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# Samriddhi

enhancing rural prosperity through market development in Bangladesh

funded by SDC and implemented by HELVETAS Swiss Intercooperation



## Capitalisation of Samriddhi's Experiences on PRIVATE RURAL SERVICE PROVIDER SYSTEM

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**PRIVATE RURAL SERVICE PROVIDER SYSTEM**

H. Martin Dietz  
Noor Akter Naher  
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August 2013

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 **HELVETAS** | BANGLADESH  
Swiss Intercooperation

# Capitalisation of Samriddhi's Experiences on Private Rural Service Provider System

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## Abbreviations

BFRI	Bangladesh Forest Research Institute
BLRI	Bangladesh Livestock Research Institute
DAE	Department of Agricultural Extension
DLS	Department of Livestock Services
DoF	Department of Fisheries
FGD	Focus Group Discussion
LEAF	Livelihoods, Empowerment and Agroforestry
LED	Local Economic Development
LSP	Local Service Provider
LSP-B	Local Service Provider Business
LSP-T	Local Service Provider Technical
MFI	Micro Finance Institution
M4P	Making Markets Work for the Poor
MSE	Micro and Small Enterprise
NGO	Non Governmental Organisation
SAAKTI	Sustainable Access to Agroforestry, Knowledge, Technology and Information
SDC	Swiss Agency for Development and Cooperation
SPA	Service Providers' Association
UEBT	Union for Ethical BioTrade
UP	Union Parishad
UZP	Upazilla Parishad
VC	Value Chain

## Executive Summary

Samriddhi's Private Rural Service Provider System has evolved over a period of approximately 10 years, responding to the needs of poor and extreme poor farmers and producers for reliable, timely and competent support services. Local Service Providers (LSPs) were recruited from a group of experienced farmers and the project contributed to increasing their capacity through training. Initially, they extended their support voluntarily to neighbours and family members. With increasing demand for their services, LSPs started to organise into Service Providers' Associations (SPAs) and charge for their work.

LSPs and SPAs act as a hinge between poor farmers / producers, private sector entities and Government line agencies, helping poor and extreme poor to enter and successfully act in markets. SPAs support the poor to organise into Micro and Small Enterprises (MSEs) or producers' groups, identify markets which they can enter and act in, and provide them with the required technical and business know-how; SPAs link MSEs with private sector actors from input and output markets. Overall, SPAs offer a service package to MSEs, helping poor producers build up and run their enterprises successfully.

Different business models are operated, with LSPs / SPAs taking on different roles. In many cases, LSPs act as independent advisors and trainers, in other cases, they act as an extension worker for an output market actor (e.g., medicinal herbs), or they are the intermediary between producers and output markets (e.g., garment sector).

Approximately, half of the LSPs work full-time as service provider and are able to manage their livelihood from that income. Other LSPs work part time, because they have other tasks to do, or / and due to the seasonal character of the sub-sector in which they provide services. Their income is generated from the service fee and, in part, from commissions they receive from the sale of inputs or outputs.

SPAs mainly generate their income from charging an overhead on the LSP service fees, from commission on sales of inputs and from rental fees for agricultural equipment. SPAs spend money on training for their LSP members, developing their networks with market actors and on management.

Samriddhi does not subsidise service delivery by LSPs and SPAs. Costs are born by MSEs and private sector market actors. The Samriddhi project takes an active role in capacity building of SPAs, as well as networking them with private sector entities. It also participates in developing suitable business models. In 2012, Samriddhi assessed the performance of SPAs. As a result, some SPAs were graduated out of the capacity building programme of the project, while others will continue getting support, however, through a specific programme that is tailored to those areas in which SPAs need to develop further.

LSPs / SPAs have recognised the need to continuously upgrade their skills and knowledge to ensure that their services remain relevant and in demand by the poor and extreme poor. LSPs are trained, mentored and coached by different actors in the market: Government line agencies (e.g. Department of Livestock Services - DLS), by input suppliers (e.g. vegetable seed companies, vaccine manufacturers), and actors in output markets (e.g. pharmaceutical companies who want to source medicinal plants).

Private sector companies in the input and output markets benefit from collaborating with SPAs. Each LSP meets regularly with about 300 poor farmers / producers; an SPA has 40 to 60 LSP members. That way, companies can reach out to a large number of farmers / producers through just one SPA, thereby drastically reducing their transaction costs. This conduit offers them with new markets for their inputs and provides access to supplies. Government line agencies can significantly expand their outreach to poor farmers / producers through SPAs, a point that is highly appreciated by Government officials.

The Private Rural Service Provider System was essential to address and overcome systemic market constraints. SPAs with their LSPs facilitated the development of linkages and terms of conditions for trade between disadvantaged producers and market actors, and they have been essential in capacity building of poor producers. SPAs and their LSPs take a critical role in the business models that have emerged and which bring benefits to poor farmers / producers and to private sector entities. SPAs have facilitated the poor and extreme poor to gain access





*Support the development of capacities of SPAs with the aim that they evolve into sustainable, social business entities*

to resources, such as land and water. At this moment, more than half a million poor and extreme poor are receiving services from LSPs / SPAs, and have significantly increased their household income.

The determining factors for the success of the Private Rural Service Provider System are:

- SPAs offer a relevant service package in support of the enterprising activities of MSEs
- SPAs operate as social enterprises, with the dual objective of generating revenue and to support the poor and extreme poor to increase their income from acting collectively in new markets
- SPAs take a crucial role in coordinating / facilitating capacity building of their LSPs thus ensuring the quality and relevance of the system
- Networking of SPAs with private sector entities and Government institutions
- LSPs are from the local community

For Samriddhi to expand its outreach and increase its impact through the LSP / SPA system, it should focus on the following areas in future:

*Create a suitable platform and facilitate experience sharing among SPAs*

Individual SPAs have their own networks through which they acquire new ideas, experience, including new business models. It will be important that SPAs share such good practices and innovations among themselves, so that they can continue offering relevant and effective services to their clients.

Samriddhi has conducted capacity assessment of SPAs. The project will use the services of those SPAs that have graduated out of the direct support of the project to support other SPAs in developing their capacities.

*Support for the development of innovations*

Many of the SPAs have developed good ideas regarding how to increase the competitiveness of value chains, particularly at the producer level. Samriddhi should continue a challenge fund which will allow SPAs to develop and test their ideas.

*Consolidate SPAs as a social enterprise*

SPAs should clearly define their dual objective and elaborate strategies to achieve these objectives.

*Strategies for expansion*

SPAs should be supported to develop strategies regarding how they can expand their operations and support larger number of poor and extreme poor farmers / producers.

*Contribute to increasing the competitiveness of value chains in potential sub-sectors*

Samriddhi should consider working with lead actors of value chains to increase their competitiveness (e.g., through optimal combination of efficiency, product differentiation and access to new niche markets) and impact potential (significant and sustainable increase in income and employment) of the entire value chain.

## 2. Introduction

The Samriddhi project is part of the Employment and Income Domain portfolio of the Bangladesh programme of the Swiss Agency for Development and Cooperation (SDC) and is implemented by HELVETAS Swiss Intercooperation.

Samriddhi originated out of a merger of two predecessor projects, LEAF (Livelihoods, Empowerment and Agroforestry) and SAAKI (Sustainable Access to Agroforestry, Knowledge, Technology and Information). An external review of LEAF and SAAKI carried out in June 2009 recommended to merge both projects in order to be able to work in a more systemic and programmatic way and achieve gains in efficiency and effectiveness. The new project was named Samriddhi ('prosperity' in Bangla language). Its first phase spans the period August 2010 to April 2014. The project goal is to contribute to sustainable well-being and resilience of poor households of Rajshahi and Rangpur Divisions, as well as Sunamganj District in the North of Bangladesh through economic empowerment. The project is based on the impact logic that (i) if public and private services for business development are available, poor people are empowered and capacitated to access these services and that (ii) if an enabling environment for pro-poor economic growth exists, poor people can generate additional income and overcome their poverty situation in a sustainable manner. Samriddhi applies an explicit market systems approach and aspires to reach 1 million households through its interventions by April 2014.

Samriddhi and its predecessor projects LEAF and SAAKI have facilitated the development of a Private Rural Service Provider System that is geared towards supporting the poor and extreme poor to enter and act in selected markets and value chains. The Private Rural Service Provider System is an essential element of Samriddhi to reach its goal; it is also an important element of its Making Markets Work for the Poor (M4P) approach to development.

Governments and development programmes have been struggling with the provision of relevant and sustainable services in rural areas for poor and extreme poor households. It is generally assumed that these households cannot and will not pay for

advisory services. Government extension departments have the mandate to provide services to rural households, but they do not have the resources (human and financial) that will allow them to extend adequate services.

The objectives of this experience capitalisation document are:

- To draw the knowledge and experiences, document best practices and challenges, and consolidate lessons learnt from facilitating quality, accessible and affordable private rural service provision by Samriddhi.
- To make recommendations so as to enhance the organisational, financial and technical capacities of SPAs through a more effective and efficient horizontal and vertical expansion through functional linkages with the private and public sector.
- Based on the above, to strategically position the experiences and knowledge for creating organisational retrievable knowledge in HELVETAS Swiss Intercooperation Bangladesh by making the key findings and learning process in Private Rural Service Provider System available to a wide range of stakeholders.





Table-1: Relationships between market actors

Input suppliers – MSEs	Provision of inputs, in some cases with delayed payment (advance)
MSEs – Input suppliers	Payment for inputs
MSEs – Traders	Supply of produce
Trader – MSEs	Payment for produce
Traders – SPAs	Training of LSPs
SPAs – Traders	Discussing of collaboration opportunities Discussion of business models
Government agencies – SPAs	Training of LSPs Coaching, ongoing technical support
SPAs – Government agencies	Support of Government campaigns, e.g. vaccinations and organising training to reach remote and poor farmers / producers
Government agencies – MSEs	Support services, e.g. vaccination services for animals
Input suppliers – SPAs	Training of LSPs In few cases, also sale of inputs Discussion of collaboration opportunities, Discussion of business models
SPAs – MSEs	Facilitation of establishment of MSEs Technical training Ongoing advice, coaching Business plan development Market linkage establishment Access to suitable financial products
MSEs – SPAs	Payment for services
SPAs – Service centres	SPAs run service centres in popular market places. They sell inputs but also provide advice. It is often a point of first contact
Service centres – MSEs, producers	MSE members and non-organised farmers visit service centres to get advice and buy farm inputs
Financial service providers – MSEs	Providing loans to MSE members
Samridhhi – SPAs	Facilitation of capacity building, linkages, coaching



## Value chains / sub-sectors supported by Samridhhi

Samridhhi intervenes in 12 sub-sectors (value chains) in four regions; five sub-sectors were newly selected at the start of Samridhhi in 2010, while seven were continued from the LEAF-SAAKTI period. The two predecessor projects intervened in: Vegetables, medicinal plants, open water fisheries, fruits, milk, ducks and cotton crafts. The five new value chains under Samridhhi are chicken, bull fattening, goat rearing, jute crafts and plant crafts.

The inclusion of the five new value chains has widened the outreach to extreme poor, poor and women. Women constitute 70% of producers in cotton crafts and chicken, 71% in duck and 77% in goat. Extreme poor and poor constitute 45% in fruit, 51% in cotton crafts and more than 60% in chicken, duck, goat, as well as the cotton, jute and plant crafts value chains.

A recent internal review by Samridhhi has shown that three value chains – goat rearing, jute crafts and plant crafts – are not performing well and the project decided to withdraw support for these value chains by the end of July 2013.

Table 2 provides an overview of the sub-sectors that receive support from Samridhhi, the number of producers active in these value chains and the assets and inputs required for small producers to engage in these value chains.

Table-2: Value chain development and number of producers involved

Value chain	Number of producers (end 2012)	Assets/inputs required
Bull fattening	36,109	Calf, feed, shed / stall, vaccine, medicine
Chicken	112,656	Chick, cooperative shed, feed, medicine, vaccine
Cotton crafts	23,018	Sewing machine, fabric
Dairy	39,164	Cow, shed, feed, medicine, vaccine
Duck	108,015	Duckling, feed, coop, vaccine
Fish	78,482	Fingerlings, water body (pond, river), nets, boat, feed
Fruits	71,747	Land, seedling, fertilizer, plastic crate, initial investment
Goat	59,009	Nanny goat, initial investment, feed, medicine, vaccine, shed
Jute crafts	6,948	Land, seed, raw jute, production centre
Medicinal plants	60,000	Land, seed and seedling, collection centre
Plant crafts	26,298	Raw material, production centre
Vegetables	75,100	Land, seed, fertilizer, collection centre





### 3.3 Brief description of the different market actors in the Private Rural Service Provider System

#### Local Service Providers (LSPs)

LSPs are men and women who have experience in agriculture and / or related fields and who are from the community where they work. LSPs provide a service package to the poor and extreme poor in support of their enterprising activities in selected value chains / subsectors. Currently, more than 4,000 trained LSPs work in the Samridhhi project area, close to 21% of all LSPs are women. Approximately two-thirds of the service providers are organised in 58 SPAs which operate at the sub-district (Upazila) level; one-third of the service providers free lance in their function as LSPs. The main reasons for not joining an SPA were given to be the long distance between the LSPs' home and the SPAs' office, and small number of hours working as LSPs.

#### Selection of LSPs

People who are interested in becoming and working as LSPs will apply to an SPA. The main criteria for the selection<sup>3</sup> of new LSPs by an SPA are:

- Local people with good acceptance by the communities
- Ability to communicate well
- Practical experience in relevant fields
- Education
- In case of women applicants, married candidates are preferred

Those people selected are prepared for their work as LSPs through intensive training and regular coaching.

#### Training of LSPs

LSPs with two lines of skills are being trained and prepared for their work: LSP-T provide technical support (linking with input suppliers, providing inputs, technical advice in production, linking with output markets), while LSP-B provide business-related support (establishment of groups, development of business plans, planning on the basis of business plans, etc) to poor and extreme poor households.

SPAs / LSPs rate the importance of training high. Therefore, SPAs provide ongoing training to LSPs to keep them up-to-date with developments and advance their technical competency.

3. Information obtained from Puthia Service Providers' Association. Nevertheless, these criteria are widely used by all 58 SPA.

Training is provided by different ways and means:

- Through Government line agencies (e.g. DLS)
- Through Government research organisations (e.g. Bangladesh Forest Research Institute - BFRI for medicinal plants, or Bangladesh Livestock Research Institute – BLRI for livestock)
- Private sector companies who will train LSPs on specific aspects of the product they want to sell (e.g. animal drugs, vaccine) or buy (medicinal plants)
- Within the SPAs through external trainers or by peer-to-peer support
- LSPs with particular expertise from other SPAs acting as trainers

#### Services of LSPs

LSPs focus their service offers explicitly on the poor and extreme poor. This group generally has no or only sporadic access to support services from Government or private sector actors. LSPs may also work for better-off farmers upon their request; however, the time they work for this group of farmers will be only a fraction of the time they spend working with the poor and extreme poor.

LSPs provide a wide-range of services to MSEs. It starts with support for organising MSEs and developing simple, but relevant business plans and implementing them. LSPs also provide support for input supply, either linking MSEs with input supply companies, or by buying inputs which they then sell to MSEs. The technical services include production-related training and on-the-spot advice to MSE members, and linking MSEs with output markets. LSPs will also link MSEs with financial service providers. Since LSPs are local people, they are able to visit regularly just to see how the business of MSEs is going. They have a genuine interest in the success of MSEs, since their success will be linked with the future demand for their support services.

LSPs work different number of days in their function as service providers. Approximately 50% of all LSPs work full-time and generate most of the money they need for their livelihoods from their work as LSPs. These are mostly LSPs working in the sub-sector livestock, and those sub-sectors that do not have a pronounced seasonality (all livestock-related value chains, medicinal plants, vegetables, craft-related sub-sectors).

The main sources of income of LSPs are:

- Fees for the services they provide to MSEs
- Commission on input supply and sales of outputs

Payment by MSEs was not reported to be a problem. The key factor here is that LSPs provide a holistic and quality service to MSEs, which is crucial for their financial success and which helps MSEs to create a significant added value.

#### Roles of LSPs

Local Service Providers take on different roles in the Private Rural Service Provider System, depending on the sub-sector or value chain. Table 3 provides some concrete examples.

Table-3: Roles of LSPs along different sub-sectors

Value Chain / Sub-sector	Role of LSPs
Livestock (e.g., bull fattening, poultry)	<ul style="list-style-type: none"> <li>• Work primarily as technical advisors / trainers</li> <li>• Para-veterinary service provider</li> <li>• Supply required inputs for veterinary services</li> <li>• Set up demonstration plots for grass cultivation and supplying feed and medicine</li> <li>• Support in developing business plans and facilitate their implementation</li> <li>• Linkages with output market actors including bull traders</li> </ul>
Vegetables/fruits	<ul style="list-style-type: none"> <li>• Work in part as extension agents for seed/seedling suppliers and receive training</li> <li>• Set up and provide technical and business support of demonstration plots</li> <li>• Sell inputs such as seeds/seedlings and fertiliser</li> <li>• Link MSEs with output markets through developing relevant plans</li> </ul>
Medicinal plants	<ul style="list-style-type: none"> <li>• Extension agent of pharmaceutical companies</li> <li>• Provide or sell seeds and seedlings to MSEs</li> <li>• Provide technical advice on production</li> <li>• Operate collection centres to aggregate, sort and quality-control dried medicinal plants</li> <li>• Support in developing business plans and facilitate their implementation</li> </ul>
Cotton crafts	<ul style="list-style-type: none"> <li>• Serve both as member of SPAs and as member of producer groups</li> <li>• Function as production centre-in-charge</li> <li>• Link between the production centre and the sub-contracting enterprise</li> </ul>

LSPs and their SPAs are the critical hinge in Samridhhi's Private Rural Service Provider System that links producers (MSEs) with different market actors (input markets, output markets, financial service providers) (Fig. 1).

#### Service Providers' Associations

LSPs have formed SPAs. Currently, 58 such SPAs are operational. They have 40 to 60 LSPs as members and are run by an Executive Committee. The purpose of the association is to expand business opportunities

for their LSPs members, and to plan and to coordinate services for the poor and extreme poor that respond to their needs and requirements. Both objectives are considered prime by SPAs; in so far, they are social enterprises by their nature.

SPAs through their LSPs motivate the poor and extreme poor to form and organise into an MSE. They coach them in identifying sub-sectors that have potentials for them. Other services include



linkages with private sector actors for input supply (seeds, veterinary medicine, crop protection chemicals) and output markets as well as for training of their LSP members by private sector companies. SPAs also link MSEs with financial service providers such as Micro Finance Institutions and banks.

Other roles of SPAs include establishing linkages with new private sector and line agency actors, developing new business partners and introducing innovations (e.g. pheromone traps against fruit flies in fruit orchards to avoid excessive spraying).

Many SPAs operate service centres in market places where quality veterinary medicines, insecticides, sex pheromone products, vegetable seeds, fruit seedlings and fertilisers are being sold and advice provided.

MSEs will inform SPAs about their future requirements for support services. The SPA management will negotiate with producers' groups to reach agreement on a price for the services to be delivered. A contract is drafted that covers a time period of several months. SPAs also sign agreements with private sector companies for the provision of extension services to farmers / producers and for commissions on input supplies.

Many SPAs are working on obtaining an official registration of their organisation; however, Government bureaucracy is slow. Only 8 SPAs have been registered so far as not-for-profit-service-provider-organisations under the Social Welfare Department and/or Cooperative Department. SPAs expect that through the registration, they will get recognition for their status as associations and thereby ease to better access to Government benefits such as land for offices. They also hope to get support and service contracts easier as a registered association.

The main sources of income of SPAs include:

- A commission on the fees of service providers
- A commission on inputs supply and some outputs
- Rental fees for agricultural equipment / devices which the SPAs owns

#### Private sector actors

Samriddhi and the SPAs are working closely with a wide-range of private sector enterprises from different economic sectors / subsectors. The driver behind

these collaborations is the fact that SPAs are an effective interface between small producers and their organisations, and private sector companies.

By linking with SPAs, a private company will create direct contacts with several thousand producers. This reduces transaction costs significantly. Working with SPAs is a low cost way for companies to reach large numbers of farmers. For a pharmaceutical company such as ACME, the collaboration with SPAs and LSPs means a low cost extension and collection system for the supply of medicinal herbs.

For the bull trader, who supplies a young animal to an MSE and gets back a fattened animal after four months, it means expanding business without investing into expensive infrastructure. For the garment manufacturers, outsourcing part of his production to village production centres means that he can expand his business without constructing new premises; it means reliable workers in their supply chain who will not make use of the first opportunity and move to Dhaka; and it means turning fixed costs into variable costs.

Therefore, private sector companies are ready to provide technical training and coaching to LSPs and in some cases pay them a commission for their services. MSEs benefit from the private sector networks of SPAs by obtaining direct access to output markets, often avoiding a series of village traders.



#### Line agencies, Government institutions

SPAs have established close working relationships with Government institutions that have an extension mandate. They include for instance the Department of Livestock Services, Department of Agricultural Extension and Department of Fisheries.

These institutions have only very meagre resources available to them, and are unable to provide relevant support to farmers within their mandated area. By collaborating with SPAs / LSPs, these Government line agencies are able to reach much larger numbers of farmers, including those who are poor/extreme poor and live in remote areas. Therefore, line agencies provide initial and ongoing training, coaching and advisory services to LSPs through SPAs.



"Our work to reach poor and marginal producers is strongly supported by the collaboration that we have built with the SPAs and their LSPs. These people come from the local communities, and have a good understanding of the complex nature of poverty. They are able to understand poverty not just in monetary terms but also the impact of social exclusion and powerlessness.

Indeed, a lot has to be done to increase the capacity of SPAs and LSPs, and this is only possible if private companies, line agencies and civil society pool their resources and efforts in building an inclusive and effective system of rural extension services."

Dr. Md. Shaiful Islam Bulbul, District Livestock Officer, Pabna



## 4. The Private Rural Service Provider System in selected sub-sectors / value chains

### 4.1 Livestock – bull fattening

There is an increasing demand for meat and livestock products in the market as the urban population is growing and the income of certain population groups is increasing. Particularly ahead of festivals such as Eid, demand increases significantly. Samridhhi, in partnership with SPAs, is facilitating a business model around bull fattening which is outlined in Figure 2.

Farmers have engaged in bull fattening for many years. With the help of LSPs, farmers changed to an intensive feeding regime. LSPs also helped farmers improve health care for the animals. With these new practices, farmers are able to sell the animal already after 4 months, while the old feeding practices required a whole year, before a farmer could sell the animal.

"I have been a member of Chandpur Laxmikola Bull Fattening MSE since 2010. Since having become a member, my income has increased tremendously. Fattening bulls gives me an average net profit of 12,000 Taka per bull. I pay for vaccine, medicine and feed. I attend the meeting of the MSE regularly. We save money together and through our MSE network we coordinate our activities.

The LSPs provide support whenever I seek advice and technical support like vaccination. Now it has become very easy to sell bulls to traders as SPAs facilitate linkages with traders. My income has enabled me to cover the school fees of my children. Even I was able to purchase a small plot of land.

With the services of LSPs/SPAs, I have a plan to increase my bull fattening activities."

**Champa Khatun, Laxmikola Village, Ishwardi Upazila, Pabna**



20 to 30 poor and extreme farmers of a community, the majority women, organise in an MSE. With the help of the LSP, the MSE procures 60 to 90 bulls at a time for fattening by its members. The animals come at an age of around two year and a price of 20,000 and 30,000 Taka per animal. LSPs help select the animals. MSE members fatten the bulls over a period of 4 months to increase their weight from 60 to 80 kg to around 200 kg. An animal of that weight fetches a price of around 50,000 Taka.

"I started as LSP in 2006. I was interested to work as service provider; however, I did not have the necessary skills to work with livestock. The training that I received helped me build my competencies and skills. I provide training, treatment and vaccination services to producers. I manage a livestock service centre and provide quality inputs and advice to small farmers. Through the support of my SPA, I have good links and collaboration with the Department of Livestock Services and different private sector actors like FnF Pharmaceuticals, ACME, Opsonin, Renata, SQUARE, Globe and ACI (all veterinary drugs companies).

As a professional LSP, my present income is more than 12,000 Taka per month. This has contributed a lot to the improvement of my livelihood. I know from the feedback of producers that they are satisfied by the services that I and my colleagues provide. Producers now have access to the services that they need. The services have enabled them to fatten bulls within 4 months, which previously it took 8 months. As woman LSP, this gives me more confidence to be a better service provider to support poor and extreme poor women and men producers."

**Monowara Begum, LSP, Tahirpur Upazila, Sunamganj**



Different financing models for investment and operational costs are being practiced. When farmers start bull fattening, most of them do not have the money to pay for the young animals and even for the feed. Traders will provide the animal to farmers without payment. The value added (difference between purchasing and selling price minus feed cost) is halved and shared between trader and farmer. In case very poor households want to engage in bull fattening, some traders may also advance money for the feed. In other cases farmers finance investment and operational costs through MFIs. After practicing bull fattening for 1 to 2 years, farmers are able to procure animals from their own savings.

MSEs buy the cattle feed as a group. Purchasing larger volumes enables them to get a discounted

price. The feed includes molasses, urea, grass, rice and wheat bran, mustard cake and compounded feed.

The feed cost per animal amounts to 8,000 Taka/cycle<sup>4</sup>. A household will invest around 3 hours a day for attending the animals; most of the work is done by women. Farmers may raise 3 bulls at a time, a total of 10 in a year.

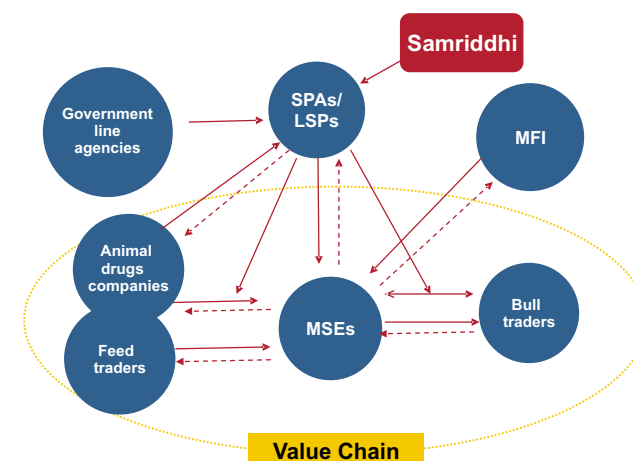
At the time when the MSE sells animals, members will cross-check prices with different traders. Though they may be tied to one trader who has advanced the animals, they will be in a better bargaining position once they have price information from different traders. Net income (not considering labour cost) over a year will amount to approximately 100,000 Taka (in case the profit is shared between trader and farmer).

"Working together increased our capacity to negotiate and make better deals with traders. Our business with traders is based on equal benefits; the traders supply the bulls and they give us the security in case a bull dies or is stolen. We sell the bulls and share the profit equally with the traders. For very poor producers, the traders also cover the cost of vaccination. The services from LSPs help us in a number of ways – from getting treatments for our animals to accessing market information. The additional income that we earn supports our livelihoods and contributes to expand our business."

**Alom Hossain, Bull Fattening MSE member, Ishwardi Upazila, Pabna District**



**Figure-2: Market system, bull fattening**



4. One cycle constitutes 4 months from buying a young bull, fattening and selling

Very poor people have taken up bull fattening. The husband may work as farm labourer, as rickshaw puller or petty trader, while the wife attends the animals. Poor people who engage in the business of bull fattening have reported that they are able to build their own brick house after two years, and start thinking about buying land from the profits they generate with the animals.

The main risk in bull fattening is disease. MSE / households may be affected directly when their animals fall sick, - for instance with foot and mouth disease -, or indirectly, when prices collapse due to the outbreak of an epidemic disease that leads to reduced consumer confidence and thus reduced sales (e.g. in case of anthrax). The incidence of disease affecting animals has become rare because of the good health care by LSPs. The MSE visited reported that they had one case of foot and mouth disease in two years.

Table-4: Relationships between actors in the bull market system

Feed traders – MSEs	Provision of animal feed
MSEs – Feed traders	Payment for feed
Animal drugs companies – SPAs	Provide training to LSPs / SPAs, supply inputs
Animal drugs retail shops – SPAs	LSPs / SPAs buy animal drugs for use by the MSEs
SPAs – Animal drugs retail shops	Payment for animals drugs
Bull traders – MSEs	Supply of young animals; on credit; payment for fattened animals
MSEs – Bull traders	Supply of fattened animals
MFIs – MSEs	Provision of loan to procure animal feed
MSEs – MFIs	Payment of interest, return of loan
Government agencies – SPAs	Training of LSPs Coaching, ongoing technical support
SPAs – MSEs	Technical training on bull fattening Support to select good young bulls for fattening Health care of animals
MSEs – SPAs	Payment for services
SPAs	Facilitation of linkages / contacts between MSE and bull traders
Samridhi – SPAs	Capacity building, linkages, contacts, coaching



"I am a bull trader. I have been in this business for the past eight years. I purchase the bulls from local producers. This is a profitable business for me. I have been working with MSEs, LSPs, other bull traders and meat processing companies like Bengal meat for the past two years.

Mr. Saban, an LSP who I work with, has been a great help: he provides me information regarding the demand for bulls from the MSEs. Another LSP, Mr. Tofa, helps me identifying potential MSE members for doing business.

I provide bulls to MSE members. Most of these people are poor and do not have the capacity to buy bulls costing 20,000 – 25,000 Taka. I can also provide feed and advance money. I sign agreements with LSPs for medicine and vaccination services to the MSEs. At present I have provided seven bulls to MSE members. After selling the bulls, the profit is shared between the members and me.



This is the source of my livelihood and the poor who are in this community. I have a plan to expand my business together with the LSPs and MSE members. The arrangement has saved me a lot of time and brings good profit for all."

**Abdul Karim Almas, Sultanpur, Dasuria Union, Ishwardi Upazila, Pabna**

A second area of risk is when large numbers of animals are brought over the border from India illegally. This leads to a collapse of prices. Market prices were reported to fluctuate over the year by about 10%.

We interviewed a bull trader who sub-contracts MSEs for bull fattening. Without the support of LSPs / SPAs, he worked with individual farmers to trade 20 animals in a year. Through the collaboration with LSPs and MSEs he is now able to trade 180 animals a year; his plan is to expand the business to trading 300 animals in a year. He is also considering the option of establishing a slaughterhouse and a meat processing plant in the area. Some of the farmers are now producing saplings of good quality grass varieties which they sell to other farmers for the production of grass.

The MSE visited is considering currently other business opportunities such as egg and chicken (local) production.



Helal, 35, is an LSP working in the livestock sub-sector. He had few skills before joining Bishwamvarpur SPA. He used to provide sporadic services in vaccinating poultry for poor producers who wanted to save their assets. His monthly income was around 2,000 Taka. Through the SPA, he received further training and expanded his skills and knowledge on livestock. Helal now earns a monthly income of 12,000 Taka.

Encouraged by the results of the SPA's work, Helal played a leading role in establishing a service centre for providing quality services to poor producers, and selling inputs and medicine.

The SPA has increased the confidence of Helal and his colleagues. With growing competence and expertise of LSPs, poor producers increasingly demand services from the SPA. Helal and his colleagues have contributed to the prosperity of poor producers in the communities.



## 4.2 Medicinal Herbs

The pharmaceutical sector has one of the highest priorities in economic policies in Bangladesh<sup>5</sup>. There are more than 200 small, medium, large and multinational companies operating in the country producing around 97% of the total demand in Bangladesh. The pharmaceutical sector is the second highest earner of foreign currency, after the garment sector.

Within the pharmaceutical sector, herbal medicines have lots of growth potentials in the market due to the fact that in rural areas, but increasingly also in urban markets, herbal treatments are becoming popular. Those people who live distant from city centres consume more indigenous medicines such as ayurvedic and herbal medicines. This type of medicine also tends to be lower in price than allopathic drugs. Aryuvedics and herbals have a market size in Bangladesh of an estimated 10 billion Taka (about 15% of the total market)<sup>6</sup>. Currently, 17 pharmaceutical companies are producing herbal medicine in Bangladesh.

The herbal medicine sector received a further boost as the Government rated herbs and herbal medicine as one of the five priority sectors to diversify the country's export basket. The industry insiders give Bangladesh good prospects of making its niche in the global market for medicinal plants and products derived from them, as nearly 650 medicinal plant species have been identified to be in use in the country with around 25 plants of high value<sup>7</sup>.



ACME and SQUARE are major producers of herbal medicines in Bangladesh. They import 60% of the raw material they require from India, Nepal and China. As they source medicinal plants from these countries, companies have few, if any, opportunities to ensure the quality of the herbs. In 2007, on initiative of LEAF, groups of landless women started to cultivate and collect bashok (*Adhatoda zeylanica*), dried the leaves and sold them to ACME.

Since these first initiatives, local bashok production and harvesting has expanded massively: production has increased from 2,000 kg to 20,000 kg of dried bashok leaves a year. Apart from bashok, MSEs have started to cultivate tulsi (Basil), kalmegh (*Andrographis paniculata*), ashwaghandha (*Withania Somnifera*) and shata muli (*asparagus*).

ACME obtains material from 60,000 producers through 300 LSPs. ACME has financed collection centres and is training LSPs.

The drivers behind this expansion are pharmaceutical companies. Sourcing medicinal plants locally brings them considerable benefits:

- Prices of the plants produced locally are lower
- They have more influence on the quality
- They can support poor and extreme poor communities as part of their corporate social responsibility scheme.

### Polashbari Medicinal Plants MSE / Collection Centre

The group has currently 21 members, 17 of them women and 4 men. In 2012, the MSE started to cultivate bashok (*Adhatoda zeylanica*) along village roads for which they obtained a leasehold from the local Union Parishad, the lowest tier of Government in Bangladesh. This year they started to intercrop tulsi (basil) in between bashok. With the income from last year's bashok harvest, they have leased crop land and are cultivating kalmegh and Ashwagandha. The labour input is small; group members estimated that they spend 1 hour per week to look after the plants. Bashok leaves can be harvested three times a year. The leaves are dried and delivered to the collection centre.

"We started doing business with medicinal plants in a group with 21 poor women in 2007. The leader of this group was a female mentor (providing help to women in social and economic activities) supported by LEAF project. One day she went to participate in a training course at Upazilla level and came to know from some training participants about medicinal plants. She talked with one of the LSPs in our community and visited adjacent villages with some group members to see how they cultivated medicinal plants along village roadsides. We were convinced that this would help us improve our livelihoods and we formed the MSE in 2009.

Our main activity in the MSE is growing medicinal plants using roadside land. We collect leaves and dry them at the collection centre. We have business plans prepared with the support of LSPs. We save money for expanding our business.

Looking back, we have improved a lot; we were unemployed with hardly any income. Participation in the business activities and interacting with other members give us confidence and dignity, that we can also support our families. We see a lot of potentials and we hope that we will be able to earn more in future."

**- Hosneara Begum, Hosenpur, Polashbari-Giandha  
- Atiqur Rahman, Bahir Dangha, Hosenpur-Gaibandha  
Polashbari medicinal plants MSE members**



The group generated a total income of 6,000 Taka in 2012. Projections for income in year 2 are 50,000 Taka. For 2015, they plan to harvest 20,000 kg bashok. The price paid by ACME increased from 17 Taka to 32 Taka / kg. The income is not distributed among members, but saved and invested in expansion of next year's production.

The income generated per household is still very small. Though, MSE members are very enthusiastic about their medicinal plant business, it will be important to develop and implement strategies to increase the income per household significantly to ensure sustainability of and continued interest by the group.

Members of the MSE have no agricultural land; they generate their income from keeping and selling poultry, goats, cows, and from their work as labourer. Since they have started to cultivate medicinal herbs, they are also using the herbs for treatment in their homes. They are keen to obtain more knowledge on medicinal plants. The LSP visits the group once a week; he lives close to the MSE. He charges only for formal training events. The LSP being a man is not an issue for the MSE which has mainly women members.

LSPs working in Polashbari individually were not able to approach and receive the support of line agencies. Private companies also did not give them the attention they needed. The LSPs realised that if they formed a group, they could convince public and private sector actors to work with them. In 2005 Polashbari SPA was formed by a group of LSPs.

The SPA has 56 LSPs as members. The association supports poor people in forming MSEs and participating in profitable and inclusive value chains. The LSPs support the development of business plans, facilitate linkages with input and output market actors and provide technical advice. The SPA supports and facilitates capacity building of LSPs in order to build their competencies and provide relevant services. This increases the willingness of producers to pay for the services of LSPs.

The SPA has the plan to increase the number of LSPs, diversify the income source through better capacity building and engage more private companies.

### Polashbari SPA members

5. Md. A. R. Bhuiyan (2011): Analysis of the pharmaceutical industry of Bangladesh: ist challenges and critical success factors. Bangladesh Research Publications Journal. V, 142-156.

6. Parvez M. Chowdhury (2010). An overview of the pharmaceutical sector in Bangladesh. BRAC EPL, Stock Brokerage LTD

7. Herbal Drugs make a niche. The Daily Star, March 20, 2011



Table-5: Medicinal herbs collected by LSPs in Polashbari

Bangla name	Botanical name	Part used	Purpose used for	Collection volume
Tulsi	<i>Ocimum sanctum (holy basil)</i>	Leaves	Coughs and bronchitis, dysentery, mouth wash to relieve tooth ache	45 kg/per month
Kalomegh	<i>Andrographis paniculata</i>	Leaves	Laxative, tonic and anthelmintic, useful in constipation, colic, dysentery and dyspepsia, in spleen complaints and debility.	450 kg/per month
Basak	<i>Vasaka Adhatoda zeylanica</i>	Leaves	Reputed remedy for all sorts of cough and colds, bronchitis and other respiratory Disorders	3000 kg/per five month
Ashwaghanda	<i>Withania Somnifera</i>	Roots	"Indian ginseng", improves sexual performance. constipation, insomnia, tissue-building	1000 kg/per month
Shata Muli	<i>Asparagus</i>	Rhizomes	Aphrodisiac, diuretic; promotes lactation; also used in diabetes	Cultivation just started

Figure-3: Market system for medicinal plants

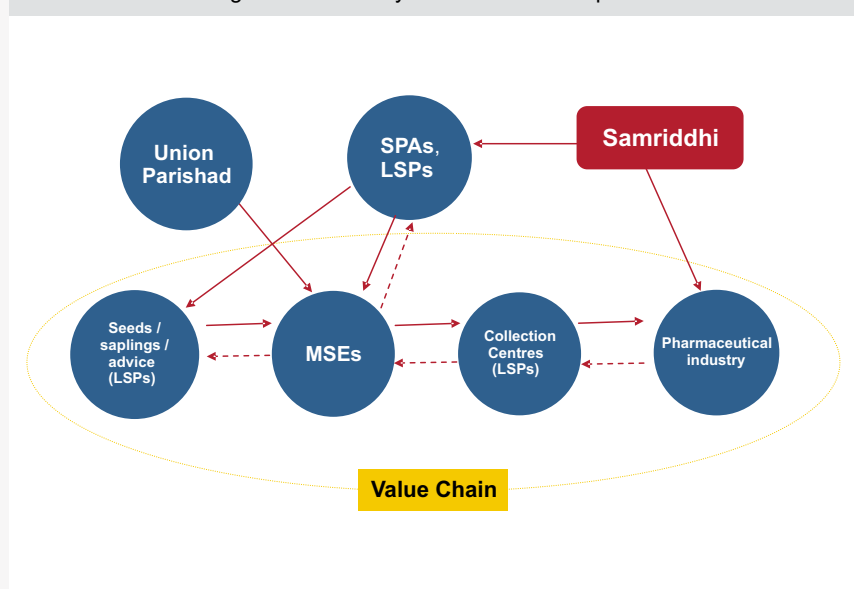


Table-6: Relationships between actors in the medicinal plant market system

LSPs provide seeds, saplings, and advice to MSEs	LSPs got seeds initially from Bangladesh Forest Research Institute; they have established their own nursery for seed multiplication and for production of saplings. LSPs provide technical advise and support to MSEs
MSEs pay for services of LSPs	Payment for services is minimal as LSPs is paid by the pharma company
MSEs – Collection Centres	MSEs will supply the dried material to the collection centre. The material is weighed, and further sorted, and if required also dried.
Collection Centres – MSEs	Payment for herbs supplied
Collection Centres – Pharma companies	Pharma companies collect herbs once every two weeks
Pharma companies – collection centres	Pharma companies pay for herbs 7 days after receiving Pharma companies train LSPs on seed production, cultivation, pest and disease management, primary processing and quality control Pharma companies invite LSPs for an annual workshop for training, planning, etc
Union Parishad – MSEs	Union Parishad (UP) provide free- of-cost lease hold contracts to MSEs for the cultivation of medicinal herbs along village roads
SPAs - LSPs	SPAs provide technical support and training to LSPs
Samridhdi –SPAs	Samridhdi supports SPAs with establishing and managing links with pharma companies
Samridhdi – Pharma companies	Samridhdi maintains close contacts and communication with Pharma companies

LSPs operate collection centres

The LSP is a resident in Polashbari. He was trained by ACME in medicinal plant cultivation and handling. Extension workers of ACME including LSPs are invited by ACME once in a year for a workshop to update them on new technical and market developments.

He visits the MSE regularly and interacts with them. He operates a nursery on leased land, on which he produces seedlings of Kalomegh and Ashwaghanda. He conducts training workshops on herb cultivation for MSEs in his area, and he interacts with most of them informally at least once in a week. He charges only for formal training events. The LSP operates a collection centre, which is a one room building with a concrete floor. This collection centre is one of the 39 collection centres established and managed by producers, LSPs and private companies. The LSP collects currently material from five species. 3,500 MSE members supply medicinal plants to him.



"We want to make Northern parts of Bangladesh the most successful business source of medicinal plants. We can do sustainable and inclusive business if the right facilitation and approach is followed. We believe that the potentials are underutilised, but our engagement for the past few years indicates a clear path for expanding business and addressing poverty."

**Md. Hasibur Rahman**  
Executive Director, The ACME Laboratories Limited

The LSP receives the material and weighs it. Weight and name of supplier are registered. If required, the LSP may dry the material further. He cleans, packs and stores the material. ACME collects the material once in a week. ACME has provided clear quality standards for the dried plants. Material which does not conform to the standards is rejected by ACME.

ACME pays the LSP for the material supplied approximately 7 days after delivery. He immediately forwards payments to the producers. He supplied herbs worth 500,000 Taka to ACME last year; his projection for the turnover in 2013 is 2,000,000 Taka. The LSP gets on average 3 Taka commission per kg dried material. He understands that there is also demand by ACME for Stevia. He is keen to investigate opportunities for Stevia in Polashbari and plant it on his leased land.



"We started as LSPs because we thought that we could improve our limited skills and make a living. In addition to the money, the respect that we get from our community means a lot to us. Our work involves providing services to MSEs. We approach and negotiate, together with the MSE members, local Government bodies like UP for accessing roadside land which is left unused, but can be a good area to grow medicinal plants.

As LSP, we collect dried leaves and facilitate the business with ACME and local buyers. We provide technical training to MSE members and sell seeds to them. My income is good enough to live a decent life. Most MSE members that we work with did not have sufficient income to feed their family. Mainly women members were confined to their houses waiting for the meagre income that their husbands used to bring to sustain their family. The involvement in medicinal plant cultivation has improved the income and status of many poor women, enabling them to increase their assets. Earning an income has also raised their status within their households.

Our income as LSPs also has increased on average to 20,000 Taka per month. We have gained a lot of experience and confidence as well as networks to work beyond our communities.

Through the help of our SPA, we explore new markets for medicinal plants. For example, we are interested in marketing of 'tulsi tea' as new product and expand medicinal plant cultivation activities to other areas of Gaibandha district.

We want to include more poor and extreme poor households. By supporting them, we support our communities and ourselves. We will lease land for cultivating high value medicinal plants. We are positive about the future."



**Nur Nahar Begum, LSP from Atghoria, Hosenpur, Polashbari SPA-Gaibandha**



**Rafiqul Islam, LSP from Ketter para, Mohadipur, Polashbari SPA-Gaibandha**

### 4.3 Cotton crafts, mini garments

Samridhhi has been supporting different crafts-related value chains (plant, cotton and jute craft). An interesting business model is being practiced in cotton craft value chains. Though Dhaka is the centre of the garment industry, many small companies operate in the region to produce garments for rural markets. Student Care is such a garment factory that was established in Dimla (Nilphamari District) 4 years ago. The company manufactures school uniforms as well as other garments, such as blouses, shirts, pants and blazers. The factory currently employs 110 people in production and 25 people in sales. The enterprise started very small in 2008 and has expanded rapidly over the past few years.

Customers of Student Care are mostly school committees. At the outset of his business, the owner supplied uniforms to school committees in three Union Parishads close to Dimla. Now he is supplying uniforms to 1,500 schools in 27 Upazila (sub-districts) under 13 different districts of Bangladesh. He is currently exploring opportunities with schools in Dhaka, Chittagong and Mymensingh. His competitive advantages are low production costs and good quality. He also provides free uniforms to students from extremely poor families and physically challenged students of different schools.

Further expansion of his current premises in Dimla is not possible. He would have to build a new factory outside the centre of town. In this situation Samridhhi and a local NGO discussed with the owner of Student Care the option of outsourcing part of the production to village production centres.

Today, Student Care subcontracts 7 village production centres with a total of 110 workers. If production centres have electricity, they can produce the whole garment; if not, they leave certain parts (e.g. button holes) to be done in the Dimla Student Care factory. Two of the production centres were established by Student Care at a cost of 60,000 Taka each, 5 were established in collaboration with development organisations. Student Care paid for 66% of the investment costs, including 30 of the 150 sewing machines that operate in the production centres.

Student Care provides on-the-job training for women workers and in-depth training for the Centre-in-Charge. The Centre-in-Charge gets regular updates on new design from Student Care. A master trainer of

Student Care visits production centres regularly. Quality was a problem at the start of the production centre. Up to 30% of the supplied garments had to be returned for rework. This has improved over the recent past.

Student Care benefits in these ways:

- The company can expand production without having to expand its premises in Dimla
- Continuity of workers: trained workers from the factory in Dimla are more likely to move to Dhaka in search for more lucrative jobs than village women
- Production is less dependent on availability of electricity
- Student Care turns fixed into variable costs, which comes to their advantage in times of fewer contracts

Student Care highlights its Corporate Social Responsibility (CSR) which shows in giving employment to many poor village women. This may be the case, but the key driver for outsourcing is less CSR but more economic and financial benefits for the company.

We visited a village production centre in a village close to Dimla. Poor and extreme poor women of the village have organised in an MSE. They purchased their own sewing machines, some from their own savings, some from money loaned within the family or from a MFI. Student Care provided a two week on-the-job training to the MSE members in the production centre. The MSE started in 2012 with 14 women; by now (June 2013) the MSE expanded to 20 women members.

The production Centre-in-Charge is from the local community and she is a LSP (and member of a SPA). The Centre-in-Charge is responsible for record keeping, quality control and quality assurance and for taking material from the factory to the production centre and tailored school uniforms as well as other garment products back to the factory.

Student Care pays 1,200 Taka / month to the Centre-in-Charge, while each woman from the production centre pays her 30 Taka a month. She also does tailoring and generates an income from that work. Women work for 6 days a week in the production centre; some may also work for 7 days. Women are paid a piece rate; so they are able to adjust their

presence to the needs of her family. The MSE has enough orders from Student Care to absorb the working capacities of all women members.

The MSE members had done sewing work earlier in their own homes; at that time they earned 30 Taka a day. In the MSE production centre they are able to earn 70 to 130 Taka a day (piece rate).



"I am 50 years old. Our MSE was formed in 2010 with 15 members. Currently there are 40 members. I am one of the founding members. I did not have any income before joining the MSE. I did not think that I would be able to develop my skills in making floor mat and carpet to enable me to earn some money and support my family.

We produce different products and supply them to local and regional buyers. From the saving from our income, we were able to buy land. We use the land to build a production centre together with a local buyer and Samridhhi project. My income has increased to 1,500 Taka per month. I have also time to take care of my family and therefore my income is additional. I opened a bank account and I save at least 100 Taka per month. While working in cotton crafts, I have now started a new business in selling straws. The income that I bring to my family is even supporting my grandchildren to go to school."

**Jorina Khatun, member of Madrasapara Handloom MSE, Thakurgaon Sadar Upazila**

Figure-4: Market system: mini garments

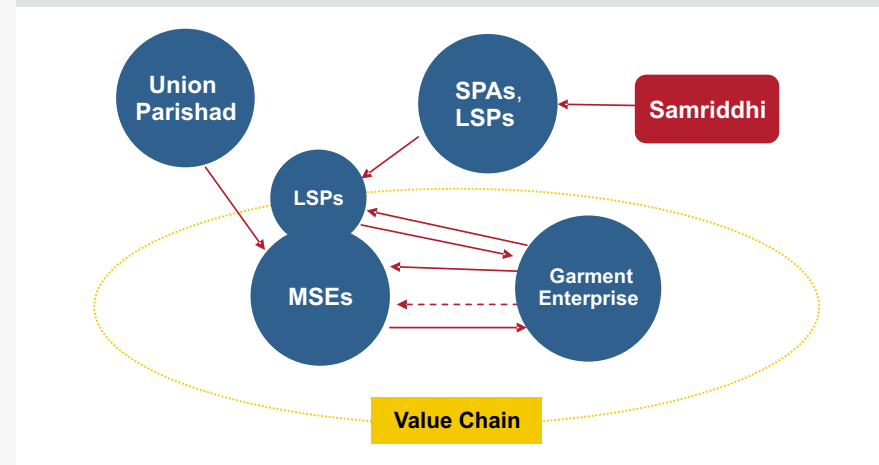




Table-7: Relationships between actors in the mini garment market system

MSE – Garment Enterprise	MSE supplies finished or semi-finished garments to garment enterprise
Garment enterprise – MSEs	Garment Enterprise pays for services Garment Enterprise supplies material and design Garment Enterprise provides initial and on-going training to MSE
LSPs – Garment Enterprise	LSPs discuss / negotiates supply contracts with Garment Enterprise
Garment Enterprise – LSPs	Garment Enterprise provides training for LSPs on new designs and technologies
SPAs – LSPs	SPAs provides training to LSPs
Union Parishad – MSE	Union Parishad supports MSE: providing land for the production centre, water supply, electricity supply, toilets
Samridhi – SPAs	Samridhi provides training and support for strategic development to SPAs

The MSE has plans to:

- Increase number of MSE members
- Increase their income as a group and per person
- Link up with new enterprises and new markets
- Buy electric sewing machines

The group has contacted the Union Parishad to provide financial support for a tube well and a latrine next to the production centre. They look for new customers to manufacture new products, such as t-shirts or caps and other dresses.

Fahmida Farhana, 20 years old, works as Center-in-Charge for cotton crafts MSEs in Thakurgaon Upazila since 2012. She is among the 56 Center-in-Charges involved in supporting and supervising production of embroidery, including mini garments. They train and coach the producers. One Center-in-Charge supports about 40 producers.



She is a high school graduate, but she was not able to find a decent job that supports her family. The MSE members approached her and selected her to work as Center-in Charge. She received training through the local private enterprise. Beaming in confidence, Farhana describes her experience: "I provide different services like receive raw material from buyers, weighing and supplying the raw material to each producer, receiving semi-finished or finished products from producers and timely delivering the products to buyers. Most of my work involves coaching and mentoring producers and maintaining records of the MSE."

Through training, Farhana acquired the skills for the job, which now fetches her a monthly income of 2,700 Taka. This income comes from the commission paid by local enterprises and the service charge from MSE members. Her future plan is to improve her skills and provide quality services to more MSEs. She wants other members of her family to get the training to work in the cotton crafts value chain. Farhana is confident that she can increase her income to 6,000 Taka in the next few months.

## 5. Observations from Samridhi's Private Rural Service Provider System

### 5.1 Sustainability of the SPAs / LSPs system

LSPs provide a service package to poor and extreme poor which is geared towards ensuring economic and financial success of their enterprises (MSEs). The service package includes organisational development, management and business plans for MSEs, the supply of high quality inputs, technical advice, and providing linkages with output markets. By providing a holistic and relevant service package which is delivered with competence, MSEs are willing to pay the service fee charged to them by SPAs.

Private sector companies, both from input and output markets, increasingly recognise the value of the SPAs to their business. By linking up with an SPA,

companies are able to reach a large number of producers; this will reduce their transaction costs very significantly. One LSP reaches on average 300 producers per month; 40 to 60 LSPs are organised in one SPA.

Government line agencies too have recognised the value of SPAs. By working with them, they can have a much larger outreach and show these figures also in their statistics.

LSPs generate income from service fees which they charge to MSEs and in some case to private companies. Some LSPs also earn a commission on the sale of inputs. Around 50% of all LSPs generate most of their income in their function as LSPs.

Many of the SPAs have recognised the need to deliver quality services in order to remain relevant and in demand. Training for LSPs and staying up-to-date



Established in 2007 by 11 LSPs, Jamalganj SPA in Sunamganj District epitomizes the challenges of providing responsive and affordable services to poor producers in highly vulnerable context and lack of private enterprises and Government services, including rural extension services. The considerable degree of isolation and vulnerability of the region did not deter the LSPs. The LSPs instead saw good opportunities for serving poor and marginal producers. The services have enabled poor and extreme producers to better adapt their livelihoods to natural disasters through adopting improved practices in a number of sub-sectors.

Most areas of Sunamganj are under water seven months a year, making transportation quite difficult. The SPA has resorted to using Information Technology tools such as the Internet and cell phones to communicate with line agencies and private companies for increasing their knowledge and skills, and creating market linkages. The innovativeness of the SPA has successfully engaged increasing number of market actors, from local traders to large input sellers, thereby contributing to improved production and productivity of poor producers through access to quality inputs, capital, markets and resources (land and mainly water).



with developments in their respective fields are considered essential.

SPAs operate service centres in market places. The service centres are points where services (inputs, brief advice) are delivered and where contacts and linkages for future service delivery are developed.

SPAs facilitate the formation of MSEs and thereby acquiring future clients for their services. SPAs have also started to expand geographically into areas which are not part of the project area of Samridhhi.

SPAs generate their income from different sources. The main ones are:

- A percentage of the service fee which LSPs earn
- Membership fee from LSPs, training opportunities fees, etc
- Commission fees on the sale of agricultural / livestock inputs / fisheries inputs
- Rental fees for agricultural implements (e.g. sprayers) and office space / venue which the SPAs own and lend out to farmers
- Commission fees for providing trainings to others (e.g., SPAs, LSPs, NGOs)

Some SPAs have invested money to obtain a regular return. SPAs use for instance part of the money they get as saving contributions from LSPs and invest it in buying farm implements. The equipment is leased to farmers; the fees earned from leasing are a significant income for SPAs. One SPA took over the management of a mango orchard that had turned unproductive earlier. The group applied modern methods of orchard management and could generate a good income for the SPAs.

The cash savings of the SPAs visited were small, amounting to 50,000 to 100,000 Taka. Expenditures of SPAs are small. They do not employ full-time staff. Members of the Executive Committee work as volunteers; for some work they get paid an honorarium. Most SPAs have buildings or own offices, most of them rather simple. SPAs spend money on training of their member LSPs.

The SPAs visited were all keen to expand, to diversify their services and to innovate. They consider growth with regard to the number of MSEs they are serving and the number of their LSP members. They want to grow also with regard to moving into new geographical areas and new sub-sectors. New ideas and innovations were always topics of discussions.

Pheromone traps for fruit flies, local feed compounding, summer varieties of vegetables are just a few examples.

The above observations are indicators for the vigour present within the SPAs that could be sensed during discussions with SPAs and LSPs, and for the sustainability of their organisations.

### SPAs exiting the Samridhhi support

Samridhhi has been facilitating the development and strengthening of SPAs through technical and financial support. In 2012, the project evaluated all SPAs under the aspect of their sustainability and performance using a list of pre-defined indicators. As a result of this assessment, Samridhhi decided to adjust support intensity and the thematic fields of support for SPAs. Six SPAs were considered ready to graduate from Samridhhi's support, i.e. ending all kind of support (technical, financial and human resources) after December 2012. The graduated SPAs will continue to function as important partners for the project. Twenty SPAs were identified as meeting the criteria for scale back and 32 SPAs for adjustment and continuation of the support by the project. Subsequent detailed support plans for the remaining SPAs were developed.

## 5.2 Service delivery for the poor at an affordable rate

The explicit target groups of LSPs and SPAs are the poor and extreme poor. These groups cannot access services of other service providers. Social networks of poor and extreme poor with input and output markets are weak. Therefore, poor people highly appreciate and seek the services of local service providers. Service centres run by SPAs in markets are often initial contact points with local producers. The access to service centres saves time and cost, particularly for the poor.

Many of the LSPs themselves used to belong to the group of poor and extreme poor in their community. Their work as LSPs has lifted them out of poverty. As they live in the community, they are easy to contact by MSEs and their members. Being local they also have a higher degree of accountability for their services to the local community than an outsider would have. All these factors strongly support the focus of SPAs / LSPs on the poor and extreme poor.

The question of affordability depends on the added value that producers can create through the support or services of local service providers. In case of bull fattening, the added value is high, which is created through the improved feeding scheme and through the veterinary services provided by LSPs. Service provision for the livestock sub-sector is therefore most profitable. At the other end of the spectrum is the jute craft sub-sector. LSPs have not been able to enable small producers to create a substantial increase of the added value in jute processing.

Innovations that lead to increased value addition in the value chain are therefore crucial for the long-term success of the SPAs / LSPs system.

## 5.3 Facilitating systemic changes and impact on poverty

The Private Rural Service Provider System has been essential in addressing and overcoming systemic constraints of markets. The constraints were identified for each value chain / sub-sector and included:

- Skills and capacities
- Access to financial products and services
- Access to markets, market infrastructure
- Organisational capacities of producers
- Availability and access of improved/new technologies and quality inputs
- Access to resources, mainly land and water
- Impact of existing rules and regulations on enterprise development

Approximately 900,000 poor and extreme poor are currently demanding for and receiving services from LSPs. Those reached by LSPs have significantly increased their income and increased their household savings.

The number of producer groups increased to 4,830 in 2012. These MSEs have formed 208 networks (2012) which gives them more voice and strengths in the sub-sectors in which they operate.

## 5.4 Main drivers of growth and expansion

The main drivers of growth in the sub-sectors selected by Samridhhi differ. For medicinal plants, no doubt, the driver of growth and expansion are pharmaceutical companies. They have a strong interest to source more raw materials from Bangladesh and reduce the dependency on imports.

Output market actors are pushing for growth in livestock-related value chains such as bull fattening. Garment entrepreneurs are keen to push for expansion of existing business models.

For other sub-sectors, LSPs / SPAs with the support of input suppliers are probably the stronger driving forces for growth.

## 5.5 Clarity of roles and role conflicts of LSPs

LSPs assume different roles in their work (Table 3). They include for example:

- Independent technical advisors to MSEs
- Extension workers for companies
- Input suppliers
- Local aggregators (under contract of an output market actor)
- Head of a producer group
- Facilitator of links with input and output markets

The strength of the LSP / SPA system has been its effective support for poor and extreme poor as independent service providers. LSPs have their prime focus on the benefits for the poor and extreme poor. In this situation it is important that LSPs and SPAs are aware of the different roles and the potential implications. Samridhhi should facilitate a process whereby SPAs define the types of roles they may want to assume, and the types of roles they do not want to take up in order to stay coherent with their purpose and avoid conflicts of interest. This discussion may take place linked with a process of reflection on SPAs as social enterprises (see 6.5).

## 5.6 Determining factors for the success of Samridhhi's Private Rural Service Provider System

The following points are probably the crucial factors responsible for the success of the Private Rural Service Provider System that has evolved under the Samridhhi project.

### 1.SPAs offer a relevant service package in support of the enterprising activities of MSEs

Samridhhi facilitates poor and extreme poor to enter and act in markets through the support by LSPs / SPAs. The support provided is broad and addresses the issues relevant for the success of MSEs. It enables poor and extreme poor organised in MSEs to become successful in markets and earn an income that lifts them out of poverty.

### 2.SPAs are run as social enterprises

Though not formally articulated, SPAs follow two goals: to be successful as an enterprise, and to support poor and extreme poor to increase their income from acting collectively in new markets.

Most are (or becoming) successful enterprises: they are financially sustainable, and they act strategic to become and remain attractive to their clients. They ensure that LSPs are well trained and competent in their field; they want to stay up-to-date and are keen on innovations which they can offer to their clients and which are of benefit to poor and extreme poor.

The work of most LSPs is financially attractive to them. The income they can generate lifts them out of poverty. For over 50%, their work as LSP is the major income source.



### 3.Networking of SPAs with private sector and Government institutions

SPAs are well networked with many of the market actors and are able to access different types of resources. They are linked to input markets, output markets and to Government line agencies. Through this network they can access high quality inputs; they support MSEs to access output markets and avoid numerous intermediaries. SPAs and their LSPs get trained from different private sector market actors and from Government line agencies.

### 4.SPAs are a crucial element to achieve win-win situations

SPAs are in principle powerful pro-poor intermediaries between private sector stakeholders and small producers. By linking with one SPA, a private sector entity has access to around 10,000 smallholders at a low cost. This reduces transaction costs and expands potential markets.

### 5.Service providers are local people

Local service providers come from the community and they live in the community. Being from the community, there is a high degree of accountability of the LSPs to the community, but also empathy as well as understanding of the local situation. The degree of fluctuation is low.

## 6.The Way Forward: Expanding Outreach and Increasing the Impact through an Inclusive and Sustainable Private Rural Service Provider System

Samridhhi is expected to expand its outreach and increase its impact on the livelihoods of the poor and extreme poor. The core element for Samridhhi to reach poor and extreme poor and support them to get out of poverty is the Private Rural Service Provider System. It has been shown in this document that LSPs organised in SPAs provide an effective service to organised producers to enter and act in new markets. How can Samridhhi ensure future sustainability of the Private Rural Service Provider System, its relevance to the poor and extreme poor and build the capacity of the Service Provider System to grow and expand?

### 6.1 Experience sharing among SPAs, innovations

SPAs and their member LSPs hold a wealth of experience and knowledge. A pillar, on which the success of the SPA system rests, is learning and innovation. SPAs can maintain their relevance and strong position only by introducing MSEs and other market actors to innovations and new practices which will increase the competitiveness of value chains, e.g. through increased productivity and income, and reduced production costs.

Many of the SPAs visited are keen to learn and innovate. They have realised the significance of technical innovations and new business models to their work. Many of them have their mechanisms, e.g. networks, to acquire new ideas. A future role of Samridhhi should be to support a platform for effective exchange, mutual learning and joint development among SPAs.

All 58 SPAs are operating at the sub-district (Upazila) level. Samridhhi has facilitated the development of an SPA networks or federation at district level. The federation can provide a platform for an effective exchange. With the experience of the district level platform, the formation of an SPA federation beyond the district level should be considered.

### 6.2 Capacity building for SPAs

In 2012 Samridhhi conducted an assessment of the performance of SPAs. The result showed that SPAs varied in their capacities to manage their business as

a social enterprise. Some of the SPAs had reached a level at which they do not need anymore support; while other SPAs showed comparatively weak performances.

It will be important for Samridhhi to support SPAs to reach a level at which they can run a sustainable operation of their social enterprise. Samridhhi has used some of the "high performer" SPAs as trainers for weaker SPAs. Experience has shown that this approach is effective.

### 6.3 Support for the development of innovations

Many of the SPAs visited expressed their ideas how to improve business models and how to increase competitiveness of value chains in market systems. However, they do not have sufficient capital to develop and advance these ideas.

Samridhhi should consider introducing an innovation fund based on competitive bidding. SPAs could propose projects to develop new ideas that will enhance the competitiveness of value chains and in particular increase benefits of poor and extreme poor. Samridhhi's "reverse funding" instrument started in September 2011 may not lend itself for that purpose. "Reverse funding" is used to support SPAs to develop their capacities to negotiate and establish functional relationships with public and private sectors.

## 6.4 Financial requirements of SPAs for sustainable operations

SPAs generate their income from very different sources. Some take a percentage of the service fee of LSPs, others don't. Some are content with a rather small income; others aim to earn higher sums.

As part of the capacity building programme of Samridhhi, SPAs should identify the core tasks of an SPA to ensure a sustainable service provider operation in future, and then identify the financial resources required for that.

## 6.5 Support to consolidate SPAs as social enterprises

A social enterprise has two goals: to achieve social, cultural, community economic or environmental outcomes; and, to earn revenue. The business plans of SPAs cover the revenue side of the equation. The role of SPAs in community development is given, but not well reflected and spelled out. Samridhhi should facilitate a process within SPAs that will clearly spell out the social goals of the SPAs.

There is a wide range of definitions and characteristic features attributed to social enterprises. Some of them are listed below:

- Having a social purpose or purposes;
- Achieving the social purpose by, at least in part, engaging in trade in the marketplace;
- Not distributing profits to individuals;
- Holding assets and wealth in trust for community benefit;
- Democratically involving members of its constituency in the governance of the organisation;
- Being independent organisations accountable to a defined constituency and to the wider community.

Some of these points are being practiced by SPAs already; other points may not be relevant, and some, SPAs may consider pursuing them in future.

Samridhhi should facilitate a process whereby SPAs define in more detail their role in local economic

development (LED), particularly the work with poor and extreme poor and how this could be anchored into a longer-term strategy for SPAs. The central idea of such initiatives will be encouraging local people to address economic and social priorities of their communities. They may require support to recognise opportunities for the poor. Successful local economic development initiatives will require for instance building functional relations with local Government bodies and market actors. SPAs could take a key role in facilitating such community-based initiatives.

An interesting way forward could be participation of an MSE representation in the governance of SPAs. This will manifest accountability of SPAs to their clients. MSEs could be invited by SPAs to participate in their "review meetings"

## 6.6 Strategies that will support expansion of SPA activities

All SPAs met during this visit expressed their wish to expand. They want to expand in terms of number of MSEs they support, in terms of geographical coverage and the number of LSP members. Samridhhi should support SPAs to develop strategies which will guide them in their efforts to expand. This can be done through the District SPA Federation.

## 6.7 Increasing benefits for poor producers

The LSP / SPA system provides considerable advantages and benefits to private sector actors. They obtain easy access to a large number of farmers and producers; by that they increase their markets for inputs or their pool of suppliers. Working with SPAs will significantly reduce transaction costs for input suppliers and for actors in output markets. In fact, transaction costs are shifted from companies down to producer organisations.

Samridhhi and SPAs need to better understand the benefits of the system for private sector actors when negotiating roles and contributions from input suppliers and buyers as well as prices paid for products supplied by producers and farmers. In many cases, private sector actors can be expected to contribute more in exchange for the benefits they are getting.

## 6.8 Provide support to increase competitiveness of value chains in potential sub-sectors

Some of the sub-sectors, for which Samridhhi provides support, have considerable potentials to take in larger numbers of poor communities.

One of these sub-sectors is medicinal herbs. Market-demand for plant-based medicine is increasing and the pharmaceutical industry is expanding its production for which they have to source medicinal plants. Currently, companies are buying from India, Nepal and China, which gives them very few opportunities to influence the mode of production and the quality of the produce. Therefore, they are very keen to source within Bangladesh. The production of plant-based drugs has been given highest priority also by the Bangladeshi Government.

Another sector with high potentials for expansion is livestock. The demand for animal products, namely meat, is increasing fast. Samridhhi has demonstrated that poor households can benefit from entering and acting in these markets. The existing business models seem effective and crowding in of livestock traders should be facilitated.

Samridhhi has demonstrated also strong win-win opportunities in the garment sub-sector. The existing business model should be reviewed, mechanisms considered to avoid exploitation of women groups, and crowding in of garment manufacturers should be facilitated.





### Samridhhi to support increasing competitiveness of value chains

In the above mentioned sub-sectors Samridhhi should not just work around particular business models which entail the link between input suppliers, producers and output markets, but should consider the entire value chain and how it can increase its competitiveness. An interesting opportunity is opening up in the medicinal plant sub-sector.

HELVETAS Swiss Intercooperation has many years of experience in the collaboration with the pharmaceutical industry in Bangladesh. Within the framework of Samridhhi, ACME and SQUARE are procuring medicinal plants through the Private Rural Service Provider System and the experience has been positive.

Expansion is possible with regard to production volume of plants already supplied by MSEs as well as by taking up the production of new plants (ACME is currently sourcing 17 different medicinal plants, 5 of them in Bangladesh). Earlier research has projected growth rates of the sector of different plants; it may be useful to revisit and re-evaluate the research done in 2003<sup>8</sup>. There is also space for more poor people to take up medicinal plant cultivation and marketing collectively.

Expansion will also be possible by linking up with new and lucrative markets for medicinal plant-based products. This could be done with the support of SIPPO<sup>9</sup> to arrange exposure visits of companies to relevant trade fairs and thus understand the dynamics and preferences of international markets, and find entry into such markets.

The Chief Executive Officer (CEO) of ACME expressed his interest in organic certification for medicinal plant production. Organic certification may not be very relevant in the pharmaceutical sector. More importantly, it may be very difficult to certify a crop as organic that is grown along 500 km of village roads always next to paddy fields which are cultivated in a conventional manner. A serious alternative to organic may be certification by Ethical BioTrade standard<sup>10</sup>. The Union for Ethical BioTrade (UEBT) is a member-based non-profit association that promotes the 'Sourcing with Respect' of ingredients that come from biodiversity. Members commit to gradually ensuring that their sourcing practices promote the conservation of biodiversity, respect traditional knowledge and assure the equitable sharing of benefits all along the supply chain. UEBT certification is not a product certification. UEBT members can illustrate their commitment to Ethical BioTrade by communicating their membership to customers and other stakeholders. It is increasingly recognised in international markets. By adopting the Ethical BioTrade practices of UEBT, companies foster long-term relationships with their source communities, creating employment, contributing to local development and helping to preserve local ecologies.

UEBT certification would require a company to support producers in adjusting their production to biodiversity principles and they would have to apply benefit sharing within the supply chain which would increase the benefits for producers of medicinal herbs considerably.

UEBT certification will allow companies to communicate claims for their compliance with ethical BioTrade principles which will give them a potential competitive advantage in the market.

Samridhhi should research other opportunities how value chains can increase their competitiveness and enter new markets.

8. Dixie, G., Imam, S.A., Hussain, M. (2003) Medicinal Plant Marketing in Bangladesh. Intercooperation Bangladesh, for South Asia Enterprise Development Facility

9. SIPPO: Swiss Import Promotion Programme - helps SMEs from selected developing and transition countries to sell their products and services on Swiss and European markets, thereby increasing the ability to compete in terms of production in the countries concerned.

10. <http://www.ethicalbiotrade.org/>





## Annex 1: Terms of Reference (ToR)

### 1. Background

The goal of Samridhhi is to contribute to sustainable well-being and resilience of poor and extreme poor households of Rajshahi and Rangpur Divisions and Sunamganj District through social and economic empowerment. This goal is based on the impact logic that if public and private services for business development are available, poor people are empowered and capacitated to access these services, and an enabling environment for pro-poor economic growth exists, then poor people can generate additional income and overcome their poverty situation in a sustainable manner.

Based mainly on the Making Markets Work for the Poor (M4P) approach, Samridhhi aims to reach around 5 million people, both directly and indirectly, by July 2013 through its facilitation in value chain, enterprise, and rural service market development. Private rural service provision has in particular been the core element of the market development approach of Samridhhi, where Local Service Providers (LSPs) and Service Providers' Associations (SPAs) play important roles. Engagement of the private and public sector as well as reaching producers, producers' groups and their networks highly rely on the proper functioning and success of private rural service provision through more than 2,600 LSPs and the 58 Upazila (sub-district) based SPAs.

The vision of private rural service provision has been to enhance the economic development of producers and in particular poor and extreme poor through sustainable service provision, which is of high quality, accessible, and affordable. Since its inception in 2004, the service provision model has brought about clear evolution of service provision. It has had positive and encouraging impacts on the attitudes of service providers and clients. In the process, the model has depicted three underlying elements of evolution: first, from voluntary to subsidised service provision and then fee-based services; second, from traditional service provision to predominant public sector services and then private sector-driven services complemented by the involvement of the public sector; and third, from main agro-forestry domain to diversification of services in a number of fields like business management services.

The service providers have steadily built their organisational competence and gradually pervaded the market system. The Mid-term Review of the project, commissioned by SDC and conducted in May 2012, concluded that Samridhhi's "interventions are increasingly market driven rather than project driven." Such an achievement was to a large extent the result of and, even more importantly, has been triggered by the service provision model facilitated by the project. Service providers' engagement with more than 70 private companies and entrepreneurs, and building functional linkages with a range of Government line agencies have increasingly become evident and ever more imperative. This has also nurtured the competitiveness of more than 3,600 producers' groups or Micro and Small Enterprises (MSEs) and lowered barriers to enter higher-value markets by enhancing value chain upgrading, thereby laying the ground for large-scale, sustainable and inclusive market system changes after the project phases out.

Yet, SPAs and LSPs still face challenges of sustainability, because their knowledge and the viability of their services as major source of livelihoods both for them and their clients require increased organisational, financial, and technical capacities. In fact, LSPs are hardly homogenous: the marketability of their services that they provide in the different domains, i.e. agriculture, livestock, fisheries, crafts, and business varies, so do their skills and knowledge required for quality services. Thus, wider income disparities along the different domains and gender of the LSPs remain a challenge. In addition, a large number of LSPs in the project areas are not member of SPAs and the project is yet to identify the reason(s) behind this. An extensive grading of the organisational and professional capacities of SPAs conducted by Samridhhi in 2012 showed that out of the 58 SPAs, about 10% have the capacity to function independently from which the project plans to phase out its facilitation support. Based on the assessment, the project also plans to scale back its facilitation from 20 other SPAs and to provide its facilitation to the remaining SPAs in the remainder period of the project. While consolidating the achievements through more facilitation of weaker SPAs, the project also plans to support the formation of SPAs at the district level and promote the service provision model at the national level.

### 2. Objectives

The capitalisation document is intended to draw together the knowledge and experiences of the private rural service provision model facilitated by the project. It seeks to understand and capture key features of the evolution and functionality of the service provision model and come up with strategies for further strengthening the SPAs and LSPs as well as scaling-up the model to ensure large-scale, sustainable and inclusive market system changes.

The specific objectives of the experience capitalisation are:

- To draw the knowledge and experiences, document best practices and case studies, and consolidate lessons learnt from facilitating quality, accessible and affordable private rural service provision by Samridhhi
- To make recommendations so as to enhance the organisational, financial and technical capacities of SPAs through a more effective and efficient horizontal and vertical expansion through functional linkages with the private and public sector
- Based on the above, to strategically position the experiences and knowledge for creating organisational retrievable knowledge in HELVETAS Swiss Intercooperation Bangladesh by making the key findings and learning process in private rural service provision available to a wide range of stakeholders.

### 3. Scope of work

The consultant/backstopper will be assisted by the one technical coordinator of Samridhhi project during her/his work in Bangladesh. The backstopper will specifically:

- A. Develop the tools and guidelines to conduct individual interviews with SPAs member and non-member LSPs, private companies and entrepreneurs, relevant public sector institutions; Focus Group Discussions (FGD) with SPAs and producers' groups; and workshops with project staff and other relevant partners to capture the experiences
- B. Prepare a presentation to highlight the main findings and recommendations, and present it in the debriefing meeting
- C. Finalise the capitalisation document by April 2013 and submit it to Samridhhi and HELVETAS Swiss Intercooperation Bangladesh.





#### 4. Methodology

The methodology for accomplishing this mission would be as follows:

- A. Review of documents including Samridhhi project document, past service provision reports such as SPAs grading exercise, capitalisation documents of Marketing Extension - A powerful process in 6 steps (2006) and Promoting Local Private Service Providers (2008), various semesters and annual reports of the project, the self-assessment report of the project, Mid-term Review report, and other relevant documents.
- B. Conduct individual interviews and FGD with core market actors, including LSPs, SPAs, producers' groups and their networks, private companies, Government line agencies, and other stakeholders.
- C. Hold workshop with project and project partner NGO staff.

#### 5. Deliverables

As a result of the experiences capitalisation exercise, Samridhhi will have:

- 1) A presentation on key findings and recommendations for Samridhhi
- 2) An experience capitalisation document with the results of the analysis, reflection on the evolution of private rural service provision, key lessons and challenges of facilitating quality, accessible, and affordable service provision, and strategic recommendations for horizontal and vertical scaling-up of large-scale, sustainable, and inclusive private rural service provision in Samridhhi.

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