills in the district and the interventions can be expanded to incorporate the rice milling subsector. This will further increase seasonal employment potential for both men and women in the District.

##### (b) Vegetables

Of the several vegetable varieties grown in Dinajpur tomato production has been increasing. Sweet gourd and chilli production has also good potential for expansion. Inter-cooperation is working on selected areas with vegetable producer groups. Areas of intervention include training and capacity building of the community platforms (group of community based organizations or CBOs) through lead firms for improved knowledge on input usage and cultivation practices, post-harvest processing, market access and other. An intervention can collaborate with Inter-cooperation to review the scale of the interventions and integrate those within the LED framework.

##### (c) Fruit Processing

Production of litchi and mango is widespread and has been growing. Evidently, more farmers can be engaged in the subsector. Post-harvest processing facilities are largely unavailable which undermines growth prospects. Limited access to finance restricts inclusion of more farmers. Besides, lack of knowledge on disease management and pest control leads to production and harvest losses. Inter-cooperation is also engaged in fruit value chain upgrading in a limited scale. An intervention can help expand their interventions across Dinajpur. Partnership with fruit processing companies will also help expansion of fruit production in the District.

#### **2.4.5 SDC-Financed PSD Experiences**

For LED, SDC can draw from a range of experiences in pro-poor PSD in Bangladesh, especially through its support to the Katalyst project. These include a broad portfolio of value chains (specific products, sectors) and approaches for possible replication, and significant contributions to the development of the DCED standards for project design and results measurement and reporting. Other experiences include improving working conditions for workers, and selective practical business environment reform focused on strengthening the availability and delivery of public services.

SDC's PSD experiences in LED interventions elsewhere have mainly focused on business environment reform. There has been limited focus on business growth and inward investment promotion, and no coverage of enterprise start-up and integration of low income and hard-to-employ workers which would be relevant to LED in the target areas (SAMRIDDHI has models for reaching and empowering these groups).

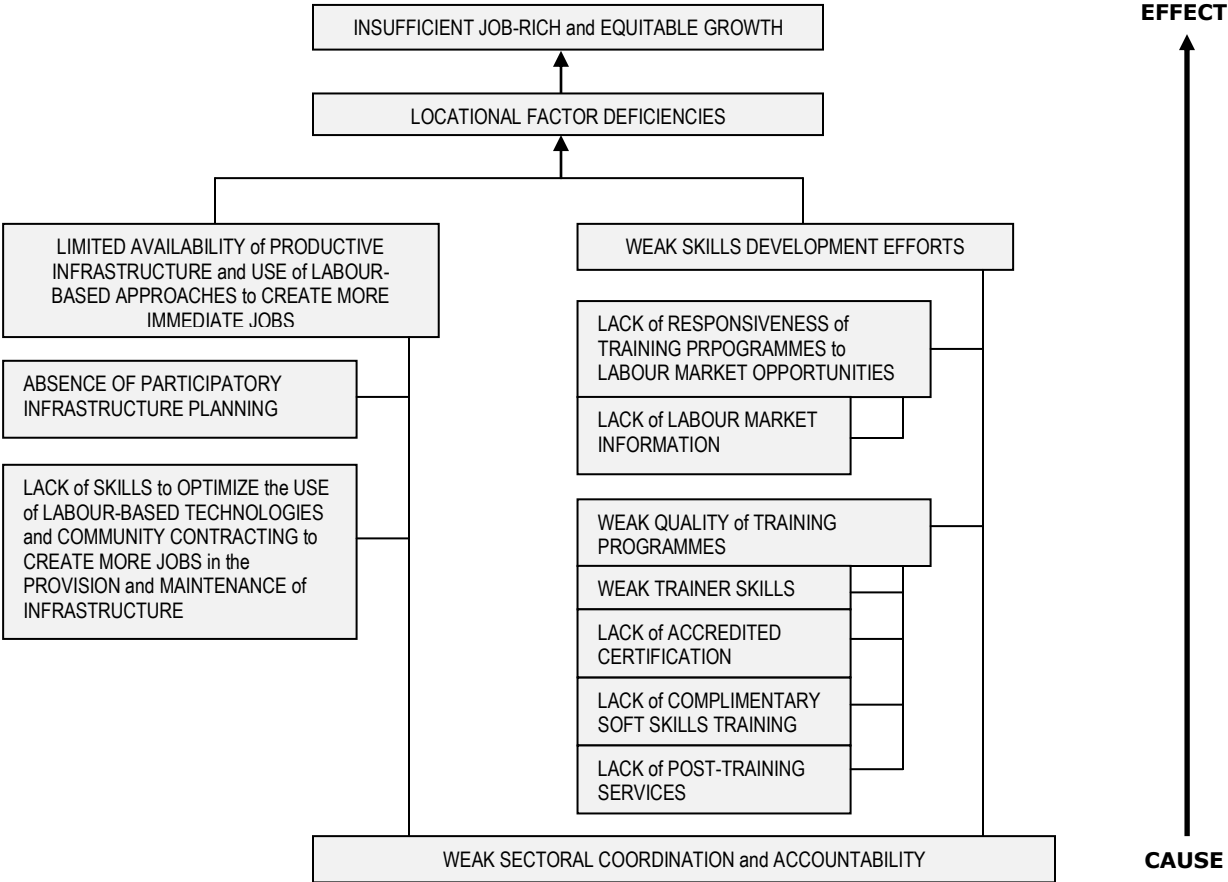
## 2.5 Strengthening Locational Factors

### 2.5.1 Overview of Main Locational Factor Deficiencies

The priority locational factors deficiencies that require strengthening in the three locations visited in support of employment-centred and inclusive growth and improved living conditions are: (1) the provision and maintenance of rural connectivity and agricultural production and marketing infrastructure at area and community levels; (2) urban roads, drainage, water supply and solid waste management; and, (3) skills development benefiting local economies.

The key locational factor deficiencies are infrastructure and skills development, and the main constraints are summarized in the related problem tree provided in Diagram 6 below.

**Diagram 6: Summary of Infrastructure and Skills Development Constraints**



At present, there is no participatory infrastructure planning in the target areas and limited investments using labour-based approaches that could create more immediate jobs. Most investments are channelled into hardtop road and bridge construction programme by the LGED at central government level using the army and external contractors. The service road network and other rural market/services access infrastructure as well as irrigation infrastructure for agricultural production are inadequate in to support inclusive agricultural growth and improved access to services. Maintenance planning is weak. Coordination between public stakeholders is poor.

Integrated Rural Accessibility Planning (IRAP) also needs to be embedded in local infrastructure planning. Functional infrastructure stakeholder coordination processes will need to be duly established at district- and area-levels supported by the development of a contracts database inter alia to record and

report on project/unit costs and jobs created. Communities need grant support for smart infrastructure investments supporting economic opportunities, and information on these options.

Feedback during the study suggests that local vocational skills training programmes are not all meeting the needs of local employers while women and disadvantaged youth have difficulty accessing skills development. There is almost no coordination between vocational training service providers or job creation accountability while there is little interaction between service providers, employers and job seekers to match availability, needs and aspirations. Only limited local labour market information is available or sourced. Complimentary soft skills training should be offered by providers. LED can mainly focus on upgrading skills development efforts so that they benefit the local economy while strengthening coordination and employment accountability in the sector.

Sylhet division is heavily dependent on remittances including Habiganj which exports significant numbers of unskilled workers to the UK. Local businessmen and Chamber members were keen to invest on vocational training to improve the skills of migrant workers. An LED intervention could explore ways in which it can assist in developing this venture as a pilot for broader replication as a standalone project for career skills development for safe and informed out-migration and for local opportunities.

The outreach of agricultural extension services is limited and there is a shift of extension delivery to private service providers (leader farmers, input suppliers, paravets, etc) which is also supported by INGOs and NGOs. However the potential important new role for the public extension services of private service delivery quality monitoring, periodic provider skills upgrading and provider exchanges and coordination is not being addressed. Farmer Field Schools are being promoted nationally by DANIDA but the emphasis is mainly on skills transfer and these lack focus on post-training employment agendas and competitiveness issues. Towards more effective agricultural skills development and delivery, there is a need to distinguish between skills for subsistence food production, skills for making a transition to competitive farming and skills for maintaining competitiveness and diversification, and formulating viable delivery responses for each.

## **2.5.2 SDC-Financed Infrastructure and Skills Development Experiences**

SDC is not involved in the infrastructure sector in Bangladesh and has had limited involvement in hard infrastructure with LED in other operating theatres. At sector level however, SDC has a long history of connectivity labour-intensive infrastructure involvement (rural roads and trail bridges) in neighbouring Nepal. For LED, SDC can draw from several current skills development project experiences for formal and informal sector employment.

## **2.6 Community Economic Empowerment**

With special emphasis on ultimate target groups, the two main issues to be addressed under CEE are providing communities with access to productive economic and employment opportunities and engaging them in local development planning systems. According to local stakeholders, development interventions have difficulty reaching and engaging the hardcore poor in the target areas (this was also the similar experience of the LEAF and Sharique projects elsewhere).

BRAC, C-GAP and Ford Foundation are developing an interesting model in Bangladesh called 'trickle-up' aimed at moving hardcore communities from high levels of vulnerability to the poverty line within 24-36 months. The entry point is stabilization of immediate consumption needs (through cash/in-kind transfers) and access to health services. This is followed by sensitization on business and microfinance including initial savings mobilization followed by livelihood kick-start asset transfers and delivery of subsidized business and financial services with the subsidy gradually tapering off. 'Trickle-up' can be combined with motivational community development approaches such as ABCD and AI as well as capacity building for the preparation of

community and inter-community action plans to provide a dynamic model for CEE which can be adapted for communities at different levels of poverty and well-being. Local NGO facilitators can be trained as CEE facilitators and contracted on an employment creation/poverty reduction performance basis.

LED can strengthen access to productive employment and economic opportunities for CEE beneficiaries by completing periodic robust local and regional market assessments to identify MSE and employment gaps and niches, facilitating participatory employment-intensive infrastructure planning and investments at area and community level as well as service market development and upgrading and linkages to target communities to develop MSE and employment opportunities, and the development of business and market information systems that facilitate related information flows including value chain integration opportunities which will generally offer the best income returns for the poor. For poor and very poor communities, CEE requires matching grant funds. Local FM radio can play a vibrant role in information and promoting entrepreneurship.

The SDC-financed LEAF Project developed a Village CBO cluster model at Ward level so that grassroots communities can access/advocate for services and contribute to local development planning at UP levels. CEE inter-community action planning as well as producer and worker organizations could be incorporated into this model. A possible LEAF model change would be moving away from NGO's developing projects for community clusters for local competitive bidding funds to building the capacity of CBO Clusters to do this.

## **2.7 Environmental Sustainability**

The main causes of increasing pressure on the fragile natural resource base supporting food security and economic growth for marginalized groups as well as the wider population are summarized in Diagram 7 overleaf.

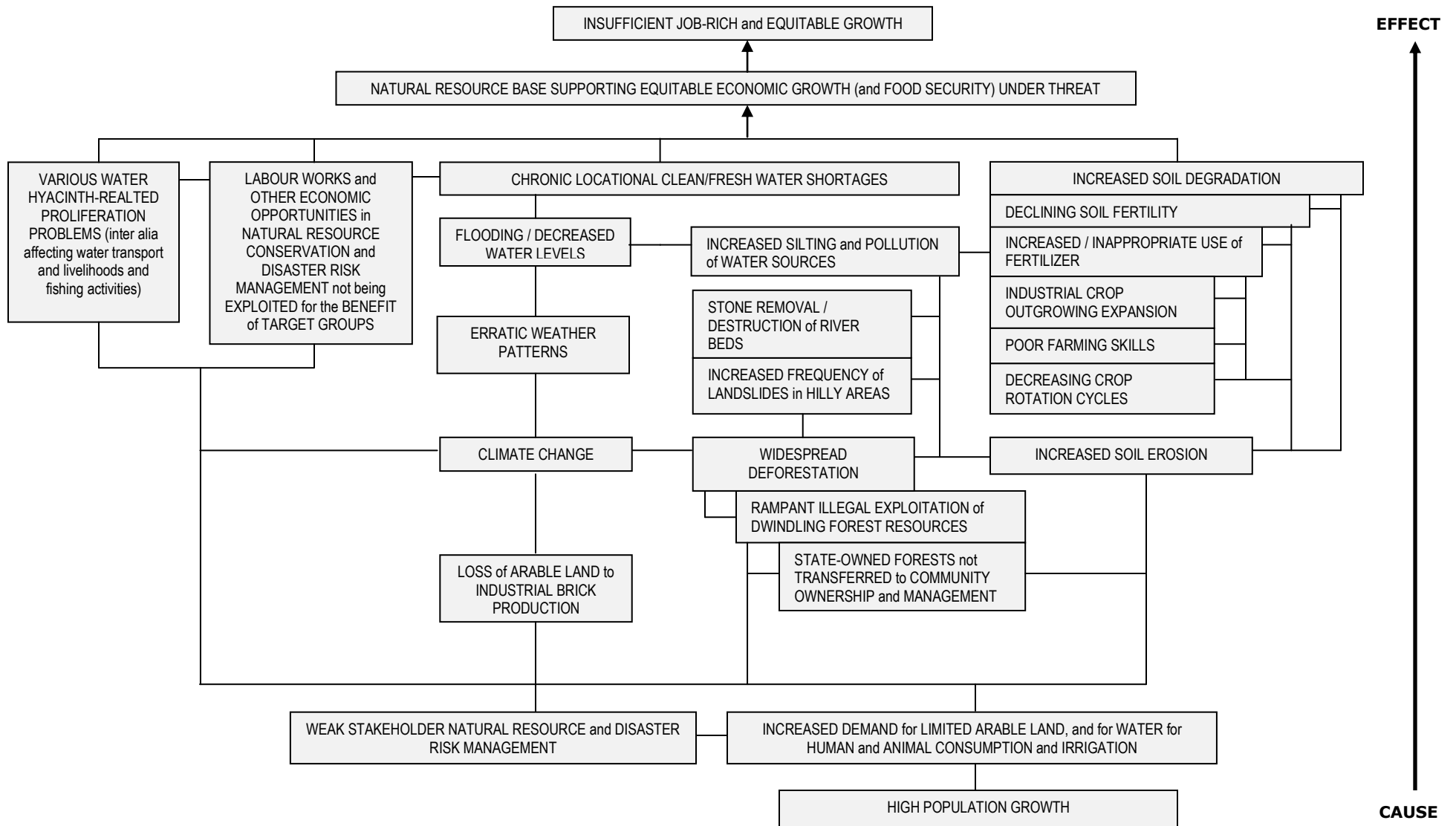
The rapid population increase since independence has placed enormous pressure on arable land and water resources. Agricultural productivity is declining at least partly due to soil depletion caused by a combination of continuous soil erosion, flood silting damage and declining soil fertility, the latter due to a combination of poor rotational cropping practices and increased and inappropriate use of farm input chemicals. Erratic weather patterns have increased producer risks and the vulnerability of small farmers compounded in the case of drought by lack of irrigation infrastructure.

Changing rain patterns, soil erosion and exploitation of forests and riverbeds are the main causes of fresh/clean water crises in various locations. Unpredictable rainfall patterns also have their impact on the water levels causing uncertainties for fisheries and for cultivation on fringe lands. Significant swathes of arable land are being lost to commercial brick construction to feed expanding urban construction sector. State-owned forests have yet to be transferred to local ownership and in many cases are subject to rampant, illegal exploitation: many of these are in a highly degraded condition. Watercourses are regularly clogged with water hyacinth affecting mobility and livelihoods inter alia by restricting water transport and fish production activities.

Underpinning these problems is limited development attention to improving natural resource and disaster risk management including climate change attribution. It is important that stakeholders put appropriate plans and actions in place to upgrade and preserve the local resource base to sustain food production and facilitate inclusive growth. In support of this, stakeholders have significant opportunities to tap into various available resources which can be effectively used to invest in labour-based works and green enterprise opportunities benefiting target groups by creating productive assets and incomes.

The main immediate pro-poor potential in the study areas is employment creation through labour works for water harvesting for drought mitigation and flooding prevention, and natural resource and disaster risk management.

**Diagram 7: Summary of Problems Placing the Natural Resource Base under Threat**



The LED programme environmental sustainability component should have strong linkages with SDC, government and development partner capacity building and other initiatives towards ensuring that disaster risk reduction (DRR) is adequately incorporated in LED strategy-making and the LED CEE programme component. DRR should therefore be a cross-cutting working group of the DLEDF and UzLEDC also feeding into regional and national initiatives.

## **2.8 SDC Cooperation Principles and Cross-Cutting Themes**

### **2.8.1 SDC Bangladesh (SDC-B) Cooperation Principles and LED**

A core approach of LED underpinning SDC's core development cooperation task of supporting capacity development is that of enabling the capacities of local stakeholders to drive locally-owned LED efforts. If the scope of an LED support project covers systemizing inclusive growth in decentralized local development, capacity development extends to national stakeholders where a strong Central Anchor in Dhaka complimented by robust results measurement and reporting and a proactive communications strategy can facilitate responsive policy dialogue for scaling-up and replication.

Also at the Central Anchor level, key national stakeholders and development partners can explore and develop practical regional integration strategies benefiting LED territories [for example, the economies of eastern Nepal and parts of north eastern India could benefit from more competitive imports/exports via access to Bangladesh's sea ports compared with the current options in India (notably Mumbai): the Dinajpur District economy and local employment seekers in particular could benefit from related regional integration initiatives]. Finally, as LED is not an exact science, it is good practice for stakeholders and implementing partners to be given some leverage to explore opportunities and take some demonstration risks: an example here would be research and development of high value medicinal herb products or an export market for specific high value horticultural products.

### **2.8.2 LED and Gender Equity**

All LED processes should have a gender strategy. Based on the findings in Annex 4/Section 1.3, an LED gender strategy in the target areas will inter alia need to address: (1) increasing women's participation in the workforce with special emphasis on young women while addressing women's mobility and socio-cultural issues; (2) increasing women's access to paid employment under good working conditions, especially in rural agriculture; (3) promoting wage and income parity with that of men; (4) setting specific outreach targets for women during the design of LED action programmes, interventions and activities; (5) ensuring women are trained and interviewed by women; (6) strong participation in community economic empowerment initiatives, especially women-headed households, that inter alia address household decision-making and assets sharing; and, (7) strong decision-making representative presence at LED institutions.

An LED gender strategy developed and monitored by WGs of the DLEDF and UzLEDCs should also link into the SCO-B Partners Gender Platform on capacity building and learning and sharing.

### **2.8.3 LED and HIV/AIDS**

LED projects and activities should follow SDC's general strategy for mainstreaming HIV/AIDS issues by covering awareness and prevention in training and awareness campaigns. High risk groups in the project areas include those travelling abroad for work, especially to major urban centres in neighbouring India. HIV/AIDS issues can be specifically addressed for example in complimentary soft skills training components of skills development programmes covering occupational safety and health and personal health and hygiene, youth and women empowerment initiatives, and public campaigns for safe and informed out-migration.

**NOTE – DISTRICT SWOTS:**

With the broader district snapshot focus, coverage of adequate relevant stakeholder numbers for preparation of a participatory SWOT for the districts was not possible in the time allocated: at that, the limitation of SWOTs as LED strategy pointers would be random collection of factors that do not highlight critical bottlenecks and opportunities, and facilitate the identification of practical entry point activities.

# 3. Challenges for LED

## 3.1 Local Development Planning

The LGED makes its own infrastructure plan while municipalities also have their infrastructure planning. Similarly, the DAE, DoF and DoL all prepare their annual extension plan. As a gradual process, LED will have a rolling work plan and budget which at any point in time is simply the latest update of the LED consolidated district master work plan reflecting stakeholder strategies translated into priority action programmes and activities. The rolling work plan can be elaborated for a defined forward period (e.g. for incorporation in a district annual development plan) by incorporating the work plans and budgets of LED subprojects and activities expected to be added during that period.

LED will want to gradually induce some change into the way line agency planning is done in support of LED strategies and action programmes. Some such changes may be broad-based to improve sector performance for strengthening overall territorial competitiveness while creating more jobs. An example here is rural infrastructure where LED would look to more structured, relevant participatory planning and prioritization of investments followed by optimal project investment programming using labour-based approaches and community contracting. This requires a district transport/infrastructure master plan prepared/updated on a participatory basis using the IRAP tool (the entry-point for preparation of this plan is establishing and training of the Upazila Infrastructure Standing Committees). In addition to roads, strategic crop and produce collection/assembly points, water harvesting, irrigation, water points, schools and health posts, planning could also cover disaster risk management works. Upazilas could be prioritized for planning and investments on the basis of the gradual geographical outreach of LED activities such as value chains and/or CEE addressing poverty pockets.

LED can also gradually add value to line agency extension planning so that it compliments LED strategies, action programmes and activities (for example, line agency extension inputs for a specific value chain upgrading initiative or for CEE trickle-up sequencing of technical skills training in support of marginal farmers making a low risk transition from subsistence to commercial farming). LED approaches can also add more purpose and focus to line agency extension planning such as introduction of a new or improved technology that will enhance competitiveness or introduce 'green production' techniques. More purpose can also involve introduction of DCED enterprise and job creation standards results planning and measurement into extension planning so that it becomes more results-oriented.

LED can also add more substance and meaning to lower sub-territory planning and block grant allocations through participatory infrastructure planning, community and inter-community action planning for matching grant allocations, value chain upgrading, business networking and other enterprise development interventions and so forth. Most LED action programmes will be designed at district level because they will encompass two or more Upazilas and municipalities but portions of the budgets can be assigned to the lower subterritories for inclusion in their plans. LED capacity building should encourage LED effort innovation by lower subterritory stakeholders.

LED can add value to municipal planning and development by linking it with growth and employment creation strategies and good practices. An example is urban spatial zoning for establishing a serviced industrial area and a campaign for attracting investment that can add value to the wider economy such as a private power supplier and a food processor complimenting value chain upgrading initiatives. Employment-intensive approaches can be optimized for the provision and maintenance of urban infrastructure and

services such as solid waste management. CEE can be mainstreamed in the UPPR toward more effective access for communities to employment opportunities and their engagement in relevant partnerships.

Katalyst noted that the one of the major constraints to local ownership of decentralized development is the degree to which planning and resource allocations are still controlled by central government. A strong LED Central Anchor could assist in changing the powerbase but may still face resistance from vested interests in some areas (e.g. road and bridge contracting).

## 3.2 Coordination

Coordination amongst the different public departments has been a major problem for local governance. Factors affecting this include lack of coordination with respect to division of activities among departments, dualism in control over officers, lack of proper functioning of the committees, dual authority in disbursement of funds, etc<sup>4</sup>. It is reported that the departments involved in inter-departmental activities are not aware of which department is responsible for what activity, when it should be executed and how the execution should be done. Upazila-level officers are required to follow the instruction of respective departmental heads at the district-level but they also act under the guidance of the UNO whose main function is to coordinate the activities of the Upazila. Problems arise in coordination when instructions are given by two authority levels for a similar function at the same time. In the given circumstance, it is difficult for the officers to decide whom to follow.

The role of the UzDCC includes coordination among departments in an Upazila: despite meeting regularly, coordination remains an issue as members, particularly the people's representatives, are usually absent during meetings. Moreover, very few problems associated with departmental functions are addressed. Apart from the UzDCC, each department has its own committee comprised of several officers of various departments in order to take care of intra- and inter-departmental functions and ensure coordination among these. In the case of departmental committees, representatives from other departments are not punctual in attending meetings. Thus, regular and systematic discussions with all members do not take place either in the meetings of the UzDCC or in departmental committees. In addition, conflicting relations among various groups of officials and between officials and people's representative have prevented fruitful interactions during meetings. Only the effective functioning of committees can lead to proper coordination.

It would appear that part of the coordination problem relates to tasking of coordination groups and an understanding of what coordination is. In LED, the rationale for coordination amongst different actors is identified during LED strategy-making and action programme/project design when responsibilities for various activities are assigned in a manner that avoids overlap and duplication while leveraging synergies. In LED, a working group can for example be established for design and implementation of a product-specific value chain upgrading action programme. The group will have a lead institution as its chair and its purpose during implementation will be information sharing (coordination) inter alia covering progress towards results, actual results, constraints affecting progress and solutions, lessons/knowledge sharing and so forth.

LED strategy-making may also focus on strengthening sector performance and results accountability for laying broad-based territorial competitive foundations. An example relevant to public extension services and private training providers is coordination in the skills development sector so that the district skills development effort is strengthened to benefit the local territory and the sector accounts for and reports the jobs it creates. The sector strengthening and coordination working group would be inter alia tasked to address good practices in assessing labour market needs so that extension and training programmes are responsive to skills demanded by employers, minimum training standards to be observed covering facilities and certification, complimentary soft skills and post-training services (especially job placement), and

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<sup>4</sup> AHM Kamrul Ahsan. 2010. *Problems of Coordination in Local Administration in Bangladesh*.

importantly, job creation accountability. As in planning, a focus on results progress and achievements can help make coordination more meaningful and dynamic. A strong LED Central Anchor can contribute to convincing relevant ministries and departments of the importance of their local officers engaging in collective responsive planning and coordination.

### **3.3 Stakeholder Time Availability**

The LED efforts will require voluntary contributions from various stakeholders and actors, most of whom will have limited time. On average, a District Commissioner (DC) has over 40 pre-scheduled meetings that he has to attend every month while an Upazila Nirbahi Officer (UNO) attends nearly 30. They are understandably unwilling to lead any new project that would add significantly to their responsibilities. A solution to this that can underpin smooth stakeholder development of the LED efforts is to consider a full-time LED technical staffing structure (e.g. Focal Points at Upazila level attached to a permanently-staffed LED cell at district level and a central coordination cell attached to the LED focal point ministry for district coordination). The government may however be unwilling to pay for such staffing initially at which the donor would have to cover costs in the project budget.

### **3.4 Inclusion Responses**

As noted in Section 2.6, reaching the hardcore poor is a development challenge with CEE motivational approaches a possible LED solution. The needs of the hardcore poor may be so basic that they are beneath the level of LED and require immediate consumption stabilization followed by trickle-up support before they can engage in productive employment and economic opportunities. LED stakeholders should carefully determine the community well-being status and appropriate responses in poverty pockets before selecting lower sub-territories for responsive action programming targeting. It may be necessary to undertake a review of poverty reduction measurement in Bangladesh towards establishing a consensus revised standard: the Grameen Bank's Progress-out-of Poverty Index (PPI) is a popular tool commonly used by many development practitioners.

CEE for hardcore poor communities will require a matching grant fund that could overwhelm an LED support project. As part of LED project design as relevant, SDC and local stakeholders should make an assessment of likely CEE grant fund requirements and determine what resources the government would be willing to provide: as a strong proponent of community driven development, the World Bank could be approached to partner on CEE and meet any shortfall of matching grant funds required as well as capacity building resources.

### **3.5 Monitoring and Evaluation**

A key challenge for LED is professionalizing results measurement and reporting. For this, every LED subproject should have its own logical framework and monitoring and results measurement plans. For enterprise development interventions, the DCED standards can be adopted for subproject design and results measurement and reporting. Other widely used good practices are available for the design and results measurement of such as infrastructure and skills development subprojects including sector and subsector coordination. Local NGOs can be trained and contracted for a greater role in subproject results measurement including baseline data collection. LED support projects should therefore include adequate resources for results measurement. Systems will be required for aggregating and reporting project results at district and overall project levels.

In the absence of clear approaches to measuring actual local economic growth and its employment intensity including baseline, SDC could explore possible approaches with BBS during project design. A standard would be helpful to LED initiatives globally.

### **3.6 Inclusive Growth / LED Sustainability**

The sustainability of inclusive growth and LED approaches as a component of decentralized local development will depend on four factors: (a) organization; (b) acceptance; (c) policy; and, (d) resources.

#### **(a) Organization:**

The main issues to be addressed for organizational sustainability are appropriate stakeholder capacity building and a functional institutional framework with a strong Central Anchor in Dhaka that underpins local ownership. Interactive LED capacity building and LED effort progress reviews can contribute to sustaining stakeholder interest and contributions. As district LED efforts mature, regional LED integration (i.e. groups of homogeneous LED Districts within Divisions) is likely to become more relevant for sustaining competitiveness.

#### **(b) Acceptance:**

Good results and their reporting is the key to broad-based stakeholder acceptance of the integration of inclusive growth using LED approaches in decentralized local development. This requires a strong results measurement and reporting system underpinned by a strong internal and external communications strategy for which an LED support project should allocate resources. A carefully crafted annual LED reader and website can effectively communicate results for acceptance while generating broader replication interest.

#### **(c) Policy:**

Important foreseeable areas for policy-making towards sustaining LED include: (1) recognition of inclusive growth as a complimentary component of decentralized local development alongside poverty reduction (this policy would be underpinned by acceptance); (2) greater devolution of local development planning responsibility to provide greater incentive for local stakeholder to take ownership of and contribute to LED efforts; (3) development and publication of guidelines on LED in Bangladesh also covering planning and coordination, and results measurement and reporting; and, (4) financing LED efforts.

#### **(d) Finance:**

LED requires a long-term flow of resources from central government for its sustainability which firstly requires the addition of inclusive growth / LED as a component of decentralized local development and the other key policies outlined in (c) above that will facilitate resource flows to the LED efforts.

# 4. SDC Comparative Advantages

## 4.1 SDC Comparative Advantages for LED Pro-Poor Potentials

As noted in Chapter 2, SDC-financed experience in employment and incomes and governance covers several important areas of a typical LED programme framework for Bangladesh, especially critical aspects of private sector development relevant to LED programming in the target areas such as value chain upgrading and local business environment reform for sustainable inclusive service delivery to ultimate target beneficiaries. SDC assistance has also laid strong foundations for inclusive local development planning that engages grassroots communities.

While SDC is not currently involved in infrastructure in Bangladesh it can bring sizeable related experience to bear from other operating theatres, especially in neighbouring Nepal. The field of LED Governance including related capacity building would be new to SDC in Bangladesh but also to the other development partners with emerging LED initiatives. Other aspects of the LED programme components not covered by local SDC assistance and experiences elsewhere can be addressed during a robust support project design that could also include inputs from other development partners.

SDC brings LED experiences and lessons to bear from other countries including a critical study of various LED approaches over recent years towards formulating organizational LED approach strategies. SDC is also strategically positioned with the Bangladesh government and development partners to influence the addition of job-rich and inclusive growth strategy-making and implementation using appropriate LED approaches to decentralized local development, and to lead related initiatives.

## 4.2 Support Project and Implementation

The suggested five-year outline support project overview based on the draft programme framework provided in Diagram 2 and responsive to the pro-poor potential and challenges described in Chapter 2 is provided in Annex 6. At this would be a pilot initiative with many lessons for replication and upscaling, SDC might wish to consider targeting two rather than all three of the study districts at which we suggest that the greater pro-poor potentials would exist in Habiganj and Natore Districts. SDC can expect to budget around \$1 million per year per district on demonstration projects, capacity building and other LED activities plus around 30-35% implementation costs. The issue of CEE matching grant funding and possibly capacity building resources needs to be elaborated with the government and possibly the World Bank.

LED subprojects and activities will require a range of sub-project implementing partners that may require specialist capacity building in some instances. Examples of LED implementing partners including:

- National and international subject-specialist consultants for GEPs studies, etc.
- Specialist trainers for stakeholder and service provider training, etc.
- Various communications strategy implementation service providers.
- Business Membership Organizations (Chambers of Commerce, merchant associations, etc).
- Business skills training service providers.
- Product design and development providers.
- Product promotion specialists.
- Market development specialists, (fair trade, etc).
- Infrastructure line agency, and private and community contractors.
- IRAP specialists.
- Public and private agricultural extension service providers.
- Research, development and testing organizations and institutions.

- Input and equipment suppliers.
- Technology development service providers.
- Renewable Energy Technology (RET) service providers.
- FM radio service providers.
- Banks, microfinance organizations and other financial services providers.
- Youth and women's organizations.
- Engineers/engineering overseers.
- Technical and vocational training service providers.
- Soft skills training service providers.
- Sector coordination capacity building specialists.
- Local NGOs and CBOs.
- Producer groups.
- Worker organizations.
- Results management database design service providers.

An overall implementation option for SDC would be to outsource overall project implementation to a specialist LED contractor or consortium.

# 5. Conclusions and Recommendations

## 5.1 Conclusions

Our main conclusions are:

### 5.1.1 Overall Rationale for and Strategic Fit of Inclusive Growth/LED

Since existing policies, approaches and interventions are not generating adequate employment-friendly GDP growth to address high levels of underemployment and the needs of large numbers of new job seekers annually, there is strong justification for initiatives to accelerate job-rich and inclusive economic growth at the local level. Herein is an opportunity to systemize inclusive growth in the decentralized development agenda which is largely limited to endeavours for poverty reduction. LED is a popular approach that can be adapted to various situations for accelerating local employment-centred and inclusive economic growth.

### 5.1.2 Territorial Scope and Institutional Entry Point

While municipalities are found to have the capacity for ownership of the LED programme, they do not engage their resources for programmes beyond their urban territories. Therefore they will not engage rural agricultural producers and workers who are found to be the majority of economic agents for potential target value chains in the three study areas: value chain upgrading and complimentary infrastructure investments will be core LED activities in the target areas. Municipalities will also not engage key stakeholders at District and Upazila levels.

Therefore, the mission concludes that the municipalities as LED entry point will provide thin opportunity for job-rich, inclusive growth. The District (covering municipalities and Upazilas) offers the appropriate not-too-small/not-too-large territorial scope for optimal outreach to and impact for LED clients and ultimate target beneficiaries at scale. The District Commission Offices are found to be the appropriate institutional entry point for creating a District LED Forum for mounting an LED effort in the target districts.

### 5.1.3 Stakeholders and Institutional Framework

A draft LED institutional framework is provided in Section 1.4.5/Diagram 3. The key institutional decision-making stakeholders and others relevant to LED efforts are:

- District LED Forum (DLEDF):
  - District Commission Offices (with the Deputy Commissioner as Chair) and Upazila Chairpersons directly under the Deputy Commissioner (to avoid too large a membership of the DLEDF, an option can be to have one representative from the Upazila Chairpersons).
  - Chamber of Commerce/BMOs representative (Vice Chair).
  - Zila Parishad Chairperson.
  - Municipalities' representative.
  - Departmental administrators of relevant government line agencies/departments<sup>5</sup> (can also be accommodated in the LED effort via dedicated working groups of the DLEDF to avoid public sector domination of the DLEDF).
  - Workers organizations' representative.
  - Civil society representatives (one man and one woman).
  - Development/business opinion leaders (one man and one woman).
  - Press Club.
  - One of the above to be selected as DLEDF Focal Point.

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<sup>5</sup> For the DLEDF and UzLEDC, these include LGED, DAE, DoF, DoL, Youth Development Office and Women and Children's Affairs Office.

- Key development partners (observation role).
- Upazila LED Committee (UzLEDC):
  - Upazila Chairperson (Chair).
  - BMOs representative (Vice Chair).
  - UNO.
  - Upazila Officers of relevant government line agencies/departments (can also be accommodated in the LED effort via dedicated working groups of the UzLEDC to avoid public sector domination of the UzLEDC).
  - Civil society representatives (one man and one woman).
  - Development/business opinion leaders (one man and one woman).
  - One of the above to be selected as DLEDF focal point.
  - Nominated LED Focal Points from UDCCs.
  - Key development partners (observation role).

As the DLEDF is a gathering of stakeholders and individuals relevant to driving the LED effort rather than a broad-based development representative institutions it may be appropriate to have its status informal however with an appropriate official mandate to advise the DDCC and UzDCCs on LED strategies and resource allocations. It is not yet clear to us who should/can provide this official mandate. The status of the UzDCC would be that of a sub-committee of the DLEDF.

The choice of focal point ministry for inclusive growth/LED support projects and initiatives needs further consideration. Options may include the Cabinet Division, MOLGRDC and LGED. Should SDC considering exploiting a support project opportunity towards systemizing inclusive growth/LED in decentralized development a strong LED Central Anchor is desirable in Dhaka (which would also function as steering committee for all LED support projects) whose membership should reflect that of the DLEDF above. and additionally, the Ministry of Finance and Planning Commission.

#### 5.1.4 LED Approach and Programme Scope

A 'pragmatic LED' approach based mainly on creating a key competitive advantage for the target districts where LED momentum is gradually built in tandem with stakeholder capacities is appropriate for first time LED stakeholders in the target locations. An appropriate LED process framework and programme that responsively addresses the key constraints to inclusive growth in the target areas described in Chapter 2 while accommodating the Bangladesh Vision 2021, SDC's country strategy, process buy-in from other development partners consists of five interrelated programme components is that presented in Section 1.2.4/Diagram 2.

## 5.2 Recommendations

### 5.2.1 Rationale for Launching an LED Programme

The study findings suggest that SDC should go ahead with launching an LED programme. The rationale for this is:

- ***Institutional knowledge on local governance, coordination between and collaboration with line agencies and private sector driven business services for pro-poor growth, community economic empowerment and value chain interventions:*** The value chain interventions of Katalyst and ILGSP interventions implemented jointly by Katalyst and Inter-cooperation in collaboration with local partner PCD will provide leverage for SDC on working with the private sector as well as the line agencies for service delivery for pro-poor growth. The design of ILGSP reflects sound understanding of the functioning of BMOs and community based organizations in Bangladesh. This experience will underpin stakeholder-owned momentum building of LED efforts in targeted districts. Inter-cooperation has also improved community led service delivery mechanism

by shifting from building capacity of small CBOs to much larger community platforms (CPs) which provides better scope for engaging LED ultimate target beneficiaries.

- **Donors, International NGOs and the Government are keen on LED, but they are not clear about the concept of LED. This means by launching an LED pilot program SDC will be able to take a leadership position in Bangladesh for LED:** LGED is implementing the Rural Roads and Market Access Infrastructure Development Project funded by DANIDA. The project builds capacity of Union Parishads (UP) to do LED planning. But these take LED as mostly infrastructure development which is also the limited understanding of most other stakeholders. Intercooperation is planning to initiate LED program but their understanding of LED is limited to creation of a local LED forum in participation of public, private and civil society representatives which works to intervene in value chains. Other projects that are working on governance include Local Governance Services Project (LGSP) funded by World Bank, Good Urban Governance in Bangladesh funded by GIZ which are mostly engaged in training and building capacity of human resources of the municipalities. The fragmented approach in local governance, territorial focus and value chain interventions thus create fertile ground for SDC to: (1) integrate with and leverage other donor and project interventions; and, (2) take a leading role in systemizing inclusive growth/LED in decentralized local development while developing and promoting good practices and contributing significantly to global knowledge.
- **Scaling-up employment creation for poverty reduction in Bangladesh:** Building on its assistance for employment and income creation and governance in Bangladesh and LED experiences in other operating theatres, accelerating job-rich, inclusive growth through LED is a logical next step for SDC to scale-up employment creation for poverty reduction in Bangladesh while enabling inclusive growth capacities for stakeholders. Existing policies and approaches are not accelerating economic growth to the GDP levels needed to satisfy the overwhelming demand for productive employment: they are also not equitably distributing growth benefits.

### 5.2.2 Next Steps

Should SDC decide to proceed with an LED support project using the approaches in this Report, the recommended next steps are:

- Selection of an appropriate focal point ministry (possibly the Cabinet Division) and discussions on the modalities for operationalizing LED in the target areas and its systemization in local development.
- With increasing development partner interest in LED in Bangladesh, assist the focal point ministry to establish/ lead a thematic group towards identifying/elaborating/standardizing LED approaches and good practices in Bangladesh commencing with an information and knowledge sharing cum scoping workshop on LED: the group membership could also be established/developed so that it duly evolves into Bangladesh LED Central Anchor.
- Elaborating sources of funding for CEE with the government and the World Bank.
- Developing ToRs and commissioning a robust project design.

A novel design approach would be formation of a core group of stakeholders in the target districts and deliver initial local stakeholder LED sensitization trainings and participatory completion of initial district slim GEPs including key assessments to inter alia establish early ownership facilitate the identification of quick-win activities and eliminate the need for a substantive project inception phase on implementation start-up.

# Annex 1

## LIST of PERSONS MET

- Mr. Tomasso Tabet, Assistant Coordinator, Local Governance, SDC
- Mr. Stefan Gamper, Assistant Coordinator, Employment and Income, SDC
- Mr. Sohel Ibn Ali, Senior Programme Officer, Local Governance, SDC
- Mr. KM Nurul Hudam, Managing Director, Bangladesh Municipal Development Fund (BMDF)
- Mr. Muhammad Harunur Rashid, Director, Urban Development Directorate, BMDF
- Mr. Anisur Raham, Deputy Secretary, Local Government Division, MOLGRDC
- Dr. Harun-Or-Rashid Biswas, Senior Assistant Secretary, Local Government Division, MOLGRDC
- Mr. Shamim Al Razi, Secretary General, Municipal Association of Bangladesh
- Mr. Mousumi Pervin, Training and Socio Economic Specialist, RRMAIDP
- Mr. John van Rijn, Senior Advisor to LGED, RRMAIDP
- Mr. Shahnewaz Karim, Director, Business Enabling Environment, KATALYST
- Mr. Manish Pandey, Regional Director South Asia, Swisscontact
- Mr. Syed Abu Sufian, Project Officer, Swisscontact
- Mr. ATM Azmul Huda, Deputy Delegate, Intercooperation Bangladesh
- Mr. Syed Jahangir Alam, Mayor, Dinajpur Sadar Municipality
- Mr. Nurul, Moyeen Minu, President, Dinajpur Chamber of Commerce and Industry
- Mr. Md. Mahbubur Rahman, Secretary, Dinajpur Sadar Municipality
- Mr. Md. Mamunur Rashid, Regional Coordinator, Intercooperation Samriddhi Project, Rangpur Office
- Mr. Md. Salim Reza, Project Coordinator, Pollisree, Dinajpur
- Mr. Haj GK Gouse, Mayor, Habiganj Municipality
- Ms. Stamina Khyang, Economic Development Programme Officer, UNDP CHTDF
- Mr. Gemunu Weis, Design Consultant, ILO Bangladesh Urban LED Project
- Mr. Javed Iqbal Chowdhury, Municipal Secretary, Habiganj Municipality
- Mr. Mahmud Hassan, Deputy Commissioner, Habiganj
- Mr. Shameen Ahsan, President, Habiganj Chamber of Commerce and Industry
- Mr. Dewan Miah, Executive Member, Habiganj Chamber of Commerce and Industry
- Mr. Jafar Iqbal Chowdhury, Chief Executive, Association for Socio Economic Development (ASED), Habiganj
- Mr. Mohammad Shahin, Founder and Executive Director, Habiganj Unnayan Sangstha, Habiganj
- Mr. Dulal Sutradhar, Chairman, Urban and Rural Foundation, Habiganj
- Md. Nazrul Islam, Socio Economic Expert, Urban Partnership for Poverty Reduction (UPPR), Habiganj Sadar Municipality
- Mrs. Piara Begum, Councillor, Habiganj Sadar Municipality
- Mrs. Salma Akhtar Chowdhury, Councillor, Habiganj Sadar Municipality
- Mrs. Lavli Begum, Councillor, Habiganj Sadar Municipality
- Sheikh Md. Mordris Mia, Proprietor, M/S Idris Cotton Industries
- Md. Shah Alam Siddique, Proprietor, M/S Alam Brothers, Fish Merchant and Commission Agent and Supplier
- Dr. Md. Sajedul Islam, Veterinary Surgeon, Upazila Livestock Office, Habiganj
- Gopal Chandra Das, District Training Officer, Department of Agriculture Extension, Habiganj
- Shah Md. Bahauddin Salim, Advancement Bureau for the Articles of the Society (ABAS), Habiganj
- Mr. Imdadul Haq Al Mamun, Mayor, Natore Sadar Municipality
- Mr. Abul Kashem, Municipal Secretary, Natore Sadar, Municipality
- Eng. Abu Helal, Assistant Engineer, Natore Sadar, Municipality
- Mr. Ahad Ali, Community Mobilization Facilitator, UPPR Project, Natore
- Mr. Husmot Iqbal, Regional Coordinator, Improving Local Government Services Program (ILGSP), Intercooperation Natore Regional Office
- Krishibid Md. Mojta Hossain, District Agriculture Officer, Natore
- Mr. Nurul Islam Nuru, Councillor, Ward 9, Natore Pourashava
- Mr. Anisul Haque, President, Natore Chamber of Commerce and Industries
- Dr. Md. Anisur Rahman, Upazila Livestock Office, Natore Sadar Upazila
- Ms. Archana Nath, Regional Coordinator, Rajshahi Office, Samriddhi Project
- Md. Julfikar Alam, Upazila Youth Development Office, Natore Sadar Upazila
- Mr. Md Momtaj Ali, Fish Farmer, Madhabnagar, Natore

# Annex 2

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# Annex 3

## TERMS of REFERENCE

### 1 Background

The modern basis for local government is affirmed in the Bangladesh Constitution which defines a significant role for the elected local government bodies at each administrative unit. Decentralization is taking place, but progress in many aspects is slow and the system of inter-tier government relations is still based on powerful hierarchies retaining significant control over local budgeting, revenues and expenditures at the level of central government.

At the same time, Bangladesh accounts for an impressive economic growth of around 6% of GDP over the last years and aspires to become a middle-income country by 2021. One of the main drivers of this growth is a vibrant private sector with an estimated 6 Million small and medium enterprises (SMEs), most of them being active in rural areas and integrated in local or regional economies.

A key factor restraining further growth in Bangladesh, especially at the sub-national level, is an environment, which is not enabling for economic growth and accessible business development services of high quality are often not available. The reasons for this are manifold, but are strongly related to a lacking collaboration of the various public and private actors at sub-national level, local development agendas decoupling social development from decentralized inclusive growth and a strong economic and political orientation towards the main growth poles of Bangladesh (Dhaka and Chittagong).

SDC Bangladesh has long-standing experience in the field of local governance and decentralisation, as well as economic development at sub-national level. The current Cooperation Strategy 2008 – 2012 has two main thematic pillars, Local Governance and Employment and Income, which are both strongly linked to issues of local economic development. The combination of both in an LED project might deliver valuable entry points for successful sub-national development. Whereas various efforts related to LED are ongoing in SDC Bangladesh's current portfolio, most of them are focused on rather small geographic and economic spaces (individual Unions or Upazilas), are mainly project-driven and lack the strategic build up of a momentum for locally owned LED efforts.

### 2 Objectives of the Consultancy

The principal objective of this mission is to assess the potential for strategically planned and locally owned LED initiatives at sub-national level. The mission findings will support SDC in getting to a final go/no-go decision for a full LED project support design taking into account existing LED relevant experiences of SDC in Bangladesh (e.g. Samriddhi, Sharique, Katalyst ILGS) and value-added in terms of overall portfolio set-up.

In order to have a big enough geographic space with sufficient autonomy, resources and economic dynamism, SDC suggests the municipality as entry point.

For this purpose a total of 3 municipalities shall be selected from within Rajshahi, Rangpur and/or Sylhet Division and the following key issues shall be addressed:

- a) What are systemic constraints and opportunities related to particular markets/sectors/value-chains in the selected target districts (looking at service delivery, enabling environment, core market functions)
- b) Who are the main actors (public, private and civil society) in the 3 selected areas and what are their incentives and performances? What are other development partners (donor agencies, NGOs, etc.) doing which is of relevance for LED in the 3 selected areas (e.g. governance, value-chain and/or livelihood projects)?
- c) Where are the biggest potentials for pro-poor LED and positive gender impacts in the 3 selected areas?

- d) Who are the local champions and what would be best entry points for an LED program in the 3 selected areas?
- e) Where does SDC have comparative advantages to make use of untapped potentials and what are general recommendations in terms of program design (geographic focus, thematic focus, approach, financial volume, partners, potential implementing organizations, timeline, etc.)?

### **3. Methodology**

The team shall employ a range of research and analytical methodologies suitable for the purpose of the mission, such as workshops, reviews, interviews, focus group discussions, field visits, etc.

The following activities and inputs are expected from the mission team:

- A rapid review of SDC experiences on LED in Bangladesh, particularly experiences of the Sharique, Samriddhi and Katalyst projects, as well as international SDC experience with LED
- Advise SDC on criteria for the selection of 3 target municipalities prior to the field work
- Carry-out stakeholder consultations (focus group discussions or small workshops) in the 3 target municipalities covering inter alia:
  - Snapshots of municipality-specific stakeholder groups, production and business activities, poverty pockets, natural resources, infrastructure, risks, etc.
  - Gender and inclusive growth and employment issues
  - Analysis of key potentials for pro-poor growth
  - Main current and upcoming programmes/projects of relevance for LED
  - Key stakeholder/champions to be involved in potential future LED initiatives
- Report writing
- Presentation of key findings to SDC

### **4. Deliverables**

The main deliverables for the mission team are the following:

- A draft work plan for the mission before the actual start of the field work outlining the methodology and criteria for analysis in order for SDC to be in a position to make preparatory arrangements (e.g. selection of target municipalities, arrangements of logistics, etc.)
- Draft report covering inter alia:
  - LED in Bangladesh and previous SDC experiences in Bangladesh
  - Short 'Inclusive Growth and Employment Snapshots'/SWOTs for each target municipality
  - Potentials and challenges for LED initiatives in the 3 target municipalities
  - Recommendations and conclusions
  - Proposed roadmap
- De-briefing and presentation of findings to SDC
- A final report incorporating feedback from SDC.

# Annex 4

## EMPLOYMENT and GROWTH CONTEXT

### 1 Employment, Poverty and Migration

#### 1.1 Recent Demographic Changes and the Workforce

The productive base of Bangladesh's economy is expanding considerably as the nation's young population reaches working age (35% of the estimated 2011 population of between 150 and 165 million is under the age of 16 years), and more women are entering the workforce. This has opened a demographic window of opportunity for Bangladesh which is enjoying a very favourable working age to non-working age population ratio. Over 2 million mostly young first time job seekers enter the labour market annually: to take advantage of this demographic opportunity, the same number of new job opportunities need to be created.

The 2011 workforce of around 72 million will increase significantly over the next decade but its growth rate in recent years has outpaced job creation. Between 1974 and 2006, the average annual workforce increase was 3%. This has increased further to 3.3% in recent years owing to recent demographic changes but employment growth has been under 3%. The current workforce composition by occupation of 45% agriculture, 30% services and 25% industry has changed significantly over the past 15 years: the composition by occupation in FY 95/96 was 63% agriculture, 26% services and 11% industry. However, growth in manufacturing has not generated equivalent employment creation and the sector can only absorb about 250,000 of the 2 million new workforce entrants annually. Over 75% of the workforce is mainly engaged in informal sector agriculture and services activities that are low in productivity and earnings: this is the employment prospect facing most young labour market entrants annually.

The share of the working age population (15-64 age groups) has been steadily rising (from 40% in 1970 to 62% in 2009) partly due to demographic transition while the labour force participation rate is rising, especially from increased participation by women. However, only 20% of the workforce is engaged in organized manufacturing and services activities representing only a marginal improvement over the past the past 4 decades (the share of organized sectors in total employment was 15% per cent in the 1970s). About 80% of the population still lives in rural areas where landless peasants account for about half of the rural workforce with their numbers increasing: a growing concern for Bangladesh's agricultural sector will be its ability to absorb additional manpower.

#### 1.2 Poverty and Employment

While unemployment is low at around 4%, the national underemployment rate is high at over 40%, and is substantially higher in rural areas and amongst women: workers are either unable to find enough work or work that pays enough to lift themselves and their families out of poverty. Underemployment is a primary cause of Bangladesh's high poverty level. Most Bangladeshis earn their living from rural agriculture but population pressure continues to place a severe burden on productive capacity, creating a food deficit, especially of wheat. Foreign assistance and commercial imports fill the gap, but seasonal hunger ("monga") remains a problem.

Due to farmers' vulnerability to various risks, Bangladesh's poorest face numerous potential limitations on their ability to enhance agriculture production and their livelihoods. These include an actual and perceived risk to investing in new agricultural technologies and activities (despite their potential to increase

income), a vulnerability to shocks and stresses and limited ability to mitigate or cope with these, and limited access to market information. The rate of open unemployment has actually increased over time from 2.5% in 1995-96 to 4.3% in 2002-03. The gap between the poor and better off is widening.

Bangladesh has reduced poverty levels and improved living standards significantly in recent years despite global economic shocks and natural calamities. The national poverty headcount rate has declined to 31.5% in 2010 from 40% in 2005: over the same period, rural poverty declined to 35.2% from 43.8%, while urban poverty fell to 21.3% from 28.4%<sup>6</sup>. There has been a marked improvement in nutrition levels across the country, primarily because of the more diversified food basket that people are now consuming. Other indicators of welfare related to human development, access to services, and coverage of social welfare schemes have also seen tremendous progress. However, health and education levels remain relatively low. Health problems abound mainly caused by poor water quality and prevalence of infectious diseases. The water crisis is acute, with widespread bacterial contamination of surface water and arsenic contamination of groundwater. Common diseases include malaria, leptospirosis and dengue.

At least 20% of the rural poor live in chronic poverty in remote areas lacking services and adequate connectivity. They suffer from persistent food insecurity, own no land and assets, are often uneducated and may also suffer serious illnesses or disabilities. Another 29% of the rural population is considered moderately poor. Though they may own a small plot of land and some livestock and generally have enough to eat, their diets lack nutritional values. As a result of health problems or natural disasters, they are at risk of sliding deeper into poverty. Child labour is still common amongst very poor households.

### **1.3 Gender and Employment**

While women's participation in the workforce has considerably increased over the past 15 years, women are still marginalized in access to productive employment and economic opportunities. According to the World Bank in 2008, while women's workforce participation rates doubled since 1995, they are still extremely low at 26%: the dramatic growth in women's employment was led by the health and community service sector. Younger women's employment has seen the largest increase but young women are also the highest unemployed group undermining investments in their education. Microfinance has had direct and indirect impact on women's employment although some women reportedly do not have household control over the loans they obtain. Women constitute 90% of the workforce in the readymade garment sector but work under questionable conditions.

Compared to other countries, agriculture does not employ as many women in Bangladesh which explains a large part of the low participation rates for especially poor women. Only 10% of employed women (and 22% of employed men aged 20-55) receive any cash wages. Poor access to wage work more generally also explains why women choose to stay out of the labour market. Women earn about 60-65% of what men do in the agricultural labour market: 81.5% of this difference is unexplained and could be due to labour market discrimination. As highlighted by the ILO, serious data and measurement issues have hampered the understanding of labour force participation. Great strides have been made in women's literacy which is now almost on a parity with that of men except in rural areas<sup>7</sup>. However, the national literacy rate for women is still low at 45.7%.

Women are among the poorest of the rural poor, especially when they are the sole heads of their households. They suffer discrimination, have few earning opportunities and their nutritional intake is often inadequate.

### **1.4 Rural-Urban and Out-Migration**

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<sup>6</sup> Bangladesh Bureau of Statistics (BBS). 2010. Household Income and Expenditure Survey (HIES).

<sup>7</sup> BBS. 2008. Bangladesh Literacy Assessment Survey.

Between 2001 and 2010 the urban population grew faster than the rural population mainly due to high levels of rural-urban migration. The push and pull factors that are causing this are frequent recurrence of natural disasters which undermine rural agricultural development and cause food crisis, and the expansion of urban industry and services promising jobs and higher household incomes.

Male-dominated out-migration has risen sharply since 2005. According to the World Bank, 5.4 million Bangladeshis were working abroad during 2010, the majority in India with Saudi Arabia, Kuwait, UAE, Oman, Qatar, and Malaysia absorbing most others. This places Bangladesh amongst the world's top ten migrant worker nations with Bangladesh-India amongst the top ten migration corridors. Remittances from migrant labour amounted to \$11.1 billion or 12% of GDP: these fell sharply over the first nine months of FY11 to around 4%, as compared to the 19% growth seen during the same period the previous year because of a decrease in net outflow of migrant workers arising from the global financial crisis. Remittances are playing an increasingly important role in poverty reduction, especially over the past five years.

Large scale rural-urban and out-migration will continue as long as the high level of underemployment caused by limited availability of productive employment opportunities in rural and urban Bangladesh continues. Remittances will continue to bolster domestic investment and expenditure while keeping workers' families from falling into poverty or deeper poverty. Remittances are freeing-up a demand constraint in Bangladesh with potential employment impact for local supply.

### **1.5 Implications for LED**

LED approaches to local inclusive growth will need to be job-rich to address unemployment, widespread underemployment and large numbers of new job seekers. Special emphasis on productive employment creation for women, youth and landless peasants is required, particularly in rural areas. As there are limits to what can be achieved in GDP growth between now and the MGD deadline in 2015, strong emphasis will also be required on increasing access to better paid overseas employment, especially for youth although this would appear best addressed by a standalone project.

## **2. Economic Growth and Employment**

### **2.1 Economic Growth and Employment Creation Performance**

The economy of Bangladesh is a rapidly developing market-based economy. Per capita income in 2010 was \$1,700 (adjusted by purchasing power parity) when according to the IMF, Bangladesh ranked as the 47<sup>th</sup> largest economy in the world. More than half of the GDP belongs to the service sector while nearly half of Bangladeshis are employed in the agriculture sector. Readymade garments, textiles, leather, jute, fish, vegetables, leather and leather goods, ceramics, fruit are the most important products. The land is devoted mainly to rice and jute cultivation as well as fruits and produce, although wheat production has increased in recent years. The country is largely self-sufficient in rice production. Bangladesh's growth of its agro industries is due to its rich deltaic fertile land that depends on its six seasons and multiple harvests.

While Bangladesh has enjoyed impressive annual GDP growth of over 6-7% since 2004-05, the per capita income gap between Bangladesh and India and Sri Lanka has widened. India has been experiencing much higher annual growth of over 8% since 2003-04 while China has mostly enjoyed double-digit GDP growth since the 1980s. The rate of investment as a percentage of GDP in Bangladesh is low at 24% compared to 43% in China, 34% in India and 29% in Nepal.

The ability of the Bangladesh economy to create employment as measured by employment elasticity is declining. Between 1981 and 2010, value added in manufacturing grew by 6.4% annually whereas employment increased by only 3.9%, an employment elasticity of only 0.61. During the 1980s, 1.82% of GDP growth created 1% employment but over 2% GDP growth was required to produce this during the 1990s. According to some recent predictions, minimum annual GDP growth of 8% is needed to generate the

4% employment growth Bangladesh needs to achieve its MDG 1 target of halving poverty by 2015. Other observers suggest the minimum growth rate required is 8.9% for 4.4% employment growth, and this without addressing current unemployment and underemployment levels which requires higher GDP growth again.

The structure of employment is not significantly changing in Bangladesh. The economy consists of a relatively small modern part and a large traditional part. The process of transfer of surplus labour between the traditional activities characterized by low levels of labour productivity to modern sectors with higher productivity has been slow. Most transfer of labour from agriculture over the past 15 years had been into services: while some of the service sector activities belong to the modern sector, the vast majority of them fall within the informal sector where much employment is of low quality. Despite a gradual decline in contribution of the agricultural to GDP, the sector still accounts for nearly half of total employment.

While the share of industry in total employment would be expected to rise with a decline in the share of agriculture, this is not happening in Bangladesh even though absolute numbers employed in manufacturing have increased. This is because overall, the manufacturing sector is not doing very well. Traditional industries like jute and cotton textiles, sugar, matches and others have declined. Significant growth in the readymade garment and leather footwear industries has not been sufficient to absorb surplus labour. Other emerging growth sectors such as shipbuilding, ceramics and furniture have a lead time of many years to create large numbers of new jobs because they have a low base.

## **2.2 Equality of Growth**

Bangladesh's sustained growth of the past three decades is not equitable when considered in the context of the rate of poverty reduction, income distribution and employment. While poverty levels were lowered significantly between 1990 and 2005 to 40% from 60% largely attributable to output growth, there was lower elasticity of poverty reduction with respect to growth during the same period (0.62 in Bangladesh compared to 1.28 in Vietnam for example). During the same period, the share in total income increased substantially but only for the top 10% of households. However, as the share of the bottom 40% declined substantially while the middle income group also lost its share, the benefits of economic growth bypassed the majority of the population because the contribution of the non-equalizing sources of income (i.e. wages and salaries) and nonfarm enterprises to total income increased. The overall employment intensity of economic growth, as well as the employment elasticity with respect to GDP growth, is low and declining.

## **2.3 Macroeconomic Environment**

Trade liberalization and economic reforms have not put Bangladesh on a development path with labour-intensive industrialization. There has been significant growth in only one new export-oriented industry (readymade garments) which is not adequate to address the overwhelming demand for productive employment: some reforms may have actually closed the doors of several important traditional industries. Foreign direct investment is yet to rise significantly.

Growth projections for Bangladesh in FY11 and FY 12 are strong provided macroeconomic risks are prudently managed. However, this remains well short of the 9-10% needed to lift Bangladesh to mid-income nation level. Consumption, the largest component of GDP, received a boost from increased public and private wages, and there are expectations of a good agricultural performance that would further boost consumption. Investment is likely to have increased, as indicated by increased imports of capital machinery while a better economic performance across all sectors, including agriculture, is expected compared to FY10. Revenue performance is significantly better than initially projected and is one indicator of strong economic performance.

However, inflationary pressures have emerged. The Consumer Price Index growth reached 10.5% in March 2011 mainly driven by a 13.9% rise in food prices. The current account balance has also deteriorated.

For FY11 a current account deficit of 0.8% is estimated as opposed to a 3.7% surplus in FY10 due to a combination of rising imports, rising food and fuel prices intensifying pressure on the external account, and a sharp fall on remittances because of a decrease in the net outflow of migrant workers due to slow recovery from the global financial crisis. The current rise in food prices is adversely affecting the rate of poverty reduction: according to ADB, a 10% increase in food prices in Bangladesh pushes 3.83 million people into poverty<sup>8</sup>. Another possible short term macroeconomic risk in Nepal is stock market volatility and its potential impact on the banking sector. A recovery in remittances would support consumption growth, although the outlook for such an increase is uncertain.

The Government has recently taken important corrective measures to reduce the budget deficit, and is developing a medium-term macroeconomic framework to move it to a more sustainable level. In addition, a number of specific measures to increase accountability have begun and could be expanded, including use of monitoring tools such as survey-based assessments, public expenditure tracking surveys, and citizen report cards.

In addition to growth in the labour force that has outpaced jobs, obstacles to growth include frequent cyclones and floods, inefficient state-owned enterprises, mismanaged port facilities, inefficient use of energy resources (such as natural gas), inadequate power supply, slow implementation of economic reforms, political infighting and corruption. According to the World Bank, Bangladesh's most significant obstacles to growth are poor governance and weak public institutions. The privatization of public sector industries has proceeded at a slow pace due in part to worker unrest in affected industries. The government also has proven unable to resist demands for wage hikes in government-owned industries. Access to capital is impeded: state-owned banks, which control about three-fourths of deposits and loans, carry classified loan burdens of about 50%.

The country's main endowments include its vast human resource base, rich agricultural land, relatively abundant water, substantial reserves of natural gas, and possessing the world's only natural sea ports in Mongla and Chittagong.

## 2.4 Implications for LED

Because most of Bangladesh's poor people live in rural areas, accelerated agricultural growth through raising productivity of small farmers and agricultural workers and diversifying crops is a priority along with improving the operation of land and export markets and further developing fisheries and livestock, important assets for the landless. This will particularly provide major challenges for LED and value chain practitioners accustomed to working with semi-commercial and commercial farmers including motivating more subsistence farmers to make a transition to commercial production, engaging more women, and creating more farm employment for large numbers of underemployed landless workers.

According to DFID, research that compares the experiences of a wide range of developing countries finds consistently strong evidence that rapid and sustained growth is the single most important way to reduce poverty<sup>9</sup>. Strong agricultural growth (especially that founded on increased productivity) has been a feature of countries that have successfully reduced poverty<sup>10</sup>: in addition to increasing farm incomes, strong agricultural growth also creates more on farm employment<sup>11</sup> and more off farm income opportunities<sup>12</sup>.

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<sup>8</sup> ADB. 2011. *Global Food Price Inflation and Developing Asia*.

<sup>9</sup> DFID Policy Paper. 2005. *Growth and Poverty Reduction: the Role of Agriculture*

<sup>10</sup> Evidence consistently shows that agricultural growth is highly effective in reducing poverty. Gallup et al (1997) reported that every 1% increase in per capita agricultural output led to a 1.61% increase in the incomes of the poorest 20% of the population. Thirtle et al (2001) concluded from a major cross-country analysis that, on average, every 1% increase in agricultural yields reduced the number of people living on less than \$1 a day by 0.83%.

<sup>11</sup> Cross-country studies estimate that for every 1% increase in agricultural output, farm employment is increased by between 0.3 to 0.6%. It is not just the landless that rely upon this source of income: many farmers supplement their incomes by working on the farms of others (wage labour or sharecropping).

Employment-friendly productivity gains in agriculture will be an important driver of equitable agricultural growth while determining its magnitude. In most sub-territories therefore, LED will require a strong rural agricultural employment bias. Support for growth of non-farm, rural economic activities including manufacturing, construction, and white collar jobs is also important especially for urban poverty reduction, as is increasing access to services such as microfinance and business services to support establishment and expansion of small enterprises. Labour-intensive approaches to infrastructure create more immediate jobs for needy households: increased investments will be important with rising inflation eroding the purchasing power of the poor.

It is also important that decentralized inclusive growth initiatives involving LED approaches have strong links to central government and other key stakeholders for two-way collective contributions on creating and maintaining an enabling environment for decentralized inclusive growth including policy-making, resource mobilization, technical backstopping and overall coordination and results reporting.

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<sup>12</sup> Many studies have shown the strength of the growth linkages or 'multipliers' between agriculture and the wider economy: estimates show that on average in Asia, every \$1 of additional farm income created a further \$0.80 in non farm income. Where agriculture has grown rapidly, higher rural incomes and cheaper food have increased the demand for goods or services produced outside agriculture. These strong linkages or 'multipliers' between growth in agriculture and that in the wider economy have allowed poor countries to diversify their economies to sectors where growth is generally faster and labour productivity and wages are higher. Where agricultural productivity is growing slowly, non farm activities also tend to grow slowly and to offer low wages.

# Annex 5

## OVERVIEW of MAIN LED INSTITUTIONS – MEMBERSHIP and ROLES

### 1. LED Support Cells

#### (a) OVERVIEW:

As stakeholder membership of LED institutions is voluntary and stakeholders have limited time availability, permanently-staffed technical and administrative support will be essential at central and district levels to ensure that the LED institutional framework functions smoothly and that work plans are implemented on time and within budget. As LED is a process, civil service staffing is required rather than project personnel whose responsibilities will include building the capacity of LED Cell personnel at central and district levels to gradually absorb the implementation and technical backstopping responsibilities of the specialist project implementation contractor.

The Central Cell under the focal point ministry and each District LED Cell will have one LED Focal Point cum Cell Manager, one LED Programme Assistant, one Administrative Assistant and one Driver. The District Cell will also have one LED Programme Focal Point per Upazila covered by the LED effort as these as are added. The Cells will require support for equipment, vehicles and motorbikes. The Central Cell will also additionally have a Communications Officer.

#### (b) CENTRAL LED CELL ROLE:

- Regular liaison with donor focal points.
- Regular liaison with and backstopping of District LED Cells.
- Regular interaction with and progress reporting to a senior official at the focal point ministry including important issues that cannot be resolved at district-level or other actions that need to be taken centrally to ensure the smooth running of the LED efforts.
- Maintaining a database of national and other LED and related projects.
- Acting as Secretariat to the CA and its WGs including agenda preparation and minutes and related timely circulations.
- Maintaining a central LED results database.
- Consolidation of district LED results and progress and annual reports into central reports.
- Production of annual Bangladesh LED Reader.
- Consolidation of district LED annual strategy documents, budgets and work plans for focal point ministry and CA feedback, and timely submission to central government for approval and resource mobilization.
- Arranging annual stakeholder LED effort joint progress review and knowledge sharing workshops.
- Facilitating interaction between LED Cells and arranging training programmes and reviews.
- Terms of reference and contracts for consultants hired at the central level including independent reviews and evaluations, and developing a roster of consultants and service providers.
- Arranging agendas for donor, focal point ministry and CA site visits, evaluations and other.
- Developing and maintaining a central LED website and newsletter.

#### (c) DISTRICT LED CELL ROLE:

- Participation in Cell member trainings and regular Cell member meetings.
- Regular liaison with the Central LED Cells including timely requests for technical assistance and other support.
- Acting as Secretariat to the DLEDF and its WGs including agenda preparation and minutes and related timely circulations.
- Implementing stakeholder LED capacity building training programmes in accordance with approved plans.
- Providing timely and responsive technical advice and guidance to stakeholders on a range of LED issues.
- Ensuring that the design and results measurement and reporting of LED interventions meets appropriate standards.
- Monitoring implementation and facilitating monitoring by DLED Forum and Working Group stakeholders.
- Ensuring that links between various WGs at district and Upazila level are created where relevant and that overlap and duplication is avoided.
- Maintaining the district LED results database.
- Timely contributions for preparation of the annual Bangladesh LED Reader.

- Participating in annual stakeholder LED effort joint progress review and knowledge sharing workshops.
- Maintaining and updating the rolling consolidated district LED master plan.
- Preparing annual consolidated district LED strategy documents, budgets and work plans for DLEDF and DDCC feedback and approval, and timely submission to the Central LED Cell.
- Consolidation of Upazila and District LED results and progress and annual reports into overall district LED reports and timely submission to Dhaka.
- Facilitating interaction between LED Cells and arranging training programmes and reviews.
- Terms of reference and contracts for consultants and implementing partners for contracting at the district level for approval by the DLEDF and WGs and developing a roster of same.
- Facilitating site visits by focal point ministry, CA stakeholders, donor and other.
- Timely contributions to the central LED website and newsletter.
- Maintaining regular liaison with and timely response to assistance needs requests from the Cell's Upazila LED Focal Points.
- Ensuring that the Cell's Upazila LED Focal Points competently execute the same responsibilities as above at Upazila level where relevant.
- Facilitating exchanges between UzLEDC stakeholders.

## **2. Bangladesh Inclusive Growth/LED Central Anchor**

### (a) MEMBERSHIP:

- Focal Point Ministry for LED.
- SDC and other LED Donors and implementing partners in observation role.
- Ministry of Finance.
- Planning commission.
- MAB.
- National BMO representatives (federation level – man and woman).
- National Workers Federation representative (federation – man and woman).
- Civil Society representatives (man and woman).
- Central LED Cell (Secretariat).
- Attendance at meetings by other inclusive growth-oriented ministries and departments, technical advisors and others as may be required periodically.

### (b) ROLE:

- Participate in LED sensitization training and other important events.
- Meet formally at least twice yearly.
- Appointing an LED Focal Point from the membership for liaison with DLEDF LED Focal Points.
- Acting as Steering Committee for all LED Projects (meetings attended by DLEDF chairpersons, DLEDF Focal Points and project managers).
- Periodically establishing and tasking Working Groups (WGs) of the CA for special tasks (e.g. LED policy making) and linking and coordinating between CA WGs where needed.
- LED policy-making at the national level.
- Providing strategic direction on LED.
- Ensuring effective horizontal coordination with relevant national-level programmes and projects.
- Ensuring effective vertical coordination with line departments/offices/representatives at district level and the timely availability of human resources and departmental budget resources for their line departments, offices, or representatives at district level.
- Facilitating linkages between large private sector firms and needy communities and beneficiaries.
- Mainstreaming observed good practices and influencing central level policies.
- Securing Government support and resources for LED efforts.
- Maintaining minutes of meetings and circulating the minutes to concerned stakeholders.
- Mainstreaming inclusive growth/LED in decentralized local development agendas across Bangladesh

## **3. Working Groups (WGs) of the CA**

Membership and terms of reference to be determined by the CA relevant to the subject matter: WGs are likely to be the point of central engagement for inclusive growth- and employment-oriented ministries and departments.

## **4. Role of Focal Point Ministry for LED**

- Serve as a gateway and facilitator of the Government on inclusive growth/LED.
- Participate in LED trainings and events.

- Provide the DLEDFs and UzLEDCs with appropriate legitimate mandates.
- Actively participate on the CA especially resolving major issues constraining the creation of an enabling environment for LED at district-level that are beyond the solution capacities of local stakeholders.
- Providing/facilitating information that informs LED (e.g. economic, population, trade information).
- Facilitating linkages, cooperation and coordination with other relevant Government Ministries, Departments and Agencies engaged in and special programmes for economic development including ensuring that the reporting of LED results in support of acceptance of the LED approach at Government level and LED effort resource mobilization, the establishment and development of a strong Central Anchor for LED, and the mainstreaming of good practices.
- Guiding and supporting national LED policy-making.

## **5. District Commission Offices Role**

- Facilitate establishment of the DLEDF and UzLEDCs, and proactive coordination amongst stakeholders, especially line agencies and departments.
- Participate in LED trainings and events.
- Chair the DLEDF and its meetings (Deputy Commissioner).
- Act as the link between the LED effort and MOCD on relevant matters.
- Maintain close liaison with the District LED Cell on progress and any issues that need resolving.
- Review and comment on LED effort progress and annual reports.
- Provide advice and guidance to stakeholder the District LED Cell including support to LED policy-making.

### **Role of Government Line Agencies and Departments**

A key role for government line/ministries agencies in LED will be to work with local government and other LED stakeholders to identify, match and leverage resources for the LED efforts. Other envisaged roles will include:

- Actively participating in key DLEDF and UzLEDC Working Groups as relevant.
- Participation in LED training and other events.
- Providing technical inputs for the planning, designing, cost-estimation, tendering, contract awarding, implementation and supervision of project activities/sub-contracts, in accordance with work plans, procurement plans and operational plans.
- Applying agreed and/or developed tools and procedures for the implementation of project activities.
- Ensuring technical quality control.
- Technical certification of works and interventions.
- Provide technical inputs to stakeholders and the Project in the preparation of policies, strategies, methodologies, systems, procedures and formats in their mandated field of work.
- Ensuring the regular and timely provision of data and information in their mandated field of work.
- Working with local government and other LED stakeholders to identify/match and leverage resources for the LED efforts.
- Liaison and coordination with other stakeholders and district-level projects to ensure an efficient utilization of human resources and effective implementation of Project activities.

## **6. District Development Coordination Committee (DDCC) Role**

Under their mandate for overseeing participatory planning processes and coordinating development planning and executing district development plans, the role of the DDCCs will include the following:

- Ensuring LED strategies and resource allocations agreed by the DLEDF are duly included on a timely basis in periodic/annual district planning submissions to central government for approval, and cross-checking that the LED action programmes and resource allocations of UzDCCs agree with the synthesized action programmes of DLEDFs.
- Providing advice and guidance to the DLEDFs on LED locational and beneficiary targeting to ensure the LED efforts have a continuous pro-poor outreach and impact.
- Reviewing and commenting on LED effort progress.

## **7. District LED Forum (DLEDF)**

(a) MEMBERSHIP (one to be nominated as DLEDF Focal Point and one as Secretariat):

- District Commission Offices (with the Deputy Commissioner as Chair) and Upazila Chairpersons directly under the Deputy Commissioner (to avoid too large a membership of the DLEDF, an option can be to have one representative from the Upazila Chairpersons).
- Chamber of Commerce/BMOs representative (Vice Chair).

- Zila Parishad Chairperson.
- Municipalities' representative.
- Departmental administrators of relevant government line agencies/departments<sup>13</sup> (can also be accommodated in the LED effort via dedicated working groups of the DLEDF to avoid public sector domination of the DLEDF).
- Workers organizations' representative.
- Civil society representatives (one man and one woman).
- Development/business opinion leaders (one man and one woman).
- Press Club.
- One of the above to be selected as DLEDF Focal Point.
- Key development partners (observation role).

**(b) ROLE:**

- Participate in LED trainings and other important events.
- Meet monthly with a structured agenda and follow-up consensus decisions.
- Take ownership of inclusive growth/LED as a decentralized local development agenda process.
- Appointing an LED Focal Point from the membership for liaison with various counterparts and developing terms of reference for this person, etc.
- Developing terms of reference for UzLEDC and UDCC LED Focal Points.
- Agreeing the scope of initial and periodic updates of the GEP, and preparing a related workplan inclusive a various participatory contributions from stakeholders.
- Consensus LED strategy-making.
- Developing LED geographical and beneficiary targeting guidelines.
- Periodically establishing and tasking DLEDF Working Groups (WGs) for implementation of various aspects of LED strategies (e.g. product-specific value chain, skills development sector coordination, etc), and linking WGs where needed.
- Prioritizing Upazilas (and municipalities) for rolling-out and expanding LED efforts, and assisting in the establishment and tasking of UzLEDCs.
- Consultations with CLEDC and municipality stakeholders on planned action programmes and initiatives targeting their locations.
- Ensuring UzLEDC stakeholders are proactively contributing to building LED momentum and have the appropriate technical support and resources required.
- Reviewing and approving intervention and contracting documents, budgets, consolidated annual district LED plans including work plans and budgets, and LED effort progress and annual reports.
- Overseeing LED procurement including final LED subproject contractor/implementing partner selections.
- Monitoring implementation and progress at field sites including interaction with stakeholders, actors and beneficiaries.
- Other periodic reporting contributions.
- Exchanges with other LEDF stakeholders in other districts.
- Ensuring effective coordination amongst stakeholders.
- Securing Government support and resources for LED efforts.
- Troubleshooting.
- Mainstreaming observed good practices and influencing central level policies including actively participating at and contribute to the CA.

## **8. DLEDF and UzLEDC Working Groups and Sector Coordination Groups**

DLEDF and UzLEDC Working Groups will comprise public, private and civil society stakeholders relevant to priority LED action programme/initiative subject matter. A preferred option would be to accommodate most relevant government line agencies and departments at this level of the LED effort and institutional framework as their membership on the main committees would result in an unhealthy public sector balance and dominance. Moreover, and as LED efforts are rolled-out gradually, all the additional public sector stakeholders would not have an immediate active role in the LED effort and would be accommodated gradually also. The relevant public stakeholders include:

- **DISTRICT LEVEL:** The District Administrators of LGED, DAE, DoF, DoL, Youth Development Office and Women and Children's Affairs Office.
- **UPAZILA LEVEL:** Upazila Agriculture Officer, Upazila Engineer (LGED), Upazila Project Officer, Upazila Livestock Officer, Upazila Youth Development Officer, Upazila Social Welfare Officer and the Upazila Women and Children Affairs Officer.

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<sup>13</sup> For the DLEDF and UzLEDC, these include LGED, DAE, DoF, DoL, Youth Development Office and Women and Children's Affairs Office.

The responsibilities of a typical DLEDF value chain WG would include:

- Participation in LED WG trainings.
- Contributions to GEPs.
- Selection of action programme/initiative locations and beneficiaries in accordance with the harmonized guidelines of the DLEDF including consultations with area-level stakeholders.
- Following clearance by the DLEDF and UzLEDC to do so, establishing, tasking and backstopping sub-working groups in target Upazilas to assist with analysis, design and implementation of interventions.
- Design of action programmes and initiatives including results measurement plans to available standards, and preparation of related work plans.
- Overseeing transparent processes for identifying, selecting and contracting consultants and implementing partners.
- Ensuring training of service providers, and implementing and results measurement partners is delivered on a timely basis where relevant.
- Coordination and exchanges with similar interventions locally and in other districts as well as other relevant district DLEDF WGs.
- Coordinating with UzLEDC sub-groups on implementation and results measurement of LED action programmes in targeted sub-territory locations.
- Monitoring the implementation and results measurement as well as reviewing and reporting the results of LED action programmes and initiatives through implementing.
- Maintaining minutes of regular meetings including decisions-taken and circulating the minutes to concerned stakeholders.

It is envisaged that various sector coordination groups with terms of reference will be duly established to improve sector coordination and accountability (e.g. for such as vocational skills training, infrastructure, business services, financial services and so forth). These groups will ideally have coordination and liaison focal points at area-level. The DLEDF infrastructure working/coordination groups will have the following additional responsibilities:

- Tasking UzLEDC infrastructure sub-working groups and focal points.
- Planning and implementing a programme for the participatory preparation of cluster/area-level and district-level infrastructure/transport master plans including maintenance as well as participatory prioritization of projects.
- Ensuring adequate availability of civil engineering technical services are available for backstopping area-level stakeholders and implementing partners inter alia in participatory planning, and the design (including work plans and budgets) and implementation and results measurement of area-level and community infrastructure projects, including identification and training of the service providers.
- Assisting target Uz Infrastructure Standing Committees to: (1) develop menus of smart community/inter-community infrastructure projects and channel related information to target communities and their oversight institutions including information on any related matching grant funds for community/inter-community projects and how these are accessed; (2) synthesize community and cluster-/area-level plans and priority projects and resource allocations for inclusion in area-level planning processes; (3) design and implement relevant training programmes for local stakeholders and implementing partners inter alia covering design and implementation of projects optimizing labour-based approaches, operations and maintenance planning, organizing and using community contractors (including registration of the contractors), and results measurement and reporting, self-evaluations, public audits and other; and, (4) facilitating Knowledge and sharing at the local level.
- Facilitating/supporting improved sectoral coordination and contracting and results accountability.

## **9. Upazila LED Committee (UzLEDC)**

(a) MEMBERSHIP (one to be nominated as UzLEDC Focal Point and one as Secretariat):

- Upazila Chairperson (Chair).
- BMOs representative (Vice Chair).
- UNO.
- Upazila Officers of relevant government line agencies/departments (can also be accommodated in the LED effort via dedicated working groups of the UzLEDC to avoid public sector domination of the UzLEDC).
- Civil society representatives (one man and one woman).
- Development/business opinion leaders (one man and one woman).
- One of the above to be selected as DLEDF focal point.
- Nominated LED Focal Points from UDCCs.
- Key development partners (observation role).

(b) ROLE:

- Participate in LED trainings and other important events.
- Meet monthly with a structured agenda and follow-up consensus decisions.
- Appointing an LED Focal Point from the membership for liaison with the DLEDF LED and UDCC LED Focal Points.
- Attend monthly DLEDF meetings.
- Ensure DLEDF strategies, action programmes and activities relevant to the Upazila are incorporated in UzLEDC work plans.
- Assist UDCCs to appoint and task an LED Focal Point.
- Ensure UDCC stakeholders are informed of relevant strategies, action programmes and activities and they participate in LED capacity building trainings and other events.
- Contribute to DLEDF strategy-making (relevant to broader district and own Upazila).
- Contributing to agreeing the scope of initial and periodic updates of the GEP relevant to the Upazila, and ensuring various participatory contributions from local stakeholders.
- Providing advice and guidance to the DLEDF and its WGs on priority locational action programme targeting and access to various actors and beneficiaries.
- Assisting in establishing and tasking sub-WGs of the DLEDF at Upazila level.
- Ensuring UzLEDC stakeholders are proactively contributing to building LED momentum and have the appropriate technical support and resources required.
- Reviewing and approving LED work plans and budgets, and LED effort short progress reports.
- Monitoring implementation and progress at field sites including interaction with stakeholders, actors and beneficiaries.
- Exchanges with other UzLEDC stakeholders.
- Ensuring effective coordination amongst stakeholders including line agency officers.
- Local troubleshooting.

# Annex 6

## SUGGESTED PROJECT OUTLINE

<b>Project Title</b>	Inclusive Growth through Local Economic Development
<b>Target Districts</b>	Habiganj and Natore
<b>Project Description</b>	<p>The Project will enable and facilitate local public and private stakeholders in two pilot districts to accelerate employment-centred and inclusive local economic growth. This is the major gap in the decentralized local development agenda contributing to inadequate GDP growth for employment creation in Bangladesh. This is a demonstration Project employing Local Economic Development (LED) approaches aimed at systemizing employment-centred and inclusive growth as a component of decentralized development for widespread replication in Bangladesh to take advantage of untapped and underdeveloped local potentials. The pragmatic LED approach employed is that of creating a key competitive advantage: the Project will assist stakeholders to position local enterprises and stakeholders in dominant, niche markets and subsequently keep them there. The Project will also assist stakeholders to exploit employment creation potentials that will accrue from building a key competitive advantage as well as growth spin-off opportunities while laying other important foundations that will contribute to making the target districts more competitive.</p> <p>The purpose of LED is to accelerate economic growth in the target districts with the objective of an equitable distribution of benefits through the economic empowerment of hitherto marginalized groups. The Project will increase the availability of productivity economic and employment opportunities at scale to reduce high levels of underemployment and poverty by: (1) enabling the capacities of key district and national decision-making stakeholders to design and implement consensus strategies for accelerating job-rich and inclusive growth in the target districts; and, (2) effectively engaging hitherto marginalized communities in local development processes while improving their access to productive employment and economic opportunities.</p> <p>The priority strategy for accelerating economic growth and long term productive employment creation is product-specific value chain upgrading (main focus on agricultural products and produce) complimented by investments in connectivity, production and marketing infrastructure optimizing the use of labour based technologies to increase the availability of short term employment opportunities. The Project will assist stakeholders to take advantage of increased consumer purchasing power accruing from agri-business growth to expand the availability of nonfarm enterprise and employment opportunities through integrated informal sector skills development interventions. Short and long term employment opportunities will also be created through selective subproject support to climate change attribution, disaster risk management and environmental conservation and upgrading infrastructure works, and green enterprise development. The crosscutting areas for the Project are good governance and capacity development, gender equity, youth employment, knowledge solution and partnerships.</p>
<b>Classification</b>	<p>Primary: Employment creation for poverty reduction          Secondary: Broad-based and inclusive economic growth</p>
<b>Rationale</b>	<p>The Projects responds to inadequate GDP growth for productive employment creation in Bangladesh as well as unequal distribution of the benefits of existing growth. GDP growth averaging 6-7% in recent years is not sufficient to address rising unemployment, 40% underemployment and jobs for the 2 million new workers mostly youth entering the labour market annually. Underemployment is a primary cause of the high national poverty level of over 30%. While incomes have increased in Bangladesh, this has only benefited the top 10% of households: the share of income for the bottom 20% and the middle poor has declined. Workforce growth is outpacing job creation while the employment growth rate is low and declining slow compared with GDP. Agriculture accounts for nearly half the workforce but only contributes one-third of GDP due to low productivity. The transfer of surplus labour from agriculture of the past 15 years has mostly been to low quality informal activities in the services sector rather than the high productivity manufacturing sector. Women, youth and landless rural peasants are particularly marginalized in access to productive economic and employment. Lack of opportunity has contributed to high levels of rural-urban and out-migration.</p> <p>Much macroeconomic policy emphasis of the past decade and a half has been on attracting</p>

	<p>manufacturing investment for textile exports which has not generated adequate jobs. The potentials for accelerating local growth and employment creation have been largely neglected and the decentralized development agenda is mainly focused on social policy and programmes for poverty reduction. Public, private and civil society stakeholders are not engaged in LED partnerships and lack capacity to design and implement inclusive growth strategies. Yet under decentralized development, the local stakeholders are responsible for development planning and investments including inclusive growth.</p>				
<p><b>Objectives and Scope</b></p>	<p>The LED process framework scope that will be employed for integrating the different fields of economic development for optimal efficiency in resource allocation and employment creation impact while facilitating buy-in from various development partners has 5 interrelated components:</p> <ol style="list-style-type: none"> <li>1. LED Governance and Capacity Development;</li> <li>2. Private Sector Development (PSD);</li> <li>3. Strengthening Locational Factors for LED (main emphasis on infrastructure and skills development);</li> <li>4. Community Economic Empowerment (CEE); and,</li> <li>5. Environmental Sustainability (with special emphasis on climate change attribution, natural resource and disaster risk management, and mainstreaming green growth and green jobs in inclusive growth).</li> </ol> <p>The <b>objective</b> of the Project is to increase the availability of productive employment and economic opportunities for ultimate target groups especially in rural areas to reduce poverty. The <b>purpose</b> of the Project is to accelerate employment-centred and inclusive economic growth in target subterritories. The <b>target outputs</b> required for achieving the purpose are:</p> <ul style="list-style-type: none"> <li>• Inclusive growth stakeholders have the skills for designing and implementing effective strategies for accelerating employment-centred and inclusive local and regional economic growth.</li> <li>• Target enterprises including producer groups are more competitive; create more jobs and incomes.</li> <li>• Infrastructure, skills development and other locational factors for LED strengthened while creating more jobs.</li> <li>• Target communities empowered to engage in productive employment and economic opportunities, and contribute to local development planning processes</li> <li>• Green growth and green jobs triggered.</li> </ul> <p>The geographical scope of the Project is Habiganj and Natore Districts.</p>				
<p><b>Cost Estimates</b></p>	<p>\$13.50 million</p>				
<p><b>Financing Plan</b></p>	<p>SDC \$13.5 million; Government of Bangladesh/other development partners – resources for CEE matching grants and capacity building.</p>				
<p><b>Project Design and Implementation Timelines</b></p>	<table border="0"> <tr> <td>Project Design:</td> <td>6 months</td> </tr> <tr> <td>Project Implementation:</td> <td>5 years</td> </tr> </table>	Project Design:	6 months	Project Implementation:	5 years
Project Design:	6 months				
Project Implementation:	5 years				
<p><b>Executing Agency</b></p>	<p>Possibly Cabinet Division</p>				
<p><b>Implementation Arrangements</b></p>	<p>The main implementation arrangements and institutional structure are:</p> <ul style="list-style-type: none"> <li>• Permanently staffed LED Cells at MOCD and each participating district: the Cell at MOCD will also be the Project Implementation Unit.</li> <li>• Specialist LED contractor/consortium for implementation with gradual handover to PIU.</li> <li>• Permanent LED Focal Point for each Upazila attached to district LED Cell.</li> <li>• LED training capacity and programmes for stakeholders and staff at (to be identified).</li> <li>• Dhaka LED Central Anchor (CA) for inclusive growth/LED policy making, backstopping and resource mobilization; also acts as Steering Committee for all LED technical cooperation projects</li> <li>• District LED Forum (DLEDF) for overall LED strategy-making.</li> <li>• Upazila LED Committee (UzLEDC) for participation in and contributions to district and Upazila LED strategy-making; membership includes LED Focal Points from UDCCs</li> <li>• DLEDF and UzLEDC Working Groups (WGs) for design and implementation of priority action programmes, coordination and other activities.</li> <li>• Implementation of action programmes and activities and results measurement by a combination of private sector contractors and actors, line agencies and departments, specialist service providers and local NGOs.</li> </ul>				

<b>Procurement</b>	The Project will require the procurement of service vehicles, equipment, and possible civil works for MOCD and participating district LED Cells.
<b>Technical Assistance</b>	International and domestic technical expertise will be required in project and process management, stakeholder capacity building, private sector development, infrastructure, skills development, community economic empowerment, climate change attribution and natural resource management, and subproject design, results measurement and reporting. Options for SDC include engaging an international technical assistance partner with capacity to cover most or all of the subject areas.
<b>Project Beneficiaries, Clients and Benefits</b>	<p>The ultimate target beneficiaries of the Project are impoverished poor small farming households and un/underemployed landless labourers in rural (mainly) and urban areas with special emphasis on women, youth and DAGs. The main clients are producers, enterprises, workers and service providers with a rural bias. The Project will reach the target groups through a combination of:</p> <ul style="list-style-type: none"> <li>• Assisting stakeholders to identify a revised consensus poverty line standard for effective targeting of the poor and measuring and reporting the impact of subprojects on poverty reduction.</li> <li>• Technical assistance for local land reform.</li> <li>• Participatory infrastructure planning.</li> <li>• Targeted subprojects.</li> <li>• CEE initiatives.</li> <li>• Providing a local coordination and good practices platform for all employment- and CEE-related support programmes and projects.</li> <li>• Setting specific ultimate target group beneficiary outreach and impact objectives for each subproject, and ensuring all indirectly targeted interventions have a pro-poor impact.</li> <li>• Broad-based awareness-raising of the LED efforts, and engagement opportunities.</li> </ul> <p>Benefits for ultimate target beneficiaries will include increased availability of new and improved productive job and enterprise opportunities; access to new and improved business and financial services; productive connectivity, production, marketing and natural resource assets; and, stronger community economic social capital and more effective local development planning processes.</p>

## Objective and Purpose

The logical framework summary for the Project's overall objective and purpose is:

Level of Objectives	Verifiable Indicators	Source of Verification	Assumptions and Risks
<p><b>Overall Objective:</b> Increase the availability of productive employment and economic opportunities for ultimate target groups to reduce poverty, especially in rural areas</p>	<ul style="list-style-type: none"> <li>• Net additional income (additional sales minus additional costs) accrued to number of ultimate target group MSE owners (including self-employed and household enterprises) as a result of the Project per year and cumulatively, and why the incomes are likely to be sustainable: percentage marginalized groups, women and youth</li> <li>• Net additional, full time equivalent jobs (240 days per year) created in target enterprises as a result of the Project, per year and cumulatively and why full time jobs are likely to be sustainable: percentage DAGs, women and youth</li> <li>• Number of workdays created for number of ultimate target beneficiaries in infrastructure works: percentage DAGs, women and youth</li> <li>• Impact of net additional net MSE incomes and wages on moving ultimate target MSE and job beneficiaries towards or above the IPL annually and cumulatively</li> <li>• Other poverty reduction attributes for ultimate target beneficiaries (e.g. access to health and education, household asset improvements,</li> </ul>	<ul style="list-style-type: none"> <li>• PIU Quarterly and annual implementation reports</li> <li>• Subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• Subproject results measurement plans and progress and final reports</li> <li>• Annual LED Reader</li> <li>• Peer reviews and evaluations</li> <li>• Independent DCED results audits</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• No calamitous disasters</li> </ul>

	reduced food insecurity, improvements, etc)		
<b>Purpose:</b> Accelerate employment-centred and inclusive economic growth in target subterritories	<ul style="list-style-type: none"> <li>• Number of target enterprises who realize a financial benefit as a result of the Project's activities per year and cumulatively</li> <li>• Macroeconomic indicators (to be developed by BBS)</li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth is not adversely affected by regional or global economic crises</li> </ul>

## LED Governance and Capacity Building

The logical framework summary for the Project's Governance and Capacity Building Component is:

Output	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<b>Target Output #1:</b> LED stakeholders are effectively designing and implementing consensus regional and district strategies for employment centred and inclusive local economic growth	<ul style="list-style-type: none"> <li>• Revised national poverty measurement standard</li> <li>• Number of stakeholders trained and type of training</li> <li>• Stakeholder LED strategies are being implemented on time and within budget while steadily building LED momentum</li> <li>• By the end of the project, LED strategies and resource allocations are included in district periodic plans</li> <li>• Complimented regional integration strategies and initiatives under implementation</li> <li>• Actual LED policies introduced</li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• DLEDF rolling work plans and delivery progress reports</li> <li>• Training reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• District GEP Profiles</li> <li>• Institutional meeting minutes</li> <li>• Annual LED progress review reports</li> <li>• Annual LED Reader</li> <li>• Peer reviews and evaluations</li> <li>• Independent DCED results audits</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• LED stakeholders take advantage of project support to design and implement effective LED strategies for building momentum</li> <li>• The government supports revision of the national poverty measurement standard if relevant</li> </ul>
Indicative Activities			
<ul style="list-style-type: none"> <li>• Assisting the government to identify a consensus revised poverty measurement standard as appropriate</li> <li>• Review of the government's priority project monitoring and reporting system and adjustments to accommodate inclusive growth initiatives and employment projects as relevant</li> <li>• Developing stakeholder training programme delivery capacity at appropriate public and private training institutions</li> <li>• Training LED Cell personnel</li> <li>• Designing and implementing a responsive training and capacity building programme for LED stakeholders and others including training workshops, attendance at regional seminars, study tours and training courses</li> <li>• Establishing a functional Central Anchor for LED in Dhaka and other Working Groups</li> <li>• Establishing and tasking LED institutions at district and Upazila levels</li> <li>• Facilitating LED stakeholder management and coordination meetings and exchanges</li> <li>• Developing consensus legitimate mandates for the district LEDFs that systemize LED strategies and resource allocations in local development planning processes</li> <li>• LED stakeholder selection of initial quick-win LED activities</li> <li>• Periodically completing, updating and expanding local Growth and Employment Profiles (GEPs) in support of stakeholder LED strategy-making</li> <li>• Periodic DLEDF/ UzLEDC stakeholder establishment and tasking of dedicated working groups for the design and monitoring the implementation and results measurement of various priority action programmes and initiatives, and facilitating interaction with other relevant working groups to clearly define relevant action programme responsibilities where there is potential for overlap and/or exploiting complementarities</li> <li>• LED stakeholder annual progress review and consensus strategy-making events</li> <li>• LEDF stakeholder design of an appropriate internal and external communications strategy and action programme inter alia supporting results reporting, promoting broad-based awareness and acceptance of the LED efforts, resource mobilization and knowledge management and sharing (including an end-of-project knowledge-sharing event)</li> <li>• Completing periodic LED public awareness/perception surveys and expert reviews supporting stakeholder communications strategy reviews and updates and the preparation and execution of implementation work plans</li> </ul>			

## **Growth and Employment Profiles (GEPs).....**

The District Growth and Employment Profile (GEP) is a flexible living document whose scope at initial preparation and subsequent updating is determined by the DLEDF. Its content scope at point of preparation or updating is determined by stakeholder priorities and is completed on a participatory basis. The purpose of the GEP is providing local stakeholders with an informed basis for developing a vision for creating a key competitive advantage and selecting strategies to realize this. The first GEP provides a socioeconomic overview of the district and a perspective of LED based on the 5 framework components covering the District as well as detail for initial target Upazilas and municipalities as relevant. Relevant participatory studies and assessments for the 5 components may include:

- LED Governance and Management:
  - LED capacity and training needs assessments for key decision-making and other institutions and organizations likely to be involved in the LED effort at various levels.
  - Inventory of recent, current and pipeline programmes and projects.
  - Inventory of current district and municipal development plans.
  - Locational resource maps including locational production pockets, infrastructure, natural resources, poverty pockets and ultimate target beneficiary group concentrations, VDC economic clusters and important market centres, and other.
  - Gender assessments for LED gender strategy covering increased access to productive employment and economic opportunities and effective participation in LED strategy-making and household decision-making.
  - Identification of local NGOs for possible results measurement services and assessment of capacity building needs.
- PSD:
  - Inventory of key commodities where the district has or could have a key competitive advantage, and prioritizing for further analysis those with the highest pro-poor growth potential.
  - Initial value chain analysis exercises for two key commodities including end market surveys and covering inputs supply, production, marketing, value chain actor finance, and framework conditions and rules, and possible strategies for replication and upscaling.
  - Inventory and shortlisting of key industrial and service clusters with pro-poor growth potential and initial cluster analysis exercises.
  - Local market MSME opportunity assessments including financial risk analysis to identify growth gaps and niches for farm and off farm enterprise growth.
  - Assessments of the availability and quality of business and financial services for PSD growth and capacity strengthening needs.
  - Assessment of entrepreneurship levels, business networks and business and market information systems and capacity strengthening needs.
  - Business Perception Survey to identify key business environment issues for possible reform initiatives.
- LOCATIONAL FACTORS:
  - Roads and other infrastructure inventories including condition and rehabilitation and routine maintenance needs and costs.
  - Assessment of infrastructure sector coordination and accountability need, and capacity to undertake labour based infrastructure approaches.
  - Assessments of availability of labour and materials.
  - Urban infrastructure and living conditions assessments.
  - Participatory job market assessments with employers, job seekers and training service providers.
  - Assessments of training service provider programmes and delivery capacity and capacity building needs.
  - Assessment of TVET and sector coordination and accountability, and capacity building needs.
- CEE:
  - Assessment of current CEE approaches and impact.
  - Defining the concept of a viable community in the local context.
  - Identifying possible local solutions to land reform.
  - Outline plan for locational CEE programming and targeting and approach strategy.
  - Developing menus of smart community infrastructure investments.
  - Assessments of potential local NGO service providers for CEE process delivery and capacity building needs.
- ENVIRONMENTAL SUSTAINABILITY:
  - DRR capacity building needs assessment for LED DRR strategy-making.
  - Technical audit of relevant MSME sectors to identify opportunities for emission cuts and the design of a responsive training and promotion campaign (including mainstreaming in the training activities of other relevant LED components as well as other projects/project components).
  - Assessment of specific green MSE opportunities that can contribute to inclusive green growth or improved living conditions for ultimate target groups.
  - Assessment of specific opportunities for community and inter-community labour based infrastructure works in environmental conservation and upgrading (including hazard and risk management) linked wherever possible to MSE development.
  - Assessment of specific opportunities for community-led ecosystems services also linked wherever possible to MSE development and design of a pilot action programme.

- Inventory of existing and potential local service providers and an assessment of capacity building needs relevant to possible implementation of action programmes arising from assessments.
- Assessment of the potential for labour-intensive watershed management subprojects or standalone projects, and outline project strategy.
- Inventory of current/expected sources of climate change attribution (CCA) funds, how these are accessed (and in the case of REDDs, the identification of appropriate local mechanisms for channelling carbon funds so that they reach target communities), and an appropriate strategy for local stakeholders for mobilizing CCA resources.

## Private Sector Development (PSD)

The logical framework summary for the PSD Component is:

Output	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<p><b>Target Output #2:</b> Target enterprises and producers are more competitive; create more jobs and incomes</p>	<ul style="list-style-type: none"> <li>• Positive changes in enterprise competitiveness indicators [change in MSME productivity, promising innovations/changes in business practices (e.g. sustainable eco-efficient products and processes)]</li> <li>• Positive business and financial service market change indicators (framework conditions, demand for services and supply of services)</li> <li>• Actual MSME growth and employment creation results impact attributable to each of the following planned PSD subprojects and initiatives: <ul style="list-style-type: none"> <li>▪ Product-specific value chain upgrading, especially agricultural products and produce</li> <li>▪ Creating linkages with large PS firms benefiting local enterprises and producers</li> <li>▪ Entrepreneurship promotion including targeted subprojects for existing SMEs, and for women and youth self-employment</li> <li>▪ Strengthening local business networks</li> <li>▪ Reforming the local business environment</li> </ul> </li> <li>• Stakeholders are skilled in designing and monitoring the implementation and results measurement of business development action programmes and initiatives in accordance with available standards/good practices: <ul style="list-style-type: none"> <li>▪ Number and type of LED business development working groups established and tasked by LEDFs and number of stakeholders engaged</li> <li>▪ Number and type working group stakeholders trained and type training</li> <li>▪ Number working group meetings held per group, and key decisions taken and outcomes</li> <li>▪ Number field monitoring missions undertaken per working group</li> </ul> </li> <li>• Number and type service providers, implementing partners and beneficiaries trained and type training</li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• Independent DCED results audits</li> <li>• District GEP Profiles</li> <li>• Institutional meeting minutes</li> <li>• Annual LED progress review reports</li> <li>• Training reports</li> <li>• Business Perception Survey reports</li> <li>• Annual LED Reader</li> <li>• Peer reviews and evaluations</li> <li>• Independent DCED results audits</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Local and export market demand for Nepalese commodities with competitive advantages and services continues to grow</li> <li>• Beneficiaries take advantage of project support to start and expand productive enterprise opportunities</li> <li>• Agri-enterprise growth increases the availability of productive agricultural employment and productive nonfarm economic and employment opportunities</li> <li>• BMOs, FSPs and BSPs take advantage of project support to improve representation and other services delivery to members/clients and coordination</li> </ul>

### Indicative Activities

- Planning and completing relevant PSD assessments for GEP preparation and updating
- Facilitating LED PSD working group management and coordination meetings and exchange, and knowledge sharing
- Designing and implementing a responsive training and capacity building programme for LED PSD stakeholders (including training workshops, attendance at regional seminars, study tours and other) supporting the design and monitoring the implementation and results measurement of, and reporting the results of the following anticipated priority action programmes and initiatives:
  - Product-specific value chain upgrading, especially agricultural products and produce
  - Creating linkages with large PS firms benefiting local enterprises and producers
  - Entrepreneurship promotion including targeted subprojects for existing SMEs, and for women and youth self-employment
  - Strengthening local business networks
  - Reforming the local business environment
- Identification, training and contracting of service providers and implementing partners for various action programmes and initiatives, and results measurement activities

- Assisting/facilitating working group stakeholder field monitoring of action programme and initiatives implementation, and the review and reporting of results

## Product-Specific Value Chain Upgrading.....

The main thrust of the PSD component is product-specific agricultural VCU. The entry-point is assisting local stakeholders to prioritize key value chains for analysis followed by the analysis exercises to identify solutions to barriers-to-entry and market failure for local actors and enterprises. WGs of the DLEDFs will be established to design and oversee the implementation and results measurement of VCU action programmes.

WG members and pre-qualified services providers will receive training in the value chain analysis and the DCED standards for PSD project design and results measurement. The minimum implementation period for VCU and other PSD subprojects is expected to be 24 to 30 months with a further period of 24 months for post-project results measurement. The design of PSD projects will incorporate replication and upscaling strategies to accommodate CEE beneficiaries and others emerging from poverty reduction processes wishing to engage in PSD opportunities. VCU analysis exercises and action programme implementation interventions will be outsourced to qualified national and regional service providers including responsibility for results measurement.

### Linkages with PS Firms.....

Employing a combination of value chain upgrading, technical assistance and challenge fund approaches, the Project's immediate strategy for attracting investment in the prevailing weak investment climate is assisting PPP stakeholders to identify and create win-win linkages between large PS firms or groups and local enterprises and producers. The Project will particularly assist stakeholders to source PS partners than can offer a range of embedded services to target producers. The Project will assist stakeholders to identify matching grant investment criteria for and opportunities with PS firms seeking to expand the geographical and business scope of their agri-enterprise and other operations in the Project areas benefiting target enterprises and producers.

### Entrepreneurship Promotion.....

Mindful that informal sector off farm and nonfarm MSE opportunities are limited in rural Bangladesh due to inadequate GDP growth and high levels of underemployment contributing to low consumer purchasing power, the Project will gradually approach the development of related opportunities for target groups commencing with locations where growth is above average.

The responsive strategy of the Project will be to assist stakeholder working groups of the DLEDFs and UzLEDCs to select specific market centres enjoying higher levels of growth, and commission assessments during the GEP exercises for: (1) identification of MSE niches and gaps in the target market locations including opportunities that are sensitive to the mobility of women; (2) financial risk analysis of the various short-listed MSE opportunities for subsequent use by BSPs and FSPs in service delivery to target beneficiaries; (3) identification of the BS and FS needs of target existing and starter entrepreneurs from communities in peri-urban areas and rural hinterlands adjacent the target markets to exploit the short-listed opportunities; and, (4) status assessment of relevant service markets and identification of service market development and strengthening needs.

Subprojects will include the development and strengthening of relevant Business Services (BS)<sup>14</sup> and Financial Services (FS) markets pilot onward service delivery to target groups with implementation outsourced to qualified service providers<sup>15</sup> under performance-based contracts under the supervision of selective BMOs. To further encourage youth entrepreneurship, BMOs design and implement annual youth and women enterprise award schemes as well as campaigns to harness a portion of remittances for productive enterprise investment, and also work with education authorities and vocational training service providers to introduce 'Know About Business' (KAB) as an extra-curricular subject for the students in last two years of secondary school and skills development trainees. Towards developing a culture of enterprise and encouraging entrepreneurship across target subterritories in response to low levels of entrepreneurship and high levels of aid dependency, the Project will train local FM radio service providers to design, deliver and raise commercial sponsorship for business radio programmes.

It is intended that the various Project initiatives will also generate/upgrade the skills of a core of initial service providers (particularly entrepreneurship training and savings and credit) for additionally supporting broader CEE poverty trickle-up processes that include various subsidized business and financial services sensitization and initial services. The Project will

<sup>14</sup> Typical examples of business services for MSE development include business skills training, technical skills training and upgrading, transfer of appropriate and intermediate technology, product design and development, quality issues training, identification and creation of forward and backward market linkages, product and market promotion and so forth.

<sup>15</sup> It is envisaged that service providers will include local NGOs/CBOs, individuals (men and women), micro-finance institutions and other, and mostly local except for some specialist services such for example as product design and development that need to be contracted to external service providers.

adopt proven flagship entrepreneurship tools with regional technical backstopping capacity for entrepreneurship training of trainers (examples of options available include 'Level 1 Entrepreneurship Training' and 'SIYB').

As existing MSEs create new jobs faster than microenterprises, Business Perception Surveys during the initial GEP exercises will include assessment of the BS and FS expansion needs of existing SME. BMOs will oversee the development and expansion of BS and FS markets for SMEs. Intervention implementing partners will include BMOs, business skills trainers, microfinance service providers and banks, and local NGOs (including support to results measurement).

### Strengthening Local Business Networks.....

The Project strategy recognizes that effective business networks that link producers and entrepreneurs for dialogue on business issues and solving constraints as well as fostering business linkages are crucial for business growth. The project has a three-component strategy for strengthening the shallow business networks that currently limit inclusive business development: (1) promoting networking through a programme of business events; (2) strengthening business and market information systems (including channelling information on productive economic opportunities and the means to develop these to target marginalized groups); and, (3) capacity building for BMOs.

BMOs and other local partners will design and implement a series of networking events such as joint purpose meetings (where collaboration between two/more actors/groups of actors is needed to solve a pressing problem), thematic events (such as one-off or regular local business meetings centred on open discussion of topical business issues, new technological developments and so forth), reinforcing/refocusing existing events and informal get-togethers. One of the most significant opportunities for promoting local networking in conjunction with regular business events is the Hat Bazaar/Fair. Another example of business occasions available to stakeholders is 'service market fairs' where business and financial services providers promote their availability and services to attending producers.

The Project strategy for increasing the availability of relevant business/market information recognizes information needs cover access to information on a broad range of key business issues such as where and how to access quality inputs, training and technology transfer, business skills, finance, support projects and other. A key aim of developing business and market information systems (BMIS) therefore is channelling information on business opportunities, and how these are accessed/developed (especially value chain opportunities) to target groups and others.

### Reforming the Local Business Environment.....

The business enabling environment (BEE) is a sub-set of the investment climate and is essential for supporting inclusive growth. The Project strategy for reforming the business environment at district level will mainly focus on assisting PPP stakeholders to create a business-friendly public administration and instruments including the efficient processing of business registrations, licenses and permits, fair taxation, limiting the level of political donation drives and other. As part of GEP exercises, Business Perception Surveys will be employed to identify key local BEE issues including those that can be practically resolved by DLEDFs or dedicated DLEDF WGs.

## Strengthening Locational Factors for LED

The logical framework summary for the Locational Factors Component is:

Output	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<p><b>Target Output #3:</b> Infrastructure, skills development and other priority locational factors for LED strengthened while creating more jobs</p>	<ul style="list-style-type: none"> <li>• Stakeholders are skilled in designing and monitoring the implementation and results measurement of infrastructure and skills development action programmes and initiatives:               <ul style="list-style-type: none"> <li>▪ Number of stakeholders engaged in working/coordination groups</li> <li>▪ Number and type working/coordination group and other stakeholders trained and type training</li> <li>▪ Number of working/coordination group meetings held per group, and key decisions taken and outcomes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• District GEP Profiles</li> <li>• Transport and other infrastructure plans</li> <li>• Institutional meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Productive infrastructure asset beneficiaries implement operation and maintenance plans</li> <li>• Infrastructure stakeholders take advantage of capacity building support to strengthen</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Number of field monitoring missions undertaken per working/coordination group</li> <li>• District and area-level transport/infrastructure master plans available prepared and updated on a participatory based using the IRAP tool</li> <li>• Actual quantifiable productive infrastructure maintained, upgraded and provided via demonstration project linked to economic growth (e.g. km roads upgraded, ha irrigation provided, storage and other) and number and type of beneficiaries of productive assets</li> <li>• Actual infrastructure intervention wages and procurement cash injected into uplifting local economies</li> <li>• Infrastructure investments policy and system change indicators at the district level (percentage increase in workdays created for local workers, public funds invested in labour-based approaches and community contracting, percentage increase in resources provided for infrastructure maintenance, level of use of IRAP in participatory district and area-level planning, improved public reporting of investment project results, participatory district transport/ infrastructure master plans available, etc)</li> <li>• Number of infrastructure service provider, contractors/implementing partners trained and type training</li> <li>• Number of district TEVT coordination processes strengthened, and impact change indicators on reporting of jobs created and trainees trained, etc</li> <li>• Number of TVET service providers trained and type training</li> </ul>	<p>minutes</p> <ul style="list-style-type: none"> <li>• Annual LED progress review reports</li> <li>• Training reports</li> <li>• Annual LED Reader</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<p>participatory planning, and sector coordination and accountability</p> <ul style="list-style-type: none"> <li>• Target training service providers take advantage of capacity building support to strengthen training delivery and responsiveness, and sector coordination and accountability</li> </ul>
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**Indicative Activities**

- Planning and completing relevant infrastructure and skills development sector assessments for GEP preparation and updating
- Facilitating DLEDF infrastructure and skills development working group management and coordination meetings and exchanges, and knowledge sharing
- Designing and implementing a responsive training and capacity building programme for LED infrastructure stakeholders (including training workshops and study tours) inter alia for the participatory preparation and updating of district- and area-level transport /infrastructure provision and maintenance master plans, the design and monitoring the implementation and results measurement and reporting the results of priority investment projects with emphasis on projects optimizing the use of labour-based technologies and community contracting of increasing the availability of connectivity, production and marketing infrastructure
- Assisting infrastructure stakeholders to improve sector coordination and contracting results management and reporting (particularly towards developing standard projects costs, and for reporting employment creation impact)
- Participatory preparation and updating of district- and area-level transport/infrastructure provision and maintenance master plans using the IRAP tool
- Designing and monitoring the implementation and results measurement and reporting the results of a portfolios of infrastructure subprojects optimizing the use of labour-based technologies and community contracting; training of local NGOs in results measurement
- Designing and implementing a responsive training and capacity building programme for skills development stakeholders inter alia for making service provider training programmes more responsive to labour market opportunities, improving training programme quality and delivery including linkages with recognized certification and complimentary soft skills training services, development/upgrading of post-training services (especially job placement), and improving sector coordination and training results management and reporting including employment creation impact
- Assisting/facilitating stakeholders to design and monitor the implementation and results measurement and report the results of action programme for informal sector skills development for employment and supporting technical skills needs of MSE development subproject beneficiaries

**Infrastructure Strategy.....**

The job-rich, pro-poor Project strategy for the provision and maintenance of productive infrastructure is to promote approaches that optimize the use of labour-based technologies<sup>16</sup>, community contracting and the procurement of local materials while linking infrastructure investments to PSD and CEE initiatives.

While the jobs created in infrastructure work are short terms, a key issue of importance

<sup>16</sup> 'Optimizing the use of labour-based technologies' means maximizing opportunities for use of local skilled and unskilled labour rather than machinery where feasible: a combination of labour and machinery is appropriate in many cases.

is that they are immediate in the context of bridging the lead time needed to develop enterprise opportunities for target poor beneficiaries, and are particularly instrumental in stabilizing the immediate consumption needs of very poor households (and thus provide a productive social protection solution to immediate cash transfers where these form part of a poverty reduction trickle-up process for very poor communities).

In addition to subproject investments and results measurement, strengthening infrastructure locational factors may involve:

- Providing district and area-based stakeholders with the tools and skills to plan and prioritize projects and develop infrastructure plans on a participatory basis including complimentary linkages with PSD subprojects and strategies.
- Developing local procurement systems for community contracting for area-based subproject and community investments (this together with participatory planning skills and tools will also lay foundations for the effective programming of investments from other sources such as GoB annual decentralized budgetary allocations and major donors such as ADB).
- Assisting CEE stakeholders to develop menus of smart projects for communities.
- Training infrastructure stakeholders and implementing partners in labour-based approaches and works implementation management.
- Improving stakeholder coordination and accountability.

<b>Skills Development.....</b>	The main Project thrust of skills development benefiting the local economy is agricultural skills for agri-business groups and agricultural workers which addressed by is strengthening the TVET sector so that training programmes more responsive to the informal sector job market, harmonize similar programme content, improve and enhance trainer skills and training delivery, develop trainee employment tracing systems and improve sector coordination. The Project will provide resources for performance-based contracting of local and regional vocational training service providers to create informal sector employment for youth and women including entrepreneurship training for trainees opting for self-employment.
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## Community Economic Empowerment (CEE)

The logical framework summary for the CEE Component is:

Output	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<p><b>Target Output #4:</b> Target communities empowered to engage in productive employment and economic opportunities, and contribute to local development planning processes</p>	<ul style="list-style-type: none"> <li>• Number of target communities and households engaged in CEE processes each year and cumulatively</li> <li>• Number of target communities and households contributing community and inter-community action plans to VDC planning processes, and percentage securing VDC and other resources for action plan project portfolios and value of additional resources secured each year and cumulatively</li> <li>• Number of CEE target beneficiaries engaged in productive employment and economic opportunities annually attributable to the Project and other support, and percentage DAGs, women and youth</li> <li>• Actual community infrastructure provided</li> <li>• Decentralized policy on VDC planning and grant allocations reviewed and updated</li> <li>• Stakeholders are skilled in designing and monitoring the implementation and results measurement of CEE action programmes:               <ul style="list-style-type: none"> <li>▪ Number of CEE working groups established and tasked by DLEDFs and number of stakeholders engaged</li> <li>▪ Number and type working group stakeholders trained and type training</li> <li>▪ Number working group meetings held per group, and key decisions taken and outcomes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• Independent DCED results audits</li> <li>• District GEP Profiles</li> <li>• Transport and other infrastructure plans</li> <li>• Institutional meeting minutes</li> <li>• Annual LEF progress review reports</li> <li>• Training reports</li> <li>• Annual LED Reader</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<p>Additional funding is available for community action plan subprojects from other sources</p>

- Number field monitoring missions undertaken per working group
- Number and type service providers, implementing partners and beneficiaries trained and type training

### Indicative Activities

- Review of decentralised VDC planning and block grant allocations and recommendations matched with Project lessons
- Defining the concept of a 'viable community' for CEE purposes
- Establishing and tasking of DLEDF WGs to identify local land reform solutions and linked into national land reform initiatives
- Identification, selection and sensitization of target areas and communities in participating RLED districts
- Support to establishment of CBOs with gender balanced committees in target communities
- Identification and training of local CEE facilitators
- Establishment of CEE matching grants fund and access criteria including linkages with DDCs and VDCs and other sources of funds
- Contracting of local NGOs for CEE process-building facilitation delivery and including results measurement
- Design and implementation of district and inter-district community tourism development action programmes
- Facilitating linkages and exchanges between communities and their VDC Secretaries and VDC-ECC Focal Points

### CEE Objectives and Rationale.....

The CEE process strategy for LED is an adaption of the poverty reduction 'trickle-up' sequencing model for highly vulnerable communities used successfully by BRAC in Bangladesh and Asset Based Community Development (ABCD) or Appreciative Inquiry (AI) motivational approaches. Actual sequencing and entry points of the model depends on the well being status of specific target communities.

The objectives of CEE are (1) moving poor communities towards or above the poverty line within a timeline of 24 of 36 months through a combination of capacity building, transfer of productive assets and livelihood kick-start assets, and access to business and financial services and information to engage in productive economic and employment opportunities; and, (2) effectively engaging communities in local development planning processes through participatory area level infrastructure planning and the preparation of community and inter-community action plans and priority subprojects for inclusion in VDC planning and resource allocations as well as submission to other funding sources.

The rationale for CEE is that project-led social mobilization is not reaching the hardcore poor while informed community and inter-community action plans do not from a substantive part of local development plans. Project-led delivery upscaling of VDC block grants has had limited impact, delivery is slow and low, and the project contracting system is open to abuse by NGOs and development officers. There is a need for transition from project-led social mobilization to permanent process-driven community mobilization so that communities can map their own futures.

### CEE Entry Points and Sequencing.....

CEE process development will be outsourced to ABCD facilitators from local NGOs who will be trained by the Project. The CEE entry points will vary depending of the wellbeing level of specific target communities. Typical ABCD sequencing steps for highly vulnerable communities, each if which is results-oriented and measurable, are:

1. Stabilization of immediate consumption needs including cash and in-kind transfers (ideally cash-for-work on productive infrastructure projects benefiting the poor target communities and households) and access to health services.
2. Community economic development and upgrading workshops and the establishment of community business and employment forums.
3. Training an initial group of skilled community volunteers to complete an asset map of the area.
4. Conduct First Impression Community Exchanges and Business Expansion and Retention surveys feeding into local market assessments completed by RLED PSD components where available.
5. Pre-sensitizing training of communities and beneficiaries on increased food production opportunities, savings (including financial literacy education training) and managing productive assets delivered by trained CEE facilitators and FSPs<sup>17</sup>, and initial mobilization of savings services backstopped by FSPs.
6. Preparation of menus of smart community infrastructure and technology investments, and livelihood and seed capital asset options for selection by community beneficiaries, train communities and beneficiaries in management of the assets and provide matching grant support of infrastructure and livelihood kick-start asset investments: where viable, support the establishment of Community Development Trusts to liberate distressed

<sup>17</sup> Credit and savings sensitization, FLE training and initial savings mobilization guidance can be delivered by trained CEE facilitators if FSPs are unavailable.

physical assets (e.g. degraded community land, fallow land, etc), and repatriate them as productive community assets with matching grant support.

7. Establish Mutually Beneficial Apprenticeships and subsidized training programmes that respond to proven gaps in the market and help participants and local economies move themselves up the economic ladder.
8. Establish a cooperative development engine that promotes, supports and sustains the development of viable worker and producer cooperatives or groups.
9. Develop local time banks/gift exchange frameworks and solidarity economies.
10. Support the development of community, inter-community and area level infrastructure and employment generation and social action plans for inclusion with priority projects in VDC plans, and the submission of priority projects to other funding sources: link communities with LED business and market information systems.

## Environmental Sustainability

The logical framework summary for the Environmental Sustainability Component is:

Output	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<p><b>Target Output #5:</b> Green growth and job creation triggered</p>	<ul style="list-style-type: none"> <li>• Stakeholders are skilled in designing and monitoring the implementation and results measurement of natural resource and disaster risk reduction (including climate change attribution) action programmes and initiatives: <ul style="list-style-type: none"> <li>▪ Number of stakeholders engaged in working and coordination group</li> <li>▪ Number and type working/coordination group and other stakeholders trained and type training</li> <li>▪ Number of working and coordination group meetings held per group, and key decisions taken and outcomes</li> <li>▪ Number of field monitoring missions undertaken per working/coordination group</li> </ul> </li> <li>• Actual contributions to district and area-level natural resource and disaster risk management (including climate change attribution) planning</li> <li>• Actual quantifiable productive natural resource and disaster risk management infrastructure maintained, upgraded and provided through subprojects linked to economic growth (e.g. ha reforestation under community forestry management)</li> </ul>	<ul style="list-style-type: none"> <li>• PIU quarterly and annual implementation reports</li> <li>• Subproject documents including results measurement plans and subproject results progress and final reports</li> <li>• PIU and district results databases</li> <li>• Independent DCED results audits</li> <li>• District GEP Profiles</li> <li>• Institutional meeting minutes</li> <li>• Annual LED progress review reports</li> <li>• Training reports</li> <li>• Annual LED Reader</li> <li>• SDC review missions</li> <li>• Regular interactions with key stakeholders, implementing partners and service providers, and beneficiaries</li> </ul>	<p>Additional funding is available for natural resource and CCA subprojects from other sources</p>

### Indicative Activities

- Planning and completing various relevant natural resource and disaster risk (including climate change attribution) management and green jobs creation studies and assessments for GEP preparation and updating
- Facilitating stakeholder working group management and coordination meetings and exchanges, and LED DRR stakeholders (including training workshops, attendance at regional seminars, study tours and other) supporting the design and monitoring the implementation and results measurement of, and reporting the results of the following anticipated priority subprojects and initiatives:
  - Mainstreaming DRR in LED strategies and CEE.
  - Campaigns and technical assistance to promote carbon emission cuts in selective MSME sectors
  - Promotion of specific green MSE opportunities that can contribute to inclusive growth and/or improved living conditions for target groups
  - Labour-intensive projects for community/inter-community labour-based works in natural resource and disaster risk management linked wherever possible to MSE development
  - Community ecosystems services linked to carbon credit funds
- Identification, training and contracting of service providers and implementing partners for various action programmes and initiatives and results measurement activities
- Assisting/facilitating working group stakeholder field monitoring of action programme and initiatives implementation, and the review and reporting of result
- Assisting stakeholder to contribute to district-/area-level natural resource and disaster risk management planning

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## **Environmental Sustainability Strategy.....**

In support of stakeholder capacities, strategies and action, the Project will focus on climate change adaption and green growth and green job creation seeking in particular to exploit hitherto untapped employment economic opportunities in natural resource conservation and climate change adaption through a combination of direct actions (e.g. employment-intensive works in watershed management and REDD initiatives also linked to MSE development, MSME emissions saving campaigns, promotion of specific MSMEs such as RET enterprises, etc) and by mainstreaming green job creation in other LED component activities (e.g. environmentally-sound farming practices, infrastructure through optimizing labour-based approaches as opposed to machinery, etc).

In addition to GEP studies and assessments, the Project will provide resources for training of stakeholders and service providers, and the implementation and results measurement and reporting various subprojects of various subprojects to be supervised by working groups of the DLEDfDs including the consensus selection of pilot sites and implementing partners. Subject to the availability of additional CCA funds and action programme progress/outcomes, action programmes could be upscaled and diversified during the Project's lifetime.