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CONTENTS

Transforming the Furniture Industry of Bangladesh: The Case of Katalyst Project

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Abstract

This paper explores the furniture industry of Bangladesh and how it was transformed from a cottage-based inward looking industry into a semi-mechanised industry with strong export potential. The article discusses the case of Katalyst, a multi-donor funded private sector developmental project in Bangladesh, and how it contributed to the transformation of the furniture industry. The paper discusses how underlying constraints in the sectors were identified by the project, and then systemic changes were triggered in the market system by working with the private sector. Katalyst's experience is shared, especially focusing on deal making, strategic outlook, market analysis, and private sector engagement. The conclusions drawn from its work is discussed, which can benefit other donors or projects working in the industrial sector and trying to encourage systemic change.

1 The Context: Furniture and Pro-Poor Growth

In Bangladesh, agriculture provides employment to half the labor force while contributing around 20% towards national GDP. In the case of industry the figures stand at around 30% for both employment and GDP contribution. The share of agriculture in GDP has been declining, although it still remains a significant force while the industrial sector has started growing rapidly with annual growth rate hovering at around 7–8%, which is higher than the economic growth rate. This industrialization process that has been continuing over the last few decades is very much in line with historical evidence from other developed and newly industrialized countries. Industrialization is essential for economic growth and for long-run poverty reduction but the pattern of industrialization decides whether economic growth is likely to be pro-poor or not.

Numerous studies identify employment expansion as the major link between poverty reduction and economic growth; it can only materialize if the industrialization process entails raising returns to unskilled labor, especially manufacturing sector's ability to absorb surplus labor from agriculture and offer productive employment (Bekkers 2009, Kniivilä 2007). Thus urban pro-poor growth strategies for programs like Katalyst consciously focus on promoting sectors which have low entry barriers, which can *"absorb"* low skilled workers and also offers them opportunities to acquire skills (*"transformation"*), enabling workers to work their way out of poverty. Productive employment creation therefore requires a balance between *"absorption"* and *"transformation"*, as too high absorption of less-skilled labor most likely will take place at the expense of productivity (e.g. informal waste management sector) while highly developed sector with very high labor productivity will most likely recruit the skilled workers (e.g. IT). According to Rahman and Islam (2003), the furniture sector in Bangladesh could offer productive pro-poor employment.

The furniture sector in Bangladesh has been growing rapidly both internationally and especially locally as the disposable income of the urban and peri-urban population has increased with economic growth (Export Promotion Bureau 2010). The local demand for furniture has expanded roughly by 240% from USD 1.14 billion in 2000 to USD 2.71 billion. The figure is based on furniture consumption estimates taken from the original dataset of Household Income and Expenditure Survey (HIES), for the year 2000 and 2010. HIES usually has nationally representative sample of over 10,000 households. The sector includes over 80,000 enterprises, including carpenters, employing over 300,000 poor people (Katalyst 2012*a*). Internationally the industry is the largest growing low-tech sector with a higher volume of trade than garments and footwear (Kaplinsky, Memedovic, Morris and Readman 2003). The global industry is worth about US $347 billion, with developing countries contributing 48% of the total output, and this contribution is rapidly increasing CSIL (2010). Given the high growth potential, the sector can be very important for the country's economy. In the next section, we look into the labor and poverty dynamics within the sector.

2 Labor Market in the Furniture Sector

The sector is very labor intensive in general with significant involvement of SMEs (Table 1), which offers scope for productive employment. Only focusing on firms with 5 or more employees there are roughly 10,000 firms employing over 100,000 workers. The sector has around 70 large enterprises, which are the market leaders, and employ about 20% of the furniture workers. Thus less than 1% of firms, scale agents and industry leaders account for more than one-fifth of the employment in the sector.

The workers usually migrate from rural areas with very little skills, and join as helpers with an initial salary of BDT 2,400 per month, which increases to BDT 8,000 per month with increased skill level and experience; helpers form almost two-thirds of the furniture labor force (Figure 1).

According to Bekkers (2009) around 7,000 workers enter the furniture sector annually (permanent and temporary) and around 80% earn less than USD 2 dollar a day. Thus the furniture sector reflects strong growth, export and local, and offers opportunities for productive pro-poor employment.

3 Why Katalyst Intervened in the Sector?

Katalyst program was launched in 2002 with a mandate to work in urban and rural sectors, focusing on improving SME competitiveness and creating jobs. Historically, in Bangladesh, industries usually have developed in clusters, which is not an uncommon pattern among developing countries. Academic literature supports the notion that industrial clusters can spur economic development through technical innovation and growth (Nadvi and Barrientos 2004). The furniture sector in Bangladesh is no different with major clusters located mostly in Dhaka (Mirpur, Gulshan, Sutrapur, Panthapath, etc.) and Chittagong, which are the two largest cities in the country (INSPIRED 2013).

Katalyst launched its industrial programs in the furniture sector in 2004, focusing on the Mirpur cluster, the largest wooden furniture cluster in the country dominated by small and medium scale manufacturers. The cluster was facing steep competition from Panthapath cluster, which was the hub of imported furniture. Consumer surveys carried out by Katalyst showed that imported furniture was cost efficient and of better quality (new finishing: lacquer, using Medium Density Fiber instead of wood). Predominance of traditional motif, low labor productivity, low level of mechanization, and high dependency on imported wood as primary input meant that when price of teak doubled within a year, in 2005, the cluster was in rapid decline and in disarray. The constraints faced by the sector was something that was prevalent industry-wide, later to be reinforced with external visits and research.

Thus initial program activities focused on enhancing firm level productivity (labor and mechanization) and improved trade promotion (trade fair, after sale service, guarantee card, customer responsive program etc), to retain and expand the customer base. The activities were a major success, enabling the cluster to turn around; it has remained till date the largest cluster in the country. Cluster-wide sales campaign in 2006 and 2007, facilitated by the program in collaboration with the association, attracted over 10,000 sensitizing enabling manufacturers to clearly understand the shifting demand of the consumers. Thus they started developing sleeker designs, using processed wood, introducing power tools, providing lacquer finish, while ensuring after sales service, warranties and other means to cater to this high-value market (Table 2). Leveraging this success the program quickly evolved to include other clusters, focusing at the national level and export (Nahid 2010). From 2010 onward the local market focus interventions were implemented by *Innovision Consulting Private Limited*, who acted as co-facilitator of Katalyst.

3.1 Key Constraints in Export

Katalyst from early on recognized the export potential of the furniture sector; research showed a positive relationship between export and economic growth. Furthermore, engaging in export could result in positive externality through technology transfer and overall productivity growth. On a tactical level, by working in the Mirpur cluster, Katalyst was already gaining credibility in the industry and was able to engage the market leaders who were also very much interested in export. To this end in March 2005, Katalyst and exporter forum members met to develop a road-map. A study on export readiness assessment was conducted on eight potential exporting firms, which were the largest in the country, by world renowned furniture consultancy firm Aktrin-Dossenbach Associates. The key finding of the study was that while Bangladesh had a competitive cheap labor market the industry was far from export ready and had a few key constraints:

- Most companies were essentially large carpentry

Table 1: Enterprise and employment

Category	Number of Workers (number)	Number of Enterprise (percent)	Total Employment (percent)
Micro	< 10	80.30	42
Small	10 to 25	16.90	27
Medium	26 to 70	2.80	10
Larg	> 70	0.80	21

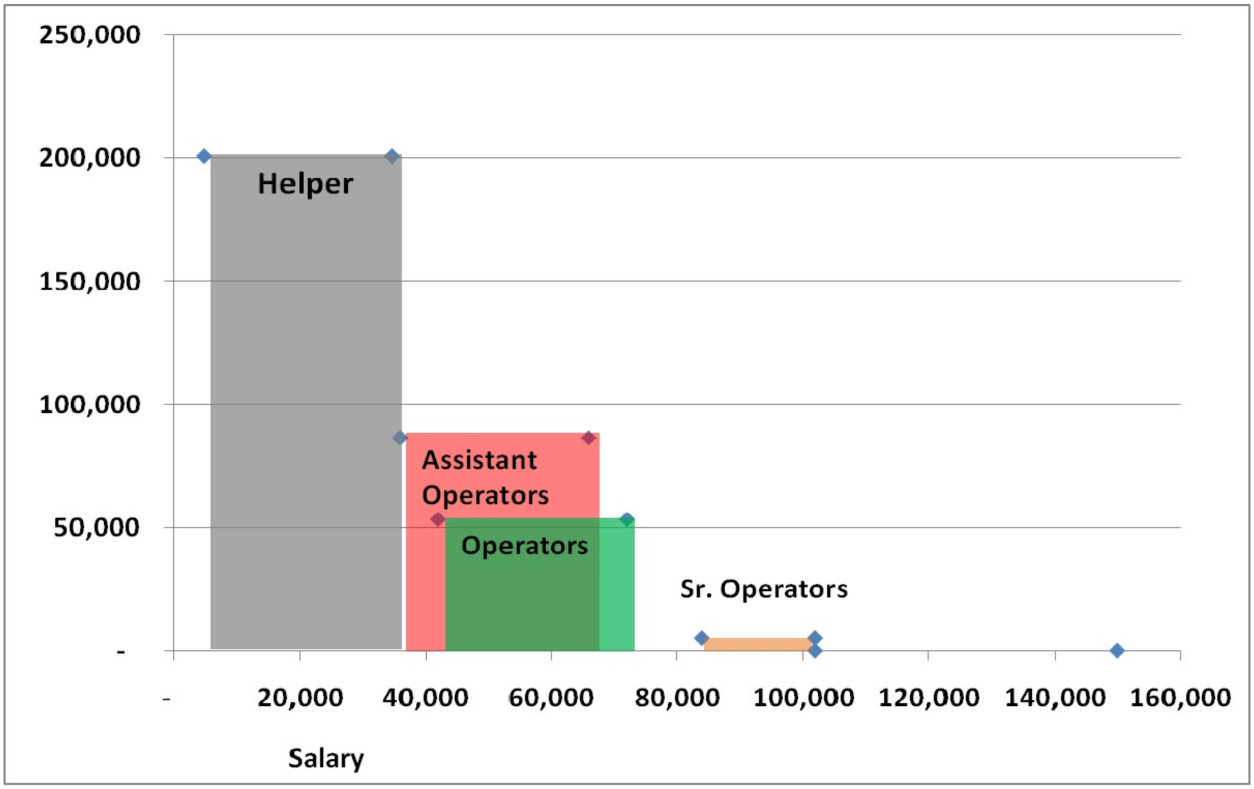

Figure 1: Salary structure in furniture sector

Table 2: Transforming Mirpur Cluster

Year	2005	2010
Number of branded Outlet	2	8
Number of Stores	10	15
Laborers employed	2200	4500
Firms using mechanized tool	32	86
Using MDF/Particle board	19	80

Source: Data taken from Katalyst MRM system, which has been DCED audited twice and according to DFID mid-term review (DFID 2010), provides evidence of impact with *"validity and reliability that is probably unparalleled."* In 2005 MDF was not in use, and so the figure in the last line reflects use of particle board. However, 2010 data refers only to MDF.

shops instead of manufacturing factories, lacking in modern industrial production, trained workers and planning.
- Building custom designed low quality furniture rather than following batch manufacturing.
- Dependent on carpenters instead of mechanized factory setup.
- Unable to compete with higher quality and lower priced imports in the domestic market.

If this was the situation among the leading firms in the industry then one could only imagine the general situation prevailing in the sector. The study was a reality check and enabled Katalyst to reformulate its strategy, along with the manufacturers, to develop a more long term vision. The discussion following the study made the large manufacturers realize that:

- They had to reorganize themselves and seek technical assistance to streamline production and planning, focusing on modern technique and tools.
- Invest in human resource development, both at worker and management level.
- Engage in market research both locally and internationally to understand the customer.
- Work together to become a globally competitive industry rather than just focusing on individual firms.

3.2 Exposure Visits to Understand Constraints

The key constraints were endemic to the industry as a whole and not just for firms with export potential, although the realization was limited to the large enterprises. Based on the findings in 2005 and 2006, there were a number of exposure visits on a equal cost sharing basis with the program, to *Bangladesh Expo* in the UK in 2005, *International Furniture Fair* in Tokyo and production facilities in China in 2006. Most of the companies participating in these activities were the large firms who were the market leaders. The visit to the fairs provided initial understanding of the export market demand. The exposure visit to industrial zone in Dongguan China was an eye-opener as some of them were quoted saying *"we need to import more raw materials like MDF please get me pricing"* and *"pneumatic hand tools are required for the Bangladesh factories"* (Sarwar 2007). Another major learning from these visits was the realization that manufacturing few products in assembly line production could increase productivity by multiples.

During the same period Katalyst worked with Hatil Complex, one of the largest manufacturers and one of the few importers of Medium Density Fiber (MDF) board and lacquer, to develop a documentary on how to use MDF and lacquer finish. The documentary was showcased by the furniture association during different workshops and was picked up by Mirpur furniture manufacturers after the success of the first cluster fair in 2006. At the same time activities in the form of sector assessment were initiated with Gulshan and Chittagong clusters with an initial view to look at them as separate sub-sectors. However, international experience gained from the exposure visits suggested that a more holistic approach was required with strategies developed at the national industry level but rolling out activities and developing tactics on a cluster level, taking into account the local context. *This thinking 'national' and acting 'local' became the mantra for the program.*

3.3 Constraints Facing Firms in the Policy Space

There are two national furniture associations: Bangladesh Furniture Industries Owners' Association (BAFIOA) is the central association, represented by the active local chapters located mostly in Dhaka and Chittagong. The national association takes different initiatives for the growth of local companies. Another association, comprising of export oriented firms, called the *Bangladesh Furniture Exporters' Association* (BFEA), takes up different activities for export market expansion; this was previously part of BAFIOA and was called the exporter's forum. When Katalyst started operating in the early 2005, the national association was almost not operational although the exporter's forum, which was explicitly formed in May 2005 as a common platform to engage (Katalyst 2005), was more organized. The Mirpur cluster chapter association of BAFIOA was the most organized local association in the industry.

From an operational standpoint it is crucial to have a strong national association that can engage public institutions like the National Bureau of Revenue, Export Promotion Bureau, etc. But more importantly, from a strategic level, a well-functioning national association is necessary to foster continuous technical innovation, identify pressing constraints in the business environment, formulate evidence-based policy proposals, advocate for business-friendly laws and regulation, and promote information sourcing, and sharing (ENABLE 2013, Nadvi and Barrientos 2004). Associations act as intermediaries between the public and private sectors. While the industry demand was growing locally and internationally, furniture enterprises were unable to capitalize on these growth opportunities within the sector. Their inefficient production capacity, limited access to technical knowledge and inputs, and limited access to information on and links with rising high-end markets were impinging upon their ability to realize these opportunities.

4 How Katalyst Facilitated Change

Katalyst activities in the furniture sector was based on the theory of change which states that interventions (activities and inputs) lead to systemic change in market systems (including changes in information, services, and rules) which leads to increased firm competitiveness and growth which in turn results in poverty reduction through increased income and employment — Katalyst's overall goal (Figure 2).

Katalyst worked with input suppliers, associations and manufacturers, and government bodies, like Export Promotion Bureau (EPB) of the Bangladesh Government. The purpose was to increase the skills of and promote outsourcing to small manufacturers, to diversify markets and products, creating a foothold in exports, to increase employment opportunities, to build the capacity of associations, and to further stimulate the sector's growth.

4.1 Facilitation Process

Katalyst primarily channeled its activity through the central association BAFIOA, its local chapter representatives, and BFEA, ensuring buy-in from large scale manufacturers as they are the drivers of change. Understanding this political economy was crucial to the success of Katalyst's interventions. The project focused on the largest clusters mainly in Dhaka, Chittagong, and finally Bogra, since they are the trend-setters in the industry and play a major role in the national association. Since the sector was at its early growth stage and for innovation to gain traction, there needs to be a critical mass of adoptions before it becomes a practice. Katalyst followed a heavy-handed approach which often entailed support for multiple years. As DFID (2013) document states *"Risk of adopting new business models (though successful) remains considerably high, until there are significantly large numbers (critical mass) of users or providers of products/services."* As such, to cross the *"tipping point"*, Katalyst used a *"big push"* strategy to create complementary demand in multiple interconnected markets. Figure 3 gives an overview of Katalyst's efforts in transforming the furniture market system in Bangladesh and key interventions in the sector.

A salient feature of Katalyst's approach was that in some cases interventions were undertaken with a tactical view to achieve strategic goals. For instance in order to strengthen association capacity and firm level productivity, Katalyst organized a series of workshops on joinery, polishing and new types of inputs like lacquer finishing and MDF, with the help of associations and with owners of export-oriented or large manufacturing units who often acted as credible resource person. In many cases such workshops were followed by cluster-wide trade promotional activities. These activities may not have been meant to be sustainable in their existing format, but were deployed to create linkages with input providers, foster trust in the association and, most importantly, create the necessary effective demand through increased profit during the sales campaign to trigger investment in capital goods (Jalil, Sarwar and Jahan 2007); sequencing of interventions was therefore critical. The overall process of facilitation can be seen as a broad sequence of phases, although in reality implementation was not completely linear and chronologically some activities may have taken place simultaneously (Figure 4).

Initially, project work originated with the Mirpur cluster but then it gradually expanded to include other major clusters and export-oriented large firms. This was possible because in most cases the underlying constraints faced by the manufacturers were similar. Leveraging the success of transforming the Mirpur cluster and credibility thus gained among stake-holders, the project facilitated the national furniture association and the exporter's association to build a *"bridgehead"* and engage in dialogue with the public sector bodies to create a conducive environment for the sector.

4.2 Market Analysis: Building a Basis for Credibility

Katalyst fostered trust and helped create a network among the manufacturers both within local chapter associations and among members of exporters' associations. Another major contribution of the project was the creation of a body of literature on the furniture market of Bangladesh, detailing its size, structure, poverty dynamics, local and international growth potential, etc., which was almost non-existent before Katalyst intervened. These formal studies were important for four reasons:

- In helping Katalyst to advance its own learning beyond symptoms to underlying causes;
- In establishing credibility among players, especially in dealing with government organizations like Regulatory Reform Commission or EPB. A sound factual basis to discussions was essential to give weight to arguments and credibility to Katalyst as a facilitator seeking to bring about change. As Katalyst sought, through many individual meetings and roundtables, to facilitate establishment of linkages with manufacturers themselves and key stakeholders, its research proved an important resource.
- As a continuous record of market change: the data from studies was updated regularly, thus providing a *"living record"* of the process of change.
- In creating a body of literature that could be drawn upon by other actors in the market, Katalyst documents were used to develop the base paper of

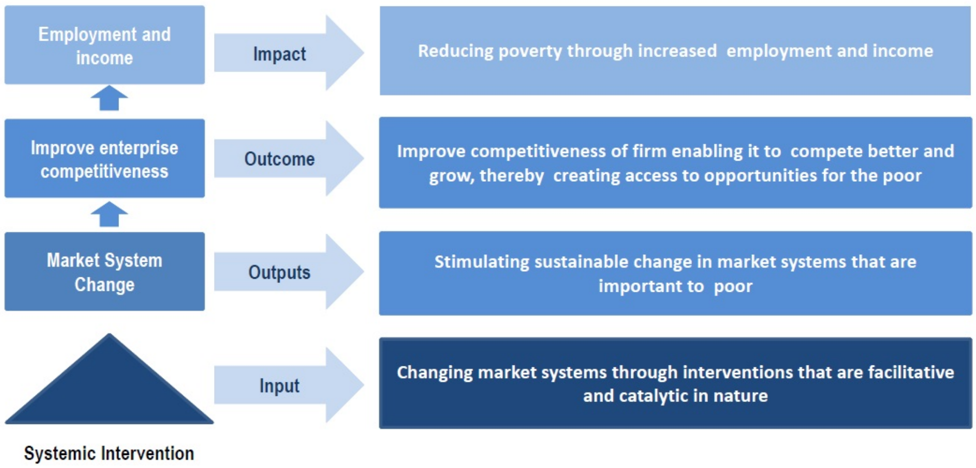

Figure 2: Katalyst approach in furniture sector

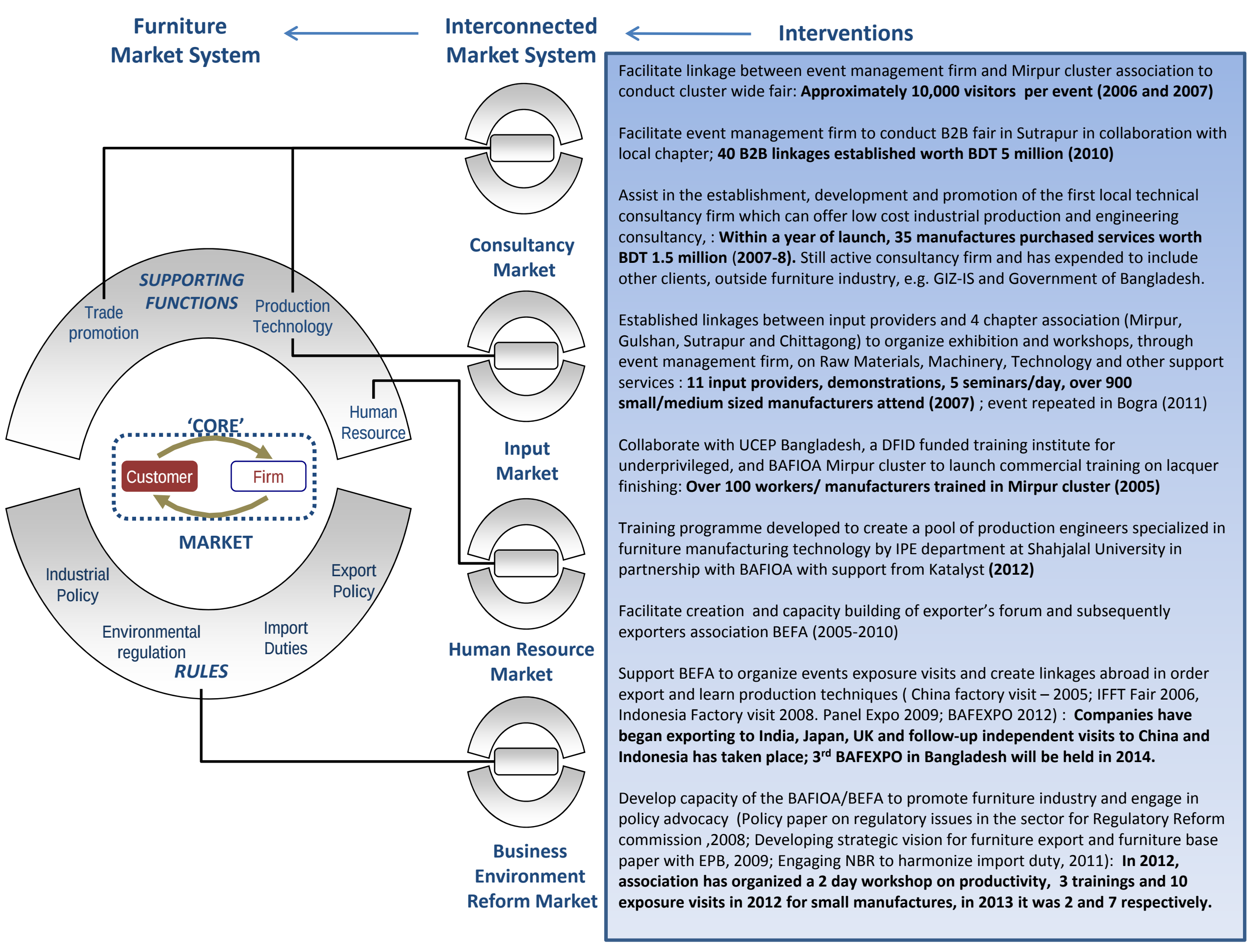

Figure 3: Furniture market system and Katalyst interventions

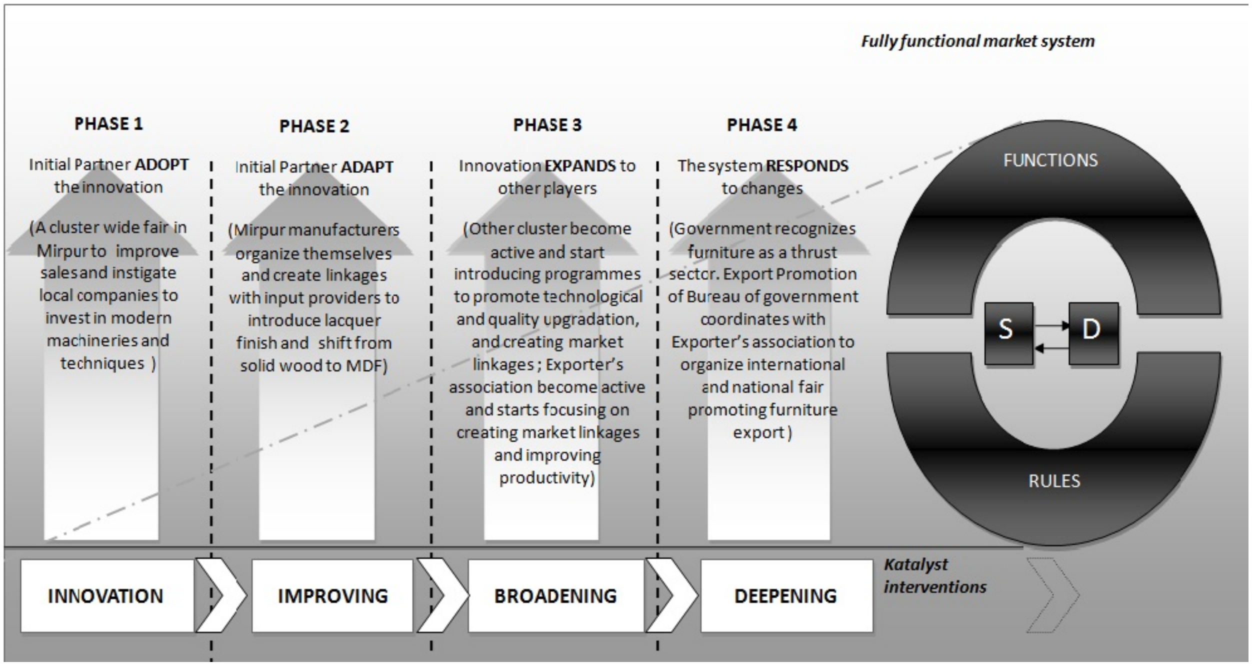

Figure 4: Pathway to systemic change

EPB for the formulation of EPB's furniture strategy. Findings from export related studies were extensively used in the website developed for the Bangladesh furniture export fair. INSPIRED, a challenge fund facility co-financed by the European Union, developed its sectoral report on furniture significantly drawing on findings from various reports generated by Katalyst. The documentary on product design, joinery, lacquer finish, MDF are still being used by BAFIOA in workshops organized in newer clusters.

5 Signs of Market System Change

5.1 Changes in the Input Market

With Katalyst's support, several major input suppliers now provide embedded information on the usage and application of tools and raw materials (e.g. adhesive, lacquer, MDF), alongside quality inputs to small enterprises producing furniture. Medium and large sized manufacturers have already become significantly mechanized and have implemented industrial production planning. Manufactures have also started using consultancy services for market research, production planning, etc. that has been strongly supported by the project and was missing when Katalyst started its operation. Engagement with different clusters for organizing regional workshops on joinery, tools and production techniques has not only enabled skill development, technology and knowledge transfer, but has also enabled local chapter associations, who organized it, to become more operational, leading to greater social capital. When Katalyst started its operation in 2004, only the Mirpur cluster association was active but was in decline, as mentioned before, but now *"four clusters are active, organized and more functional within the respective clusters namely, Sutrapur region-Dhaka, Gulshan region-Dhaka, Mirpur region-Dhaka, and Chittagong region-Dhaka."* (INSPIRED 2013); being the largest clusters all of these were actively targeted by such regional workshops. The Figures 5 and Figure 6 show annual import values of furniture related machineries and MDF board from 2006 to 2012.

As can be seen from the aforesaid figures (Figures 5 and 6), MDF import really took off after the success of the furniture cluster fair in 2007 followed by road show events in 2007–08 (Figure 3), where MDF was promoted by major importers and suppliers of the product in major furniture clusters of Bangladesh. It is worth noting that Katalyst was the first donor project which worked with Hatil, Brothers and Pacific industries to facilitate import and promotion of MDF to Bangladesh. In case of machinery import, one has to realize that there is likely to be a lag effect between exposure to understanding the benefit of mechanization and widespread adoption. However, it is interesting to note that after the road-show linkage program in 2007–08, Indonesian factory exposure visits in 2008, followed by single country export fair in India in 2009, and national fairs in 2008–09, there has been a

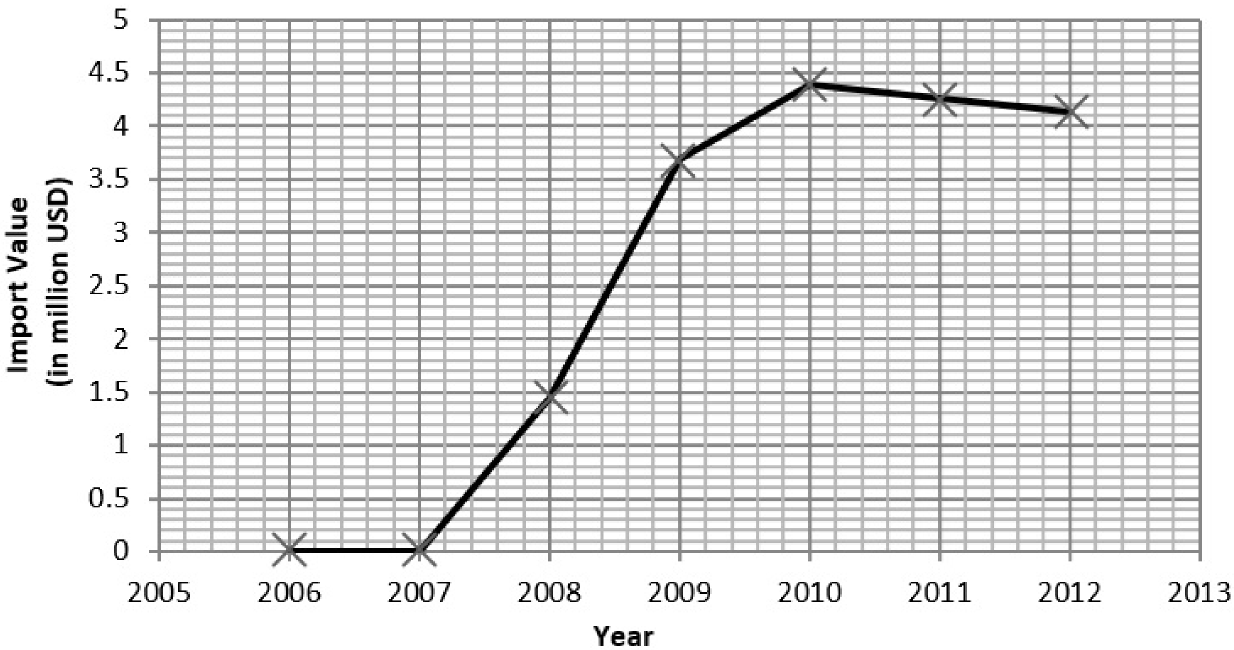

Figure 5: Annual Import of MDF (The data are taken by aggregating import data for furniture related commodities at 4 digit HS code taken from website of International Trade Centre (ITC), which is subsidiary organization of the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD))

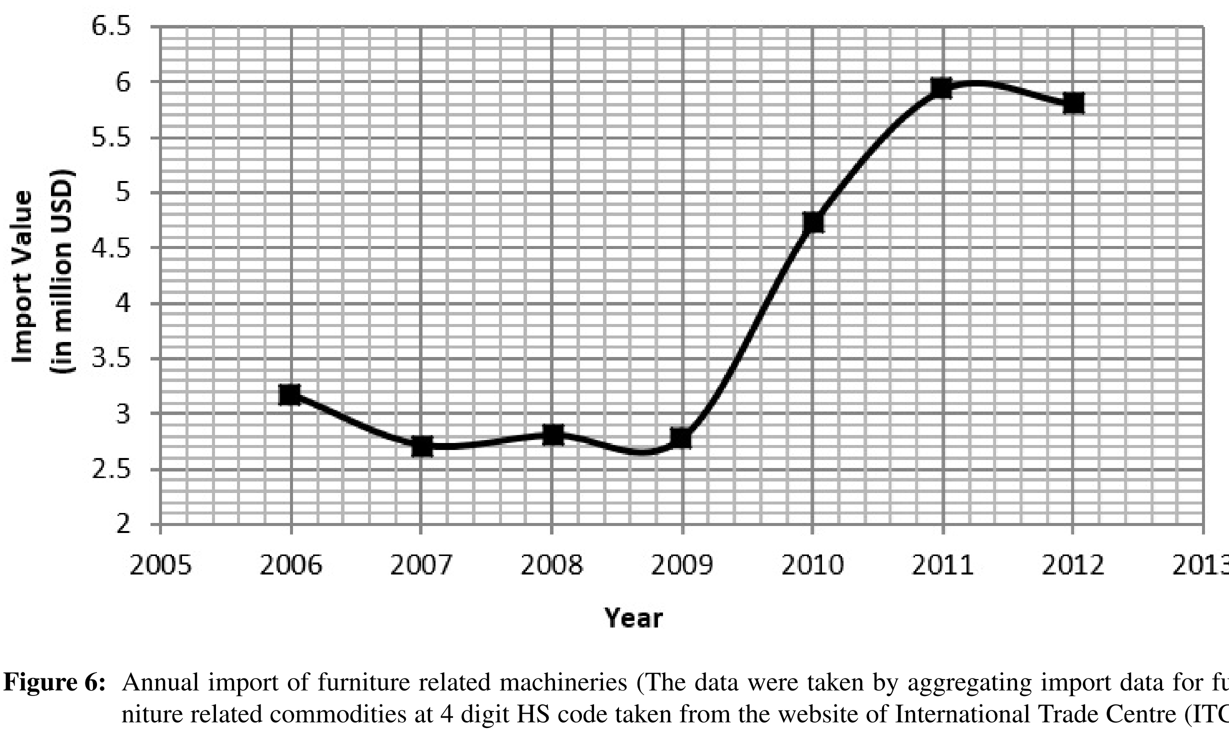

Figure 6: Annual import of furniture related machineries (The data were taken by aggregating import data for furniture related commodities at 4 digit HS code taken from the website of International Trade Centre (ITC), which is a subsidiary organization of the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD))

surge of machine imports. Since machineries are assets and have long service life requiring less periodic purchase or replacement, the continued surge in machine import implies more factories are now mechanizing. Preliminary estimates show that this has already led to appreciable increase in labor productivity in the major furniture clusters of Bangladesh, which was previously nearly stagnant (Figure 7). The estimates are based on national private-sector survey of enterprises in Bangladesh (Daniels 2003), industry relocation study (Moniruzzaman, M. and Sarwar, A. and Khan, M, J. 2007), and baseline survey of furniture industry in Bangladesh (Khan, N, A. 2011).

5.2 Expanding Export Market

Similarly through a number of exposure visits, the large manufacturers have established linkages abroad and export has surged with Hatil recently establishing a store in Australia (Saha 2013). Hatil signed a global supply agreement with Paul Robert Inc. USA to manufacture and export Paul Robert's customised designed sofa, chair and other household furniture (The Daily Sun 2013). Bangladesh Furniture Exporters Association (BFEA) has created avenues to reach new markets (both domestic and international) which have resulted, among others, in additional sub-contracting opportunities for smaller manufacturers. Beginning in 2011, Katalyst supported BFEA to establish linkages with EPB and then explore the potential for the first-ever international furniture fair in Dhaka, which was subsequently organised by BFEA in 2012. Its success has resulted in launching and implementation of the next fair, held jointly by BFEA and EPB in June 2013, without Katalyst's support. Furthermore, planning for the next fair has already been initiated. Figure 8 shows furniture exports between 2006–2012 periods.

Since the project started its operation in 2006 the export of furniture and associated products has expanded by a factor of over 9. Katalyst was among the very first development projects to have started working in this sector and until quite recently was the only one. The following quotes from Selim H. Rahman, the owner of Hatil Complex, the leading manufacturer, and the chairman of BAFIOA clearly capture the transformation of the sector, from one being threatened by import to one that is promisingly poised to capture the export market (Ovi 2014, Rahman 2005, Shawki 2014, Tanim 2014):

> *"The abnormal increase in price of timber and import of foreign furniture. Especially the treated rubber furniture from abroad is destroying the local industry,"* (Tanim 2014) and *"local furniture industry is losing out in the local market as some importers are still importing furniture from China, Indonesia and Malaysia and selling them at lower prices"* (Rahman 2005). *"The present condition of the country's furniture industry is very promising as there is a huge potentiality of exporting the product"* (Shawki 2014) and *"It has transformed from a cottage to a technology-based industry"* (Ovi 2014).

In 2011, a favourable raw material import tariff aimed at improving the competitiveness of the industry was adopted by the government after successful lobbying by BFEA, which was supported by Katalyst. After a sustained period of project support, EPB and BFEA have now both initiated programs to explore the market and to promote furniture and home accessories. At the same time, large furniture retailers and intermediary suppliers have begun to introduce soft furnishings as a profitable product line and are promoting them alongside sales of furniture.

5.3 Stronger Associations

In 2012, BAFIOA independently organized a two-day workshop on productivity where representatives from 38 medium sized firms were present. During the same period the association also organized production and machine operation related training in 3 clusters and organized 10 exposure visits for small manufactures (numbering around 300) to large mechanized furniture factories and machine importers for demonstration and learning. The programs were repeated in 2013 but due to political turmoil it was reduced to 2 training sessions and 7 exposure visits. In 2014, BAFIOA officially approached the government of Bangladesh to reduce import tax on sand paper, screw bolt, lacquer and wood cuttings in the upcoming budget (The Financial Express 2014, Based on field interview with member of BAFIOA).

Akthar furniture, whose owner is the President of BAFIOA, opened up a vocational training academy specifically targeting workers in the furniture sector. Recently they have received support from Skillful Project of Swisscontact to develop Competency Based Training (CBT) curriculums, and improving quality of on-the-job training being conducted at the furniture sector (Katalyst 2012*b*). It is worth noting that the initial discussion of establishing a worker vocational training institute started when the representatives of BAFIOA visited Indonesia in 2009 and met with members of ASMINDO, the furniture association of Indonesia, who imparted the importance of such training institutes. Later, the Bangladeshi contingent visited PIKA, in Semarang Indonesia, which is a vocational institute providing education about carpentry and furniture making since the 70s. There is currently an ongoing discussion proceeding between members of BFEA and INSPIRED to help establish a larger furniture vocational training institute in Bangladesh.

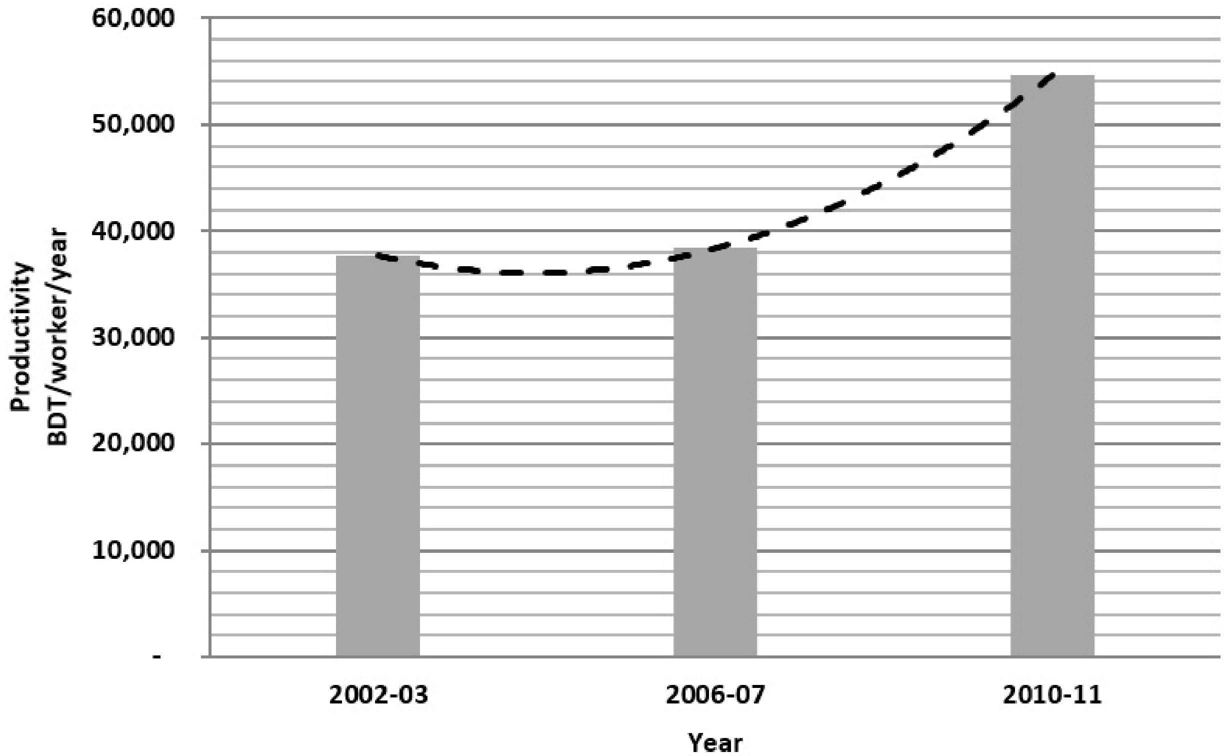

Figure 7: Average Labor Productivity (The estimates are based on national private-sector survey of enterprises in Bangladesh (Daniels 2003), industry relocation study (Moniruzzaman, M. and Sarwar, A. and Khan, M, J. 2007), and baseline survey of furniture industry in Bangladesh (Khan, N, A. 2011).)

6 Key Lessons and the Way Forward

Taking into account the extensive support provided by Katalyst to the furniture sector, early sign of systemic changes in the sector, new donor mandate to focus on income creation (the choice of furniture as a sector was mainly driven by a job creation focus), and the rural orientation of the rest of the Katalyst portfolio, further attention to the furniture sector was gradually brought to an end by 2012. The experience of Katalyst in the furniture sector has been a difficult but positive one that has essentially transformed the furniture sector of Bangladesh from a cottage-based carpentry driven sector to a modern, industrialized, productive sector poised to becoming a dominant export-oriented industry in the country. Over the eight-year period between 2004 and 2012, Katalyst has aimed to bring about systemic change. Their approach has been characterised by engagement with different players in public and private sectors, understanding of the political economy around the association, flexible and tactical interventions based on opportunity and recognition of the importance of ownership in the process of change.

6.1 Caveats and Further Research

The generally positive conclusions regarding the scale and transformational nature of change brought about in the furniture sector through the facilitative effort of the Katalyst project are based on good evidence. However, given the complexity of the furniture market system and the fact that the changes are just showing tentative signs, inevitably there is scope for improving the evidence base. Further research in these areas is necessary to provide better information in the following inspiring areas:

- *Impact on labor:* Expanding the furniture industry is likely to provide productive employment and greater opportunities for low skilled workers to enter the sector. Export orientation has already resulted in large firms investing in workers' training, both on the job and formal. It is important to see the interplay between increased emphasis on labor productivity growth and the sector offering opportunity for absorbing low skilled workers. It might happen that the sector may get separated into two groups: one using high-skilled labor targeting premium local or export markets while others remain trapped in low-level productivity, targeting the low profit margin market. If this were to happen it is

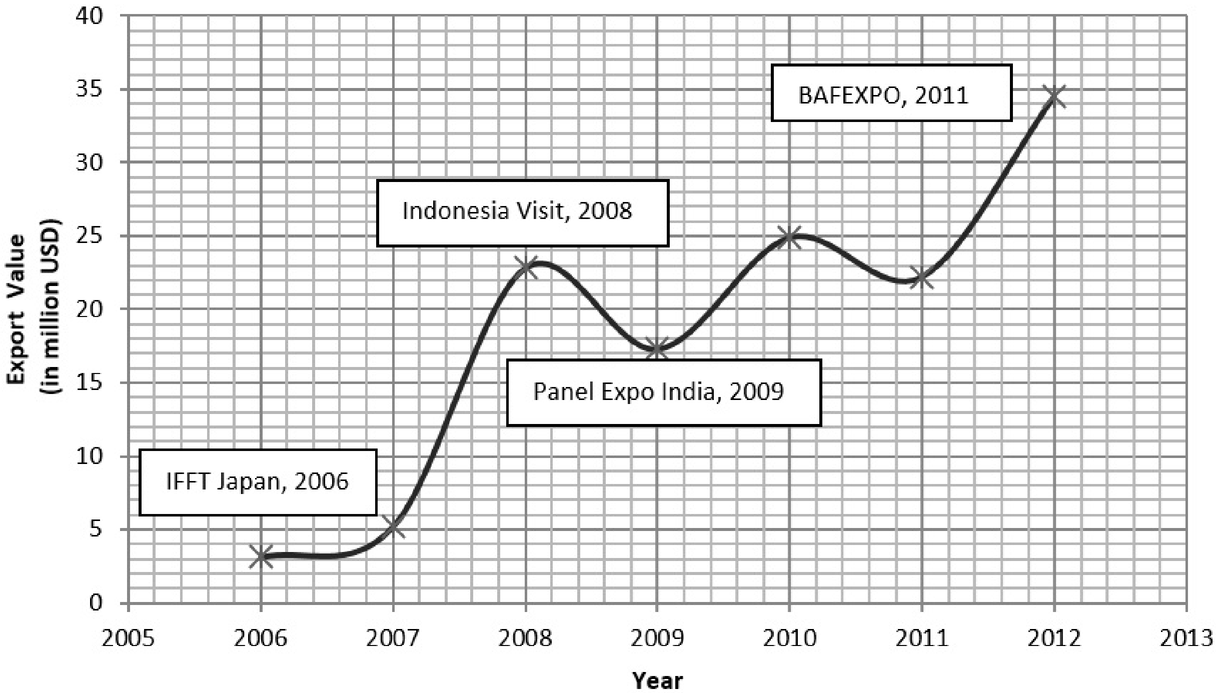

Figure 8: Annual Furniture export from Bangladesh (Export data are taken from ITC website)

likely to significantly affect the pro-poorness of the sector.

- *The sustainability of government change:* Interventions were designed to create linkages between furniture manufactures and government stake-holders so that a conducive environment can be built. While there seems to be greater recognition of furniture as an important sector and even as a major exported-oriented sector, there still remains concerns regarding the durability of such a mind-set. As per EPB strategy, in the first phase it plans to continue and promote the furniture export fair in Bangladesh till 2015. The plan was initially crafted with BAFIOA but facilitated by Katalyst. It will be interesting to see how EPB and BAFIOA respond after 2015, without Katalyst's support.
- *Association continuing to deliver:* Since Katalyst support ended in 2012, the national and exporters associations have both remained very active. They have launched new programs and engaged different stake-holders; furthermore they were able to roll out activities even during 2013 when there was serious political turmoil in the country. While there is little chance of these associations returning to their pre 2005 inactive stage, the road ahead clearly depends on how the key players in the association play their role and continue to share the common vision of collectively taking the furniture industry forward.
- *Contributable change:* Since Katalyst was the only project working in the furniture sector, much of the initial positive changes in productivity, introduction of new materials techniques, services and export promotion can be traced and attributed to its project activities. But what needs to be explored is how this is contributing to wider systemic changes by transforming, for instance, the training market system of the furniture sector, greater investment by input providers to target the industry, etc.

6.2 Challenges Ahead

Katalyst has primarily facilitated the building of bridge-heads and establishing linkages. What we see is an industry in its early stages of transformation. Katalyst primarily targeted the creation of networks among manufacturers to strengthen the social capital, but many challenges still remain: For instance, capacity building of staff in training institutes, facilitating other players to enter the training market, and improving backward linkages particularly focusing on timber and saw mills. However, with active and committed associations, large enterprises with a foothold in the export market and the government eager to diversify its export base and promote the furniture sector, the future of the industry does seem to look very positive. This sector holds much promise and prospect for the future of Bangladesh and can one day be another RMG sector in

Bangladesh. Katalyst has played a pivotal role in jump-starting this process and the industry is now ready to take-off.

7 Acknowledgement

The author wishes to acknowledge Ms. Afrin Islam, Senior Business Consultant, Katalyst for assisting in gathering, processing and analysis of data used in this paper.

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