

<b>Project Title:</b>	Increasing Access to Finance for Farmers' Organizations in Bangladesh
Project symbol:	GCP/BGD/064/GAF
Recipient Country:	Bangladesh
Government(s)/other counterpart(s):	Ministry of Agriculture
Expected EOD:	1 February 2018
Expected NTE:	31 December 2020
Contribution to FAO's Strategic Framework:	<ul style="list-style-type: none"> <li>• Strategic Objective/Organizational Outcome: SO3 and SO4</li> <li>• Country Outcome: Improve market linkages, value addition, and quality and safety of the food system</li> <li>• Country Programming Framework Output: Farmers' Organizations strengthened for transfer of knowledge and improved access to markets and input delivery</li> <li>• Priority Area: Reduce poverty and enhance food security and nutrition</li> </ul>
Environmental and Social Risk Classification	low risk <input checked="" type="checkbox"/> moderate risk <input type="checkbox"/> high risk <input type="checkbox"/>
Gender Marker	G0 <input type="checkbox"/> G1 <input type="checkbox"/> G2a <input checked="" type="checkbox"/> G2b <input type="checkbox"/>
Total Budget:	USD 2 480 000

## EXECUTIVE SUMMARY

The project will be implemented over a three year period for an amount of USD 2.48 million grant from the GAFSP-MMI towards a goal of reducing poverty. Stakeholders at the heart of this initiative are Farmer Organizations (FOs) mainly in Rangpur and Barisal Divisions which have recently begun to develop into local institutions that assist members to increase incomes. The project scales up successful initiatives promoting FOs that have emerged from results of the GAFSP-financed Integrated Agricultural Productivity Project (IAPP). The project will initially work with about 6 000 farmer members of some 45 FO supported by the IAPP, which have a minimum level of organizational cohesion and competence achieved to date. The project will gradually include additional 4 000 non-IAPP farmers or 10 FOs over the three years.

The expected outcome of the project is that, 'Sustainable FOs are providing their members with access to value chains, markets, technical knowledge and financing'. Three key outputs that will lead to this outcome are: (i) FOs that have good governance; (ii) FOs that are able to assist members to access value chains, markets and technical knowledge; and (iii) FOs that are able to assist members access financing. These will be achieved by FOs supported from Business Facilitators (BF) who will be selected and trained by the projects. Each FO prepares activity plans, which will be translated into Letter of Agreements (LoAs) between the project and FOs and the project provide finances to FOs according to LoAs.

The first output will enable participating FOs to become well-managed groups, with skills and procedures to serve members. This will be accomplished by a core training programme for all FOs in governance, financial management, negotiations, communications and leadership. The project will develop FO, FO leaders and FO members' as well as the BF's capacity through training and TA.

The second output will link FOs to the market through pilot activities that take them through a process of identifying profitable opportunities and an enterprise for engagement in selected value chains, preparing business plans to capitalize on those opportunities, and accessing the technical advisory services they need to implement their plans. FOs will select an initiative that can be implemented by their organization to generate a revenue stream and provide farm-related services to their members. These activities will be financed with the pilot grant with which FOs will prove their capacity to develop a sustainable business model with private sector companies. Advocacy, mobilization of private and public advisory services, trade fairs and buyer-seller meetings will be means of building strong functional ties to business partners.

The third output will analyse and brief farmers on financing options based on their size, assets, outputs and local economic conditions. The project will provide training on how to select and access financial services that fit their needs. The project will provide mentoring and hands on assistance to assist FOs to meet financial service providers and prepare materials needed for credit applications. The project will provide a matching grant for about USD 15 000 to 20 000 to FOs in developing a sustainable enterprise subject to meeting agreed standards of institutional maturity and the presentation of a viable proposal for the use of the resources.

The implementation arrangements provide for direct implementation of the project by FAO under the oversight of the FAO Representative in Bangladesh in collaboration with participating FOs and BFs. The FAO will establish an Implementation Support Unit (ISU). That unit will report to a Steering Committee comprised of representatives of FOs, FAO, private sector and government. FAO project staff and national technical advisers will directly develop and produce materials, conduct training of trainers, organize mentoring, exchange visits, trade fairs, and policy dialogue with banking sector. The delivery of core training to their members, will be implemented by the BFs whom FOs recruit with the funds from the projects. FOs will also engage directly with private sector, agri-business operators and commercial banks for local initiatives under value chain and financial services. Project M&E staff will verify FO reports and use these combined with data they track on other logframe indicators, using mobile phone-based applications to monitor the project overall.

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## ACRONYMS

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AFA	Asian Farmers Association
AOS	Administrative and Operational Support
BADC	Bangladesh Agricultural Development Corporation
BF	Business Facilitator
CPF	Country Programme Framework
DAE	Department of Agricultural Extension
DOF	Department of Fisheries
DLS	Department of Livestock Services
ERD	Economic Relations Division of the Ministry of Finance
FAO	Food and Agriculture Organization of the United Nations
FO	Farmers' Organization
FOLO	Farmer Organization Liaison Officer
FOMO	Farmer Organization Mentor Officer
FPIC	Free Prior Informed Consent
GAFSF	Global Agriculture and Food Security Program
IAPP	Integrated Agricultural Productivity Project
IFAD	International Fund for Agricultural Development
ISU	Implementation Support Unit
KKM	Kendrio Krishak Moitree
LoA	Letter of Agreement
LTO	Lead Technical Officer
M&E	Monitoring and Evaluation
MMI	Missing Middle Initiative
MOA	Ministry of Agriculture
MTCP2	Medium Term Cooperation Programme with Farmer Organizations
OED	FAO Office of Evaluation
OPC	FAO Office of Partnerships, Gender and Capacity Development
PKSF	Palli Karma Sahayak Foundation
SBKS	Sara Bangla Kishok Society
SDF	Social Development Foundation
SDG	Sustainable Development Goal
SMS	Subject Matter Specialist
TA	Technical Assistance
TCI	FAO Investment Centre Division
UN	United Nations
UNDAF	United Nations Development Assistance Framework

## **SECTION 1 - RELEVANCE**

### **1.1 GENERAL CONTEXT**

#### **1.1.1 Rationale**

During the period 2011-2016 the Government of Bangladesh implemented the Integrated Agricultural Productivity Project (IAPP), financed by the Global Agriculture and Food Security Program (GAFSP). The IAPP included several activities with Farmer Organizations (FOs) in the Rangpur and Barisal Divisions. The project used FOs as a vehicle to introduce innovative technology and provide training, inputs, infrastructure, and other forms of assistance. In some cases, these were organizations formed newly for the IAPP and, in other cases, they had been previously formed for other reasons. Under the technical assistance component of the IAPP, FOs were strengthened to optimize the benefits of working together and many have since registered as cooperatives. In addition, thanks to the activities linking farmers to technical staff of the Ministry of Agriculture (MOA) and to market actors, these FOs have begun working with one another to share technical information and skills and have formed a network in order to share knowledge and experiences in the future.

The Government of Bangladesh often works, as in the example above, with development projects to form FOs of beneficiaries in order to facilitate project implementation. These FOs effectively extend the outreach capabilities of government in supporting farmers, as the MOA may not have enough number of staff and other resources required to reach all farmers individually. Despite this, work with FOs has generally not included specific activities to sustain FOs as village-level organizations with their own activities and functions. The MOA and FAO have been observing that when projects or other government initiatives come to an end, these FOs tend to disband or become inactive. As a result, much of the social capital, skills and, sometimes, even the physical capital created fall into disuse and the returns on the investments made to develop these skills and capacities have been lost. This project has been formulated to help avoid losing the valuable, social and physical capital that has been created by government in rural areas.

The rationale for this project is that there is both a critical need to develop FOs and, at the same time, an opportunity to do so thanks to the results of the IAPP by building on the FOs with which the MOA and FAO have been working. This project will render the FOs into sustainable partners to work with private sector companies for the benefit of their smallholder farmer members. In so doing, the project will provide the Government of Bangladesh with a model for sustainable outreach to farmers and village-level organizational development that it may scale up.

This project will carry out the abovementioned activities with a specific focus on strengthening capacities related to responsible investment in agriculture and food systems, which encompasses enhancing the access of farmers' organizations to value chains and finance. Strengthening the capacities of farmers to invest and to benefit from investments is recognized as a priority in the Committee on World Food Security Principles for Responsible Investment in Agriculture and Food Systems. There is evidence that FOs can assist their members in different ways to enhance responsible investment in agriculture and food systems in Bangladesh. In particular, FAO found that FOs are key actors to overcome limited access to

savings and credit services for farmers in Bangladesh, i.e. by acting as guarantors of credit for their members.<sup>1</sup>

### 1.1.2 Alignment and Strategic Fit

One of the specific outcomes that was agreed upon for FAO with the Bangladesh Ministry of Finance, Economic Relations Division, in the [Country Programming Framework 2014-2018](#), (CPF), was identified as: **Farmers organizations strengthened for transfer of knowledge and improved access to markets and input delivery**.<sup>2</sup> This project translates FAO's commitment to an agreed outcome into concrete actions that will lead to its realization. This agreed outcome falls under the Priority Area agreed with the Government of Bangladesh for FAO in the CPF, which is to **improve market linkages, value addition, and quality and safety of the food system**.

Increasing responsible investments in agriculture and food systems is a precondition to the eradication of poverty and hunger<sup>3</sup>. Therefore, the project contributes to the realization of several related national and global goals. Firstly, there is a strategic fit with the CPF Priority Area, **Reduce poverty and enhance food security**.<sup>4</sup> The CPF and its agreed upon outcomes were, in turn, developed with the Government of Bangladesh to directly align with the country's 7<sup>th</sup> Five Year Plan FY2016-FY2020. In particular, they contribute to the Plan's goal of **reduction in poverty and inequality and development of rural agribusiness**. In a parallel fashion, these align with the corporate FAO Strategic Objective (SO) 3, **Reduce Poverty and SO4, Enable inclusive and efficient agricultural and food systems**; the United Nations Development Assistance Framework (UNDAF) Prosperity Objective; and the **UN Sustainable Development Goal 1 (SDG1), No Poverty**, to which the Government of Bangladesh has actively committed with respect to using its own resources and using the development assistance provided by the UN. Finally, the project will reinforce GAFSP's three outcome pillars: improved farmers-market linkages, improved rural livelihoods and improved institutions.

### 1.1.3 FAO's comparative advantage

FAO has a comparative advantage in the implementation of this project in several respects. Firstly, it has the comparative advantage of having worked in rural Bangladesh with FOs and organizations in various forms since Bangladesh joined FAO in 1973. Most recently, under the GAFSP-financed IAPP, FAO has been collaborating with the MOA and the World Bank toward agreed objectives that included Enhanced Capacity of key stakeholders including farmer organizations to participate in investment project design and implementation processes. The emergence of FOs and the development of a network amongst FOs was an outcome of the FAO-supported activities originally designed by FAO under IAPP's technical assistance component.

Thanks to FAO's global presence and longstanding relationships with FOs in other countries, it has been able to put FOs, and the MOA officials working to support them, directly in touch for face-to-face meetings with their counterparts in Africa and Southeast Asia. This has been both inspiring and useful for key Bangladesh stakeholders. FAO has a comparative advantage in drawing on its specialized staff in producer organizations, cooperatives, and rural

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<sup>1</sup>FAO. 2014. Farmers' Organizations in Bangladesh: A Mapping and Capacity Assessment. Rome, FAO, p. 42.

<sup>2</sup> Country Programme Framework, 2014-2018, p. 49. <http://www.fao.org/3/a-i4236e.pdf>.

<sup>3</sup> FAO, IFAD and WFP. 2015. Achieving Zero Hunger: the critical role of investments in social protection and agriculture. Rome, FAO.

<sup>4</sup> Country Programme Framework, 2014-2018, p. 49. <http://www.fao.org/3/a-i4236e.pdf> ).

institutions, and its materials and methods for supporting FOs in other countries. As a result, FAO is in a position to combine its wide-ranging global knowledge on the subject with its in-depth knowledge of the country to adapt those materials to the conditions of farmers in rural Bangladesh today. FAO's Office for Partnerships, Advocacy and Capacity Development, (OPC) is home to the required expertise and tools to strengthen capacities of FOs, including its small unit dealing with civil society organizations.

Furthermore, FAO has a strong experience and internationally recognized technical expertise in responsible investment in agriculture and food systems, including value chains and rural finance, and capacity development that is guided by the Corporate Strategy on Capacity Development.

FAO was closely involved in the Bangladesh Country Investment Plan for Agriculture Food Security and Nutrition. It is recognized by the GAFSP as one of a handful of international organizations qualified to function as a Supervision Entity for work undertaken with the use of its resources. FAO has the comparative advantage of having recently served as a Supervising Entity (SE) for other GAFSP-financed initiatives in several African and Asian countries including Mongolia, Laos, Nepal and Bangladesh. Finally, the GAFSP has awarded financing for this project on the strength of the proposal that was prepared by FAO and jointly submitted in partnership with the Sara Bangla Krishak Society.

#### **1.1.4 Stakeholder Consultation and Engagement**

##### **1.1.4.1 Stakeholders**

The intended beneficiaries of this project will be women and men members of registered farmers' organizations. They are mostly small, marginal and landless farmers located in communities with difficult access to markets, finance and technical services. The FOs to which they belong may have been formed with the support of government programs or formed autonomously.

The project will initially work with some 45 FOs which worked with IAPP. These organizations were selected from among 300 organizations according to scoring on registration, governance, records keeping, account keeping, membership and attendance in monthly meetings, savings, leadership role, etc. All these FOs are registered from Department of Cooperative (DoC) except a few from Department of Social Services (DSS). The total membership of these FOs is estimated about 6 000 farmers. Over the three-year project period, the project aims to increase up to a total of 10 000 farmers with some 55 FOs. However, not all FOs and farmers are expected to receive the full project activities as some of project activities are subject to the evaluation on FO's maturity and the performance. Nevertheless, it is expected that around 10 000 farmers (55 FOs) will be benefitted by capacity development and linkages with value-chains and micro-financing institutes identified and supported by the project. Based on a preliminary census of farmer organizations likely to participate, women farmers comprise 4 000 or at least 40 percent of the total number of farmers reached. Some members of FOs likely to participate in the project are from ethnic minorities and indigenous groups.

The other key stakeholders in the project will include: (i) entrepreneurs and businesses working with FOs along their respective value chains (e.g. input suppliers, food processing facilities, buyers and traders); (ii) financial service providers; and (iii) technical advisory service



providers such as agricultural extension officers from Department of Agricultural Extension (DAE), Department of Livestock (DLS), and Department of Fisheries (DOF). None of these stakeholders will be negatively impacted by the project.

The FOs that have already been identified for inclusion in the project are shown in Annex I and Annex V (map). The locations of these organizations are shown in the same table. Some FOs have been federated and thus have a larger membership. Subject to the availability of resources, the budget allocation for larger FOs will be adjusted based on the active memberships. In addition, the project will extend its outreach to additional FOs that meet basic requirements in terms of their membership and functions. For logistical reasons, the organizations that are located in areas contiguous to the initial organizations would be given preference.

#### **1.1.4.2. Stakeholder engagement**

Consultations with farmers and FOs identified as beneficiaries and stakeholders for this project initially began in 2012 under the IAPP Technical Assistance (TA) component and led to a mapping of FOs in Bangladesh. The results of those consultations are documented in [\*Farmers' Organizations in Bangladesh: A Mapping and Capacity Assessment\*](#).<sup>5</sup> Consultation work with partners carried on throughout the IAPP until its completion in September 2016. Starting in April 2016 with an aim to submit the proposal to the GAFSP, however, FAO entered into more detailed discussions with stakeholders in connection with the design of this project. Consultations took the form of: (i) two area-based workshops with farmer organization leaders and spokespersons; (ii) twelve focus group discussions with individual farmer organizations; and (iii) nine focus group discussions with government counterparts and development assistance providers. These were complemented by individual interviews with key resource persons and intended beneficiaries on-site in the proposed project area. Meetings with intended beneficiaries and farmer organization representatives were conducted in order to discriminate in favour of women farmers and women managers. A full list of people and institutions consulted, as well as a field report recording the findings from those consultations is found in Annex II and Annex III respectively.

#### **1.1.4.3 Grievance Mechanism**

A grievance mechanism has been included in the project design for the purpose of resolving the concerns of any intended beneficiaries or project stakeholders regarding alleged or potential violations of FAO's social and environmental commitments. As an inclusive mechanism, all FOs under the project will prepare a Governance, Accountability and Action Plan (GAAP) during inception phase. This GAAP is a participatory exercise where all FO members will participate to: (i) identify potential risks associated with project implementation; (ii) impact of identified risks that may turn into grievance among any members; (iii) intensity of risks; (iv) protective measures; and (v) responsible person(s)/committee for grievance management. This will be exercised quarterly at each FO, initially with the facilitation of the Business Facilitators (BFs).

A GAAP will reduce causes of grievance during implementation of the project. Furthermore, a Social Audit Committee (SAC) will be formed within each FO consisting of three members, those not associated with the Executive Committee or any financial dealing with FOs. Within FO this SAC will be the first grievance handler. If any grievance could not mitigate at SAC then

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<sup>5</sup><http://www.fao.org/docrep/019/i3593e/i3593e.pdf>

FO would seek guidance of the respective BF to resolve it. The BF him/herself will try to resolve or may raise any unresolved issue to the Implementation Support Unit (ISU). The Project Steering Committee will be the final authority to handle grievance if there are unresolved issues at the ISU. The working of this mechanism will be communicated verbally during the project launch and initial start-up activities at the FO level. It will also be posted in Bangla in the project offices in the project area for reference throughout the project implementation period. Procedures to register grievances with respect to fraud and corruption will be posted in English and Bangla on a project website and the FAO Bangladesh country website, <http://www.fao.org/bangladesh/en>, <http://www.fao.org/bangladesh/en>. ([Investigations-hotline@fao.org](mailto:Investigations-hotline@fao.org)).

#### **1.1.4.4. Disclosure**

Information on the project Concept Note and the Project Proposal has been disclosed to the intended beneficiaries and key stakeholders verbally in Bangla and in writing in English, in the form of the Concept Note and the Project Proposal during the process of stakeholder consultations, in April 2016 and January 2017. Disclosure of the Project Proposal to government units such as the Economic Relations Division (ERD) of the Ministry of Finance, DAE, DLS, DOF, and Bangladesh Agricultural Development Corporation (BADC)– who are in touch with rural communities and with development assistance partners – has been one way to ensure widespread access to project information for potentially interested parties. Documentation has also been disclosed directly to partners from civil society and the development assistance community that are working in the same field, for example, the Kendrio Krishok Moitree (KKM), the Social Development Fund, Action Aid, International Fund for Agricultural Development (IFAD), the IFAD-financed Medium Term Cooperation Programme with Farmer Organizations in Asia and the Pacific (MTCP2), the Asian Farmers Association (AFA), and the Social Development Fund (SDF). The list of stakeholders consulted in Annex II shows those to whom the proposal was disclosed during the design process throughout January 2017.

#### **1.1.5 Knowledge Sharing and Lessons Learned**

The design of this project draws on a growing body of knowledge acquired and documented by FAO and fellow stakeholders in development assistance in working with producer organizations in the region and in Bangladesh, such as AFA, IFAD and Action Aid.

One important lesson learned in Bangladesh from the IAPP work, also highlighted in similar work within other countries, is how much individual farmers value the function that FOs can play with respect to access to information. Without this information, individual farmers have been losing out on programmes designed to help them, like access to *khas* land, water bodies, diesel subsidies or ‘farmers’ cards.<sup>6</sup> Study Circles used in the IAPP, where facilitators provided reference material to help farmers understand policy, were frequently cited by IAPP farmers as quite useful and, therefore, have been included in this project.

Another important lesson is based on the evidence that conflict is generally lower in FOs when governance is fully transparent and record-keeping is precise. It has been found that this requires both ‘hard’ skills like book-keeping and writing minutes that record decisions, as well

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<sup>6</sup> Jahan, Farhat, *Farmers Brief for Public Resources*, ActionAid, October 2015.

as ‘soft’ skills in leadership, developing consensus, building trust.<sup>7</sup> Both types of training will be included in the core curriculum for organizations participating in the project.

With respect to sustainability, experience working with FOs has repeatedly shown that organizations that depend on financing from external sources often stop functioning when that funding comes to an end. Having links with the private sectors and, most importantly, an income of its own is essential to the survival of a farmers’ organization and its capacity to continue to deliver benefits to its members. Member contributions can provide a base for organizations to work with; however, where FOs are made up of few members or very low income households, the level of contributions may not be sufficient to cover minimal costs. Having a revenue stream for the organization that is tied to a viable business is recommended, but has not often been realized and requires explicit assistance to secure.<sup>8</sup>

FAO has also learned from projects with producer organizations and cooperatives that organizations do well when they have close collaborative ties to government and to financial institutions, as opposed to adversarial ones.<sup>9</sup> In Bangladesh, a key lesson under the IAPP was that joint activities, such as exposure visits, provided an excellent opportunity to build understanding and partnerships with government. Another lesson learned in Bangladesh has been that inviting key government officials to serve as members of the design of efforts to work with FOs often helps to build relationships for future work. Dialogue with decision makers in financial institutions, fostered in the context of a development project, has also been useful in overcoming initial barriers of communication and mistrust that small farmers are unable to address as individuals.

## 1.2 EXPECTED RESULTS

### 1.2.1 Impact

The project’s long-term development goal at the impact level will be:

**Poverty is reduced amongst members of farmer organizations.**

### 1.2.2 Outcome

The proposed project aims to deliver the following project outcome:

**Sustainable farmer organizations are providing their smallholder farmer members with access to value chains, markets, technical knowledge, information and financing.**

The project aims to develop each FO’s capacity to access to value chains, markets, technical knowledge, information and financing through training and collective pilot activities. The development of farmers’ capacity to access to these are the key agenda of the Missing Middle Initiative (MMI) under the proposed Bangladesh GAFSP project. The project will mainly work directly with each FO, rather than working through an apex farmer organization. However, the project will promote exchange of good practices among the participating FOs and provide the

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<sup>7</sup> 2014 Annual Report of FAO’s Projects and in Support of Producer Organizations and Cooperatives, p. 25; [www.fao.org/3/a-i5055e.pdf](http://www.fao.org/3/a-i5055e.pdf)

<sup>8</sup> Asian Farmers Association; Small-scale farmers engagement with private enterprises: Towards farmer-owned or farmer-led sustainable inclusive arrangements; 2013.

<sup>9</sup>FAO, *op. cit.*, p.26.

same services to them. The project will produce three key outputs that will lead to the outcome.

**Output 1. Farmer organizations with good governance (USD 527 500):** The IAPP developed the capacity of Farmer Organization Mentor Officers (FOMOs) to provide mentoring services to FOs. They were paid for their specific services they provided, but not acted as project's extension workers. A recent evaluation on FOMOs shows that they are still playing a key role in networking among different FOs and providing advice to them after the closure of the IAPP. On the other hand the majority of Community Facilitators who were employed by the IAPP have found other jobs to maintain their livelihoods. This contrast shows the importance of having people who could guide FOs from FOs who would remain in their communities as they have established their livelihoods in the communities.

Replicating the approach of the IAPP and developing farmers' capacities to work as group, the activities to achieve this output will develop the organizational and managerial capacities of a group of FO leaders and the sense of coherence among FO members.

**Activity 1.1 Development of sustainable mechanism for Missing Middle Initiatives:**

This activity aims to develop a group of people (10 to 15 people) who will work as trainers as well as facilitators to FOs, and keep using their social capital and skills gained during the project. Under this project, they will be called the Business Facilitators (BFs), and half of these will be women to ensure a gender-balanced team. The training schedule will be scheduled at times and in places that will enable women's participation, taking into consideration their other commitments and obligations.

Using the lessons of IAPP on FOMOs, BFs will not be recruited as project's extension workers, nor on project's payroll. They will work as independent service providers. The project provide learning grants to the FOs, from which they will be paid. The aim of this arrangement is that they will carry on the key MMI's agenda among FOs and their members, even after the project closure.

The project will initially provide each FO with a Technical Assistance (TA) Grant (around USD 500) per group. The TA grant will be deposited to each FO's bank account. This grant will be used for the payments for the training and services that FOs receive from the BFs. The project will not hire the BFs as the project staff members. Instead, the FOs will hire them as the service providers. This arrangement will develop FO's financial management capacity and the sense of ownership for the service that FOs will receive from the BFs.

Over the three years of the project period, the project will gradually develop a fee collection system for the BFs to continue developing further FO activities. The fees to sustain the BF arrangement could be potentially collected from: (i) FO members; (ii) private sector companies involved in the development of value chains with FOs; and (iii) financing institutions.

The BFs will be provided with a series of training –Training of Trainers (ToT). They will then be tasked to deliver basic training to FO leaders and/or members with the assistance from the ISU and subject matter specialists. The project will also develop a FO feedback system to monitor the performance of the BFs, which will enable FOs to

report their activities. Based on the reports, the project will replace poor performing BF's if necessary.

**Activity 1.2 Development of FO capacity:** With the TA grant, the core-training programme will be provided to FO leaders/members. It will include: negotiation, group management, leadership, accounting and management of FO account and moneys accumulated in the account. Additional special topics related to organizational development, such as presentation and advocacy skills, as well as an introduction to the principles and practice of responsible investments in agriculture and food systems, and creation of a revolving fund, will be offered by the project, through the BF's with support from ISU and subject matter specialists, for FO's leaders and to FO's members.

As part of this activity, the project will revise the training materials produced under the IAPP and prepare gender sensitive and user-friendly simple manuals to be used for the ToT and FO training. The ToT will be conducted at the regional/national level, while training to FO leaders and members will be conducted at the union and/or community levels.

**Activity 1.3 Assessment of organizational capacity and performance:** FO's which receive project support will be monitored on FO members' baseline and performance. That is, achievements will be judged by the respective maturity level reached. Indicators of maturity are likely to include frequency of meetings, availability of minutes and participants list from meetings, election and problem-free handover of duties from one FO official to another when leadership changes, separation of responsibilities between treasurer and book-keepers, evidence of equal opportunity for women and presence of women in leadership positions, etc.

For the collection, aggregation, display and feedback of FO M&E data, the project will introduce the use of a mobile-phone/tablet based application. It will be customised for the Bangladesh and FO context, while translating application into Bangla. All BF's will be equipped with a smartphone or tablet to gather the baseline and FO's performance during implementation of small grants and large grants. The BF's will also be trained in the use of the application. They will be paid as the service provider to the project under an output-based contract.

**Output 2. FOs that are able to assist members' access value chains, information, markets and technical knowledge (USD 394 000):** The principal objective of this output is to create the base of a collective/individual enterprise owned and operated by the FO and FO members; it may take the form of a partnership or contracting relationship with proximate value chain actors. Activities financed by the project will include training for FO's and their members in the identification of value chain opportunities, and development of pilot activities with the Pilot Grant scheme of this output. The preparation of plans would draw on the FAO's proven approach and materials for the identification of business opportunities.

**Activity 2.1 Development of collective FO activity with Pilot Grant:** The project will provide FO's with a small pilot grant of around USD 1 500. It will be a matching grant and FO's need to demonstrate their contributions including in-kind. The pilot grant will be given to FO's following: (i) the successful submission of a feasible plan to develop pilot activities using FAO's proven tool; (ii) maturity of FO's under Output 1; and

(iii) recommendation from relevant government extension agencies (i.e. DAE, DLS and DoF).

The principal purpose of the pilot grant is to develop FO members' farm and production management capacity through learning-by-doing by developing pilot activities in the form of a demonstration plot or a small scale production facility. It also aims to improve farmers' productivity and post-harvest care as well as any other collective activities that will provide services to their members and generate income for the FO and members. As a part of the pilot activities, the project will encourage FOs to start collective bulk purchase of inputs (though the project will not finance the procurement of inputs for each individual). This pilot grant will be used to evaluate FO's and BF's capacity in managing the grant, participation of FO members, and production/service quality, all of which will be linked to the qualification of the preparation and submission of the MMI grant under Output 3.

All BFs will be trained to facilitate FOs' preparation of a participatory business plan for the Pilot Grant. The proposals need to take into account differences in members' priorities by gender and should be as business oriented as possible. The project will organize the buyer-seller meetings prior to the proposal preparation, and assist FOs to identify potential private sector companies. It is expected that the identified companies will provide ideas for potential FO enterprises/activities/ products so that FOs will be able to incorporate private sectors' views into the proposals. The eligible items of the grant will be materials to develop a demonstration site, technical assistance and training to FOs, inputs to be used for the pilot sites. In addition, each FO will develop and manage a FO fund with the profits made by the pilot activities. The FO fund established at each FO will be expanded under Output 3.

To facilitate the acquisition of technical knowledge and skills, FOs will be introduced to local resource persons from government, the private sector and researchers on topics of interest identified by the organizations during training. The BFs with support from the ISU will play the key role in identifying subject matter specialists of technical inputs to the demonstration site and training to FO members as well as liaising and procuring the services from resource persons. The project will provide additional finance if necessary when technical assistance and training, as well as training materials, need to be customised.

In order to enhance farmers' capacity on climate change and nutrition, the project will finance additional training to FOs during the implementation of pilot activities.

**Activity 2.2 Inclusive value-chain development:** In parallel to the preparation of the pilot grant proposals, the project will support each FO to identify a value chain initiative of its own to undertake as an organization, using FAO's inclusive value-chain development approach. Inclusive value chains refer to equitable access to resources and markets, having a voice in decision-making and equitable distribution of the value added relative to the investments made and risk taken. It is not just the number of beneficiaries that matters but also their distribution in terms of gender, income, age, location and educational level.

Inclusive value-chain development training will target the BF's and FO leaders. FAO's training materials will be adopted in the Bangladesh context. This training may also take place during business planning meetings of the FOs facilitated by the BF's.

The project will organize buyer-seller meetings and mentoring for implementation support for enterprise development or private sector partnership.

The initiative may either take the form of creating a collective enterprise owned and operated by the FO or a partnership or contracting relationship with proximate value chain actors. It will include buyers who source products in a responsible manner. This will also include how to understand and comply with relevant certification or regulatory schemes, as well as Good Agriculture Practice (GAP) and Good Manufacturing Practice (GMP) in order to enhance access to responsible value chains. Collective enterprises may also include certified seed production of varieties in demand by buyers or providing mechanization services, which have already been identified as priority areas by the organizations included.

Under the pilot activities, support to start an enterprise or enter into a partnership with a selected value chain actor will be provided for three purposes to: (i) evaluate the buyer-seller relationships and norms applied in the partnerships; (ii) apply the knowledge conveyed in training; and (iii) evaluate the feasibility of a revenue generating activity and the level of incomes to cover the costs of the organization and activities or services.

**Activity 2.3 Innovation in developing value-chains and farmers' capacity:** The project will finance innovations for providing FOs and their members with access to existing mobile phone-based information services for agricultural production and for marketing in partnership with providers, such as [eKrishok](#) or Banglalink Jigyasa 7676. Specialized training will be provided in marketing options and innovative arrangements, including contract farming for business partnerships to mobilise or 'crowd in' additional investments or sources of operating capital from private sector agri-business partners. Activities to build the relationships needed to do business and develop partnerships with technical advisory service providers, input suppliers, processors, and buyers will include exchange visits in the project area, other parts of the country and abroad, briefings and trade fairs along the lines of those that were tested under the IAPP project.

With the introduction of Information and Communication Technologies (ICT) including internet streaming of training,<sup>10</sup> preparation of demonstration sites as well as key technical inputs by resource persons will be recorded by video. The videos will be edited and posted on the project homepage for agents' and FO members' access as a part of continuous learning processes.

In order to support further value-chain development among the project FOs and beyond, the project will carry out technical knowledge exchange visits among FOs and neighbouring non project FOs. It will also finance trade fairs at district level with an aim to promote FO's value-chains as well as the project.

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<sup>10</sup><https://www.digitalgreen.org/>

**Output 3. FOs that are able to assist members to access financing (USD954500):** This output will address the access to finance among FO members and assist them in moving from informal to formal sector operations. All of the FO members will be trained in financial literacy and encouraged to open a bank account. The project will provide a medium-size MMI grant (up to USD 20 000) as matching grant to potential FOs which have demonstrated capacities under Output 2 in managing the pilot grant, as well as developing feasible value-chains.

**Activity 3.1 Access to finance:** One of the project activities will include undertaking an analysis of mapping of financial institutions and the financing options that are available to farmers in their respective locations. The analysis will be done by a subject matter specialist. Activities of the subject matter specialist will also include: (i) technical assistance for the development of resource materials for FOs on financial services; (ii) training workshops for FO leaders in financial management meeting commercial bank requirements and the management of borrowed resources; and (iii) open house advocacy events and follow-up dialogue with commercial banks and agricultural credit policy-makers.

The project will arrange meetings between FOs and financial service providers, including commercial banks and microfinance institutions to better understand the special needs and potential of the FOs, and gender-specific needs of their members.

From the analysis, the project will develop and provide resource materials for finance literacy training to FOs members and for basic financial management training to FO leaders. These training sessions will be conducted by the BFs with assistance from the subject matter specialist.

The BFs and FO leaders trained by the project will follow up with mentoring to individuals to help them to open a bank account, analyse the options likely to fit their needs, and to know where and how to get financing, including from the most proximate businesses like input suppliers and output processors. While encouraging all project beneficiaries who have a bank account to save, they will also provide assistance in preparing documentation required to apply for credit, as well as information and coaching in how to take initiatives to 'crowd-in' additional financing for their investments.

In order to ensure that participating FOs will be able to access finance after the end of the project, FAO will strengthen advocacy capacities of FO leaders and the BFs to enhance access to responsible investment from private and public sources.

**Activity 3.2 Investment to develop missing middle services to FO members:** Under this output, FOs will be given an opportunity to prepare a proposal to apply ranging from USD 15 000 to 20 000. The aim will be to develop further on the pilot activity under Output 2. This will be linked to achievements of the participating FOs in Output 1 with respect to good governance, and to the successful implementation of the pilot grant in developing a feasible value chain under Output 2.

In the area of good governance, in addition, the participating FOs will be evaluated for the eligibility of the BFs as they progress through project-offered training and activities



to determine their institutional maturity according to criteria developed in collaboration with the SBKS network.

In their application for the grants, FOs will be required to present a detailed business plan for the use of the funds and to explain how the planned use complies with responsible investment principles.

The planning process will be assisted with a business planning tool developed by FAO. Organizations may use the matching grant according to their own organizational development plans. Purposes might include using the funds to undertake investments in equipment or productive infrastructure in connection with the organizations' value chain project. Funds could also be used as collateral for borrowing funds for their projects or their members' projects, or for lending to their own members.

With the tool, each FO will identify the maintenance and replacement costs of the investment items and set aside the costs as a part of the FO fund. In order to sustain FO enterprises, in addition, profits made will also be saved in the FO fund for the future operation and investments. The development of a revolving fund by each FO will be discussed as an option for the use the FO fund.

The performance of implementing FO activities with the MMI grant will be monitored through the FAO developed: (i) Enterprise Development Score Cards; and (ii) Partnership Development Score Cards.

### **1.2.3 Assumptions**

The assumptions identified at the outcome and output level relate to the policy environment, socio-political context at local levels, and natural environment. The expected project performance assumes that there is no major damage to farmers in participating organizations from weather events such as drought or flooding during the life of the project. If there were to be damage due to weather, it would be unlikely that it would affect all participating organizations. Most results would still be achievable, but overall the level of expectation in terms of project performance would need to be lowered.

It is assumed that there will be no major change in banking regulations or policies that would tighten credit markets or make financial institutions less likely to respond to project initiatives for new business opportunities with farmers and the FOs. Dialogue with the Bank of Bangladesh during project design confirmed that this assumption is likely to hold.

The assumption made with respect to the local-level socio-political context - that FOs would not be affected by corrupt leadership, and that the FOs will not be politically motivated - is more tenuous. Both would likely have a substantial negative impact on project outputs and thus the overall project outcome. For this reason, these issues have been identified as risks and are covered below under the section on risk management.

## **SECTION 2 – FEASIBILITY**

### **2.1 RISK MANAGEMENT**

#### **2.1.1 Significant risks facing the project**

The main risks associated with this project are: (i) stakeholder; (ii) commercial risks linked to value chain development; (iii) financial risks in promoting credits from financing institutes to participating farmers; and (iv) political risks. In terms of stakeholders, there is a risk of malfeasance, misconduct or simple mismanagement without malicious intent on the part of the officers of the FOs that may be responsible for accounting and management of the financial resources of the organization. The project will promote private sector companies' engagement in developing value-chains with FOs. Strong commitments from companies are critical. Their disengagement with FOs would cause negative consequences among FOs. Risks associated with credits are traditional issues in any projects that work on this subject. From a political standpoint, there is a risk that the political parties seek to exploit or manipulate farmer organizations for their own political agenda or purposes.

#### **2.1.2 Environmental and social risks**

Using the FAO Environmental and Social Screening Checklist<sup>11</sup>, the FAO Lead Technical Officer has categorized the environmental and social risks that could be incurred as a result of project activities as 'Low' and therefore none of the special measures associated with such risks are triggered. However, farmer organizations and other stakeholders will be briefed on FAO's nine environmental and social standards as described in the FAO Environmental and Social Guidelines<sup>12</sup>, and any development activities that may lead to changes of land use will be examined according to the guidelines. With the use of Rural Invest approach, investment activities will be examined during the planning stage.

#### **2.1.3 Risk management strategy**

The strategy of the project to manage the stakeholder risk that there is mismanagement of funds by members of FOs, in particular by someone serving as the treasurer or other office-holder, will be comprised of several parts. Firstly, The project will train at least 2-3 persons from each FO in financial management skills and practices required to correctly manage and account for the use of funds so that more than one person can read and understand all accounting documents. Secondly, the general trainings for FOs staff and members the project will introduce management procedures whereby there are checks and balances and the separation of responsibilities for management and accounting of resources. Thirdly, in the assessment process whereby the maturity of FOs are rated, organizations will be required to demonstrate that they have adopted the recommended checks and balances in order to qualify for receipt of grant funds for seed capital. Lastly, part of the periodic project monitoring and evaluation activities of the M&E officers will include review of the organizations' financial records.

Mitigation measures for the value-chain development will include an extensive screening of potential companies which show their interests to work with FOs. The criteria will include their reputation among farmers who have supplied their products to the companies, their financial and administrative capacities including payment procedures and development of

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<sup>11</sup> See Guidelines, p. 59 <http://www.fao.org/3/a-i4413e.pdf>.

<sup>12</sup> <http://www.fao.org/3/a-i4413e.pdf>

collection points. In addition, the project will evaluate their technical capacities and market share. The project will use a simple score card to evaluate these elements of each companies before organizing the buyer-seller meetings.

Risks associated with credits will be handled together with the partner financing institutions. They have a long history of providing credits to farmers and well equipped to handle such risks. The project preparation team conducted a review, “Current Situation with respect to Farmers’ Organizations and Access to Financial Services” included in Annex IV. The project will recruit a rural finance consultant to task the consultant to develop an appropriate and sustainable financial package to be provided to participating farmers.

The strategy of the project to manage the political risk that FOs are manipulated by political parties for political purposes will have three dimensions. Firstly, FOs will be carefully screened by the Implementation Support Unit prior to inclusion in project activities to ascertain the history of the organization and its functions to ensure its compatibility with the planned project activities. Secondly, the project will refrain from using as service providers those FOs in receipt of funds from any political party. Thirdly, the project will exclude any explicit representation of political organizations at any event implemented using project resources.

The proposed risk log is shown in Appendix IV. It will be a standing agenda item used in regular project team meetings to update the risk log and monitor progress of mitigations on key risks.

## **2.2 IMPLEMENTATION AND MANAGEMENT ARRANGEMENTS**

### **2.2.1 Institutional Framework and Coordination**

Although FOs constitute a ‘missing middle’ between the public sector and the private sector in the context of this GAFSP-financed initiative, they operate within an overall institutional framework in rural areas that includes both public and private sector stakeholders. In this light, the project institutional framework will include a **Project Steering Committee** with representatives from government, from the private sector and from FOs. The Steering Committee will serve to provide general oversight of the work of the project, including the review of project progress work plans and project progress reports. The Steering Committee will also help build relationships and trust between the parties while serving as a means to favour coordination of the project with ongoing government and private sector initiatives.

**The Steering Committee** will be chaired by the Secretary of the Ministry of Agriculture. It will include the Director General of Department of Agricultural Extension (DAE), Department of Fisheries (DoF) and Department of Livestock Services (DLS), Chairman of Bangladesh Agricultural Development Corporation (BADC), General Manager of the Agricultural Credit Department of the Bangladesh Bank, the FAO Representative in Bangladesh, and representatives from amongst the elected officials of four of the participating FOs, of which at least two shall be women. Focal Point from Bangladesh Agricultural Development Corporation (BADC) will act as a member secretary to the PSC.

**An Advisory Committee** will also be formed, comprised of one focal point from Department of Agricultural Extension (DAE), Bangladesh Agricultural Development Corporation (BADC), Department of Fisheries (DoF) and Department of Livestock Services (DLS), representative from farmers organizations and other representatives from the management of the major government programmes working with small, marginal and landless farmers in some of the districts where the project will be working. The Advisory Committee will meet twice yearly to

provide advice on the proposed annual work plan of the project and to agree on arrangements for complementary activities or collaboration in locations or topics of common interest. Focal Point from DAE will chair this Project Advisory Committee (PAC) and ISU Coordinator will be the member secretary.

The day-to-day coordination of the project will be the responsibility of a project **Implementation Support Unit (ISU)**, as described below in Part 2.2.6 Management and Operational Support Arrangements. The Unit will be staffed by a Project Coordinator together with a dedicated Finance and Administration Officer responsible for the financial management and accounting of project resources. The ISU will also include staff responsible for Monitoring and Evaluation, Knowledge Management, and Communications.

### 2.2.2 Strategy

The **theory of change** underlying the project has been formulated based on lessons learned from the FAO and MOA collaboration in the IAPP project. It is one that FAO has also found to hold true in other countries. The theory is that if small, marginal and landless farmers are members of well-functioning farmer organizations, then they are more likely to have higher incomes than those farmers not working with such organizations. This is because they benefit from economies of scale in sourcing information, input supply and marketing. Also, when government institutions work with farmers that are part of such organizations, the government tends to reduce costs and increase efficiency.

In order to function well, a farmer organization needs to: (i) have clear and responsible governance; (ii) provide services that its members need; and (iii) have an income and enough working capital to cover the costs of its activities. As such, this project is designed to develop the capacity of FOs to have good governance, provide services that members need, and generate revenues needed to cover their operating costs.

The **strategy** for the capacity development of the farmer organizations rests on three basic concepts. The first is to foster development through **learning by doing** so that individuals and organizations fully internalise the knowledge and skills that they are acquiring. The second is to promote **farmer-to-farmer** learning as a means of making sure that what is being taught is fully understandable to the learners and adapted to their own conditions. The third is to facilitate **tapping in to existing local resources** with respect to technical services, financial services, and market opportunities.

**Learning-by-doing** will be particularly the case for the set of activities to be implemented under the Output 2 where the FOs will be given a pilot grant to exercise access to value chains, markets and technology where FOs will identify an opportunity, prepare a business plan and implement a joint activity to serve their members and generate income for their organization. Prior to actually undertaking their value chain initiatives with the pilot grant, they will participate in short classroom-style training for the initial presentation of concepts, skills and knowledge required to undertake the joint activities. Afterwards, they will benefit from mentoring, provided under the project, for follow-up to reinforce learning at the demonstration site developed with the grant. Women mentors will be used to mentor women farmers.

For both the training and mentoring, the project will prioritise the **farmer-to-farmer** transfer of practical skills and knowledge, on-site, where farmers live and work. Training activities will

begin with a ‘training of trainers’ for the selected BFs. The instructors for the ‘training of trainers’ activities will be comprised of both training specialists and subject matter specialists. The trainees – who themselves will then become trainers (BFs) and deliver training to FOs and fellow farmers – will be nominated or appointed by the organizations that they will serve. To ensure a gender-balanced team of business facilitators, at least half of these will be women. In order to sustain the BFs beyond the project period, the project will develop a fee collection system.

Training materials will draw heavily on **existing resources**, some already developed and tested under IAPP- including joint ILO/FAO training materials for agricultural cooperatives - and others developed elsewhere in country by institutions such as the Social Development Foundation (SDF), Palli Karma-Sahayak Foundation (PKSF), Action Aid, and Kendrio Krishok Moitree (KKM). These will be adapted to this project, with special attention to make the materials gender sensitive and to deliver the materials in a women-friendly way (time, location, etc.) to facilitate women’s participation.

To facilitate farmers tapping into existing resources, the project will include activities to expand the knowledge and understanding of FOs and their members with respect to policies, programmes and resources available. It will also include activities to develop their capacity and equip them with the skills they might need to access information and services upon their own initiative without facilitation from a project or other provider of assistance.

### **2.2.3 Technical Support**

Technical support in the substantive areas of project implementation for the project will be provided by the FAO Regional Office for Asia and the Pacific (RAP) and Headquarters, from the technical services responsible for capacity development, producer organizations and cooperatives and for rural institutions. This support will include reviewing the annual work plan and budget of the project, all project monitoring materials, and reports. The Lead Technical Officer (LTO) for the project will review the core course materials and training plans of the project and support the finalization of materials to be delivered. Technical support from FAO will also include assisting the project in connecting with: (i) ongoing FAO projects working with farmer organizations; and (ii) partners supporting them in the region, such as the Asian Farmers Association in the Philippines and partners in India and Nepal who have already established links with counterparts in Bangladesh in the context of the recent IAPP support to FOs.

Technical support will also be provided from FAO on topics specific to responsible investment in agriculture and food systems, the value chains work in business planning and in production-related matters, for example, in certified seed production or small-scale mechanization which have already been identified as priority areas by the organizations included. The planning and implementation of subject matter support along these lines will be done based upon requests from the FOs.

The LTO will support and monitor implementation on a routine basis, twice per year. One such visit will be timed to take place when the annual supervision is being undertaken by the FAO Investment Centre Division (TCI) to perform the oversight functions for which the FAO is responsible as the Supervising Entity for the GAFSP funds being used to finance the project.

#### **2.2.4 Government Inputs**

No direct government inputs to the project are required. However, the project will serve to help build good working relationships between FOs and government institutions so that member farmers benefit from ongoing government programmes and services in their areas.

As with all FAO-implemented projects, the Government will apply to FAO and its property, funds, assets, officials and persons performing services on its behalf, in connection with the project, the provisions of the Convention on Privileges and Immunities of the UN Specialized Agencies. In this context, the Government will also take all necessary measures to facilitate the implementation of the project and to assist FAO staff in obtaining the services and facilities that they require in the implementation of their duties.

#### **2.2.5 Resource Partner Inputs**

The project will be financed by the GAFSP, with a total of USD 2 480 000, which will include inputs of subject matter specialists in the areas of training/adult education, farmer organizations, farm management and business planning, and rural finance. These specialists will provide inputs to the preparation of training and reference materials, as well as assist in the delivery of training to trainers and mentors. Most of these individuals will be recruited as consultants by FOs with the grants provided to FOs.

Given the well-qualified pool of specialists in Bangladesh, the project will mainly work with national consultants. Resource Partner inputs will cover the costs of the individuals appointed by the FOs to undertake liaison and mentoring functions. The terms of reference for the key figures, including subject matter specialists, farmer liaisons, and mentors are shown in Annex VI.

Equipment and supplies to be provided are limited to those required for basic office and local transport, and security services.

Letters of Agreement (LoA) will be used to contract FOs to organize and conduct training and pilot activities for their own members. Detailed activities for the LoA will be listed in the proposal prepared with the aid of business plans.

LoAs will also be used for the seed capital that will be made to qualifying FOs and used according to the agreed organizational development plans that are submitted in order to qualify for the funds.

#### **2.2.6 Management and Operational Support Arrangements**

##### **Budget Holder**

The FAO Representative will be the FAO Budget Holder and the FAO Representation will provide administrative and operational support (AOS) to the project.

##### **Implementation Support Unit**

An ISU will be set up to manage the day-to-day planning and implementation of project-financed activities. The ISU will be comprised of an ISU Coordinator, based in Dhaka, and two Field Coordinators who will serve as Monitoring and Evaluation (M&E) Officers, one based in Rangpur and the other based in Barisal. The ISU in Dhaka will also include an M&E Officer, and a Communications and Knowledge Management Officer.

Due to the numerous small transactions that will be required to procure goods and services to undertake activities with more than 40 FOs, there will also be a dedicated Finance and Administrative Officer and an Administrative Assistant responsible for financial planning and accounting in the ISU. Support staff will include one office assistant, one driver, and one office assistant in the ISU and each of the two field offices. The ISU in Dhaka and the field offices shall be equipped with one vehicle, computers, and other equipment necessary for their operation.

The ISU Coordinator will report to the FAO Representative and will serve as the Secretary of the Project Advisory Committee (PAC). The ISU staff will report directly to the ISU Coordinator.

### **Business Facilitators**

The field implementation to link the ISU and FOs will be carried out by the BFs. They will be hired and paid by the FOs. The project will deposit grants into FO account under a LoA: (i) Technical Assistance Grant; (ii) Pilot Grant; and (iii) Missing Middle Initiative Grant. FOs will plan carefully the use of BFs and pay the services and training that they receive from the agents. They will also collect field data required for the project M&E. For this purpose, the project will also hire BFs under an output-based contract for them to collect data at each FO, and monitor the performance of FOs.

## **2.3 MONITORING, PERFORMANCE ASSESSMENT AND REPORTING**

### **2.3.1 Scope and Purpose**

The project's monitoring and evaluation activities will have a dual purpose: (i) learning; and (ii) accountability. As part of the accountability to the GAFSP, to FAO and to the Government of Bangladesh the scope of the projects M&E activities will extend to cover monitoring, performance assessment, and reporting on project implementation using the project annual work plan and budget and the logical framework.

The project will track physical and financial progress against the annual work plan and budget. It will monitor its results by tracking the indicators identified in the logical framework shown in Appendix 1. The logical framework indicators have been selected specifically to monitor the Success Factors of the GAFSP MMI Guidelines and to reflect the features of this particular project. The project will also use the Risk Log to monitor and respond to risks that may be affecting project implementation.

### **2.3.2 Measuring core and additional MMI success factors**

Since the project will adopt a graduation approach in achieving core and additional MMI success factors considered, measuring indicators needs a robust M&E system. The core indicators are associated with FO's governance, transparency and accountability to provide services to the smallholders member farmers on access to finance while additional indicators belong to ensure access to value chains, technology, extension services and information. A set of tools including scorecards of institutional and entrepreneurial maturity to receive pilot grants and additional fund crowding from financial institutions will be developed jointly with the FOs at the onset of this pilot project.

The core of results monitoring will be the FO stakeholders own monitoring of their organizations' progress with respect to the achievement of the project development objective, or outcome, that is: *Sustainable farmer organizations are providing their*

*smallholder farmer members with access to value chains, markets, technical knowledge, information and financing.* In their capacity as M&E Officers, the Field coordinators, will assist the BFs and FOs to reporting on selected indicators. Data gathering and analysis will be carried out with the mobile phone based application. Once data are processed, the results will be displayed in the project web-site.

In connection with the activities to be implemented under Output 1, 'FOs with Good Governance', the organizations themselves will be develop the capacity to manage and to monitor their own activities and finances through record keeping and collective planning and decision making activities. With support from the BFs, they will undertake an assessment of the institutional maturity of their organization at the time of project start-up and will be assessing their own performance against the institutional maturity criteria. This will be crucial, as some project benefits will depend on attaining and demonstrating attainment of milestones. That is, achievements will be judged by the respective maturity level reached. Indicators of maturity are likely to include frequency of meetings, availability of minutes and participants list from meetings, election and problem-free handover of duties from one FO official to another when leadership changes, separation of responsibilities between treasurer and book-keepers, etc. Evidence of equal opportunity for women and due attention to differences in members' priorities by gender and presence of women in leadership positions will be part of the maturity indicators.

Project progress report formats will be prepared by the ISU M&E Officer in collaboration with the ISU Coordinator and will be updated for learning and internal use by the ISU throughout project implementation. To be able to track whether the successful FOs as per the indicators in the logframe have the same percentage of women-only FOs and the same overall male and female membership levels, gender disaggregated data on FO membership as in Annex 1 will also be updated regularly.

The ISU will hold management meetings for staff once per month to review and discuss management and performance issues. Monthly meetings will be especially important for determining needs for technical support from FAO and the technical assistance that needs to be programmed. They will also be used to cancel or add activities to the work plan in response to what staff and FOs are learning as implementation unfolds.

Progress report formats will be compiled and submitted to the FAO Representative, to the Steering Committee and the GAFSP every six months. The Steering Committee will meet once just prior to the project start-up event, and will then meet once per year in order to review progress and the proposed work plan for the subsequent year.

The third Progress Report, to be prepared after approximately 18 months of project implementation, will serve to inform a joint supervision exercise to be carried out by the FAO Investment Centre Division and the RAP Lead Technical Officer.

At the end of the project, the project team will conduct an internal evaluation, based on the data collected throughout the project life as part of the monitoring system. This will include an analytical reflection to draw lessons on factors contributing to achievements or lack thereof, with a focus on outcome indicators. The results of this internal evaluation will be presented in a lesson-learning workshop.



The project will produce a Terminal Report for FAO, and FAO TCI will produce a GAFSP Project Completion Report no more than 6 months after project closure.

As FAO is the GAFSP supervising entity of this project, in addition to being the direct implementing agency, it will itself monitor the project. This will include the monitoring of the M&E outputs. A summary of the project status with respect to the Success Factors identified in the MMI Guidelines will be prepared by FAO to accompany the project-issued six-monthly progress reports that it will transmit from the project to the GAFSP.

## **2.4 COMMUNICATION**

The project strategy for information-management and knowledge-sharing will have several dimensions. The project will support good information management and knowledge sharing at the level of farmer organizations by assisting organizations to access the information and knowledge that they need, and to share the information and knowledge that they have.

Amongst the activities for farmers to access knowledge and information that they need, the following will be included:

- 1) Introductory briefings by the ISU and partners at the time of project start-up. This will include information on planned project activities, intended outcomes, and roles and responsibilities.
- 2) An overview of FAO's Environmental and Social Standards therein related to Disclosure and Free, Prior and Informed Consent.

Given that the project is aimed at developing capacity, many of the activities are training activities designed to communicate knowledge and information to FOs. For example, under output 1 on good FO governance the project will transmit knowledge needed to be able to correctly undertake financial management of the organizations. Under the output related to value chains, the project will communicate the knowledge needed to formulate a business plan, etc. FOs will also be assisted by the project in accessing required knowledge and information through activities that: (i) connect the FOs to the BF, resource persons and MOA technical officers; and (ii) introduce bank officials who can provide information on bank requirements, etc.

A Communications Specialist assigned to the ISU will provide assistance to project staff and subject matter specialists who will be delivering training to produce materials and deliver information in formats that farmers can readily assimilate.

To promote FOs in sharing the knowledge that they have, the project will train FO leaders to serve as trainers (monitors) for their members. The project will encourage the more experienced and talented members of participating FOs to fulfil the role of FO leaders in guiding organizations taking on new tasks or technologies as resource persons. The project will use exchange visits between organizations to promote knowledge sharing between groups and individuals. Lastly, the project will assist farmers to create a simple, mobile-phone contact groups in order to readily communicate with one another during and after the project.

In addition to face-to-face communications for knowledge sharing, the project will support efforts to capture or document knowledge through training, mentoring, and exchanges. To contribute further to learning on the GAFSP MMI and its Success Factors the project will

finance one in-depth study in the second and third project years on topics to be identified by the ISU and agreed upon by the Steering Committee.

A very simple website will be created to provide basic information in Bangla and English on the project's background, design, stakeholders and activities. It will contain all written materials and videos produced by the project, including learning/training materials, basic data of the project and FOs, project governance-related documents, such as Steering Committee minutes, annual work plans and budgets, and progress reports. It will also include contact information so that interested parties can contact the project team.

## **2.5 PROVISION FOR EVALUATION**

The project will be evaluated as part of the MMI-wide evaluation process at the end of the three year implementation period, as reflected in the GAFSP Missing Middle Initiative Guidelines.

In compliance with FAO's policy on evaluation, and in consideration of its budget size, the project will contribute to the FAO Office of Evaluation (OED) Evaluation Trust Fund and will potentially be evaluated through a cluster approach, along with other projects that share one or more of the following characteristics: theme and/or approach, geographical area of intervention, and/or resource partner.

If, during project implementation, the parties deem a separate FAO evaluation necessary, this will be organized under OED's responsibility and fully funded through the project supervision budget.

The project will also conduct an internal evaluation as part of its monitoring system, see section 2.3.

## **SECTION 3 - SUSTAINABILITY OF RESULTS**

### **3.1 ENVIRONMENTAL SUSTAINABILITY**

Although the project will focus on capacity development and rural institutions, it will express its support for the principles of environmental sustainability. The project will communicate to Government of Bangladesh and FOs the views of FAO with respect to the importance of maintaining factors and practices that contribute to the quality of environment on a long-term basis. The project will advocate for the improved efficiency in the use of resources as well as the conservation, protection, and enhancement of natural eco-systems. Environmental sustainability refers to a situation in which the demands placed on the environment can be met without reducing its capacity to allow all people to live well, now and in the future.

### **3.2 GENDER EQUALITY**

#### **Gender sensitive stakeholder analysis**

In the consultations of the project, women and men have been accorded equal rights in expressing their views and recommendations. The main part of the stakeholder analysis has been the analysis of Farmer organizations in Bangladesh, see Annex III and IV. This analysis has been gender sensitive, as it did look at the specific position of female and male members in these organizations. As explained in Paragraph 1.1.4.2 meetings with intended beneficiaries

and farmer organization representatives were conducted in order to discriminate in favour of women farmers and women managers.

The mission found that although there is no restriction of large farmers participating these cooperatives, mainly marginal and small farmers and poorer sections of the villagers joined them. Most of the FOs are of mixed memberships but a number of them are women-only reflecting the nature of the original informal groups. The main motivation was to develop the informal groups as local service recipients as well as an organized force to ensure rights of the farmers, especially 'fair price' for farm produces.

The mission also found that a very important transformation is quietly happening in rural Bangladesh where the word 'farmer' does not mean 'man' anymore rather increasingly women are very much involved in full chain of farming including: the decision to select crops and other agricultural activities; input buying; physical production-related activities; post-harvest activities; and more importantly, marketing. Many women in FOs are full-time farmers and provide extension services to their neighbours as well. They have participated in many agricultural and financial management training courses offered by government as well as non-governmental organizations.

### Gender analysis

As the FO analysis was conducted in a gender sensitive manner, and gender analysis has been conducted recently for other projects in Bangladesh (e.g. formulation of the Smallholder Agriculture Commercialization Project to be funded by IFAD), a separate gender analysis was not considered to add much value.

From these sources, the traditional gender roles in rural Bangladesh can be summarized as follow:

<b>Agricultural activities</b>	<ul style="list-style-type: none"> <li>• Women are economically involved in activities performed in and around the home. These include the pre-production and post-harvest stages of major field crops. They are also the major producers of small-scale, homegrown vegetables, poultry and livestock, directed towards home consumption. Women from the largest households are the least involved in agricultural activities.</li> <li>• Men produced field crops are destined for the market.</li> </ul>
<b>Marketing</b>	<ul style="list-style-type: none"> <li>• Women may sell goods they have produced themselves at the farm gate if the amount involved is tiny. However, men are involved if quantities are larger, and usually keep the proceeds.</li> <li>• Men are almost entirely responsible for marketing of the major field crops.</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Small holder and landless women have access to micro-credit whereas men have access to institutional sources of credit</li> </ul>
<b>Technology use</b>	<ul style="list-style-type: none"> <li>• Women tend to work on low-technology activities whereas men undertake high technology activities. These technologies are typically designed for use in the fields, where women are rarely active. Even if the technology is used in the household compound it is usually used by men, due to strongly held beliefs that women cannot operate machinery. This argument is prevalent even though female wage labourers frequently use such machines. Men tend to own all machinery.</li> </ul>
<b>Access to information</b>	<ul style="list-style-type: none"> <li>• Men have access to more sources of information, and they are better reached by the extension services.</li> </ul>
<b>Agricultural Decision</b>	<ul style="list-style-type: none"> <li>• Regardless of social status, men dominate all decisions about the use of land, and</li> </ul>

<b>making</b>	<p>crop selection. Even if women are consulted, men take the final decision. Men typically decide how to use micro-credit, even if procured by women.</p> <ul style="list-style-type: none"> <li>• Women may take decisions on small-scale poultry and livestock. In a few cases, women who own larger poultry units may be key decision-makers.</li> <li>• In small farms and landless households men tend to decide whether women can take up work as daily labourers, and define the terms of their engagement.</li> </ul>
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However, as noted by the design mission, the situation is changing. Gurung et al (2013)<sup>13</sup> explain that women's roles and responsibilities have started to increase largely due to male out-migration within Bangladesh, or abroad. Women are becoming involved in all aspects of production, because 1) they now manage and cultivate their own farmlands because their male counterparts migrated out; and 2) finding labourers is difficult during peak transplanting and harvesting seasons.

### **Gender equality in project design**

The project design has taken into consideration the needs priorities and constraints of both women and men, with attention to gender-based differences amongst stakeholders and intended beneficiaries. Although women are increasingly active in civil society and market-related agricultural production activities, measures for positive discrimination in favour of women's participation in farmer organizations are still desirable to achieve fully equal opportunity and access to benefits.

To effect this, the project's standard for participation in all meetings and trainings will be that women represent at least 40 percent. To facilitate this, project activities including training and meetings will be scheduled at times and in places that will enable women's participation, taking into consideration their other commitments and obligations. In the training-of-trainers sessions for business facilitators, the target will be to have at least 50 percent of the trainees being women, to ensure a gender-balanced team of facilitators for subsequent outreach to women in the onward training activities. Gender sensitive training materials will be developed. (see Paragraph 2.2.2 on strategy). In some cases separate training activities will be implemented where responsibilities and tasks related to the topic are clearly delineated by gender.

Evidence of equal opportunity for women and due attention to differences in members' priorities by gender will be indicators by which the organizational maturity of an organization is judged in the maturity assessments. Also, the project will advocate for the inclusion of women candidates in all positions in the elections of organization office holders. Presence of women in leadership positions will also be used as an indicator of maturity in organizational assessments.

With respect to monitoring and evaluation of progress, sex-disaggregated data will be collected. Starting with the sex-disaggregated data on the selected farmer organizations, for the membership base as well as for the composition of their executive committees (see Annex 1). It will also be ensured at least two members of the project Steering Committee will be women.

A full gender strategy will be developed at the start of the project.

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<sup>13</sup> Gurung K., H. Bhandari, T. Paris and S. Mohanty. 2013. Gender dynamics in Changing Rice-Based Agricultural Systems in Bangladesh.

### **3.3 INDIGENOUS PEOPLES**

The project will fully respect the right of any indigenous people in project areas or organizations participating in the project for Full Prior Informed Consent (FPIC). At the time of drafting of the project document, it is not foreseen that the project would work in areas where natural resources belonging to indigenous people would be affected. Nor will the project work with farmers from indigenous peoples' groups who have indicated that they would not be interested in joining the project.

### **3.4 HUMAN RIGHTS BASED APPROACHES, INCLUDING RIGHT TO FOOD, DECENT WORK, ACCOUNTABILITY TO AFFECTED POPULATIONS**

As a GAFSP-financed project, the ultimate impact of this project is food security. Implied in this is the principle, embraced by both GAFSP and FAO, that all people have the right to food. This project fully respects those principles and is explicitly designed to help the intended beneficiaries of the project to secure their rights. It will do this by targeting the small, marginal and landless farmers - the lowest income groups in the rural areas – and seeking to include them in member-based organizations that will serve as a vehicle to increase their incomes. Increased incomes will provide them with the means to exercise their right to food and food security. The contribution of the project to decent work will also be manifest in higher incomes amongst the self-employed, small, marginal and landless farmers that are the intended beneficiaries.

Project training materials and activities will promote good governance practices within the FOs to make the organizations fully accountable to their members. The project will model accountability during implementation by including M&E activities to solicit feedback from farmers to the ISU and the FAO. FAO will also be fully accountable to stakeholders including intended beneficiaries through full disclosure of all documentation related to Steering Committee proceedings as well as budgeting and expenditure.

### **3.5 CAPACITY DEVELOPMENT**

Sustainable farmer organizations are providing their smallholder farmers with access to value chains, markets, technical knowledge and financing

As reflected in the intended outcome of this project shown again here above, and as described in Section 2.2.2 Strategy, the project as a whole is intended to develop the capacity of FOs and their members, as well as the BFs who will continue providing support to FOs by developing a fee collection system. Specifically, it is designed to help existing groups develop into sustainable organizations that can serve their members on a continuing basis after the project closes. As a result of the project, the participating organizations will have undertaken a number of activities over a three-year period to acquire and internalise the skills necessary to manage their organizations and its resources, to identify business opportunities, to prepare business plans, to get technical advisory services from government, and to mobilise financial resources. In addition, they will have developed an economic activity that will generate a revenue stream intended to cover basic operating costs that the organization might have without external support.

## Appendix I. FAO Logical Framework Matrix

Results Chain	Indicators				Assumptions
	Indicators	Baseline	Target	Means of Verification (MOV)	
<b>Impact</b> Reduced poverty and enhanced food security and nutrition.	Change in monthly HH expenditure on non-food items.	0	20% increase	Profiling of FO and members at time of Start-up and projec completion.	Increases in income will result in increased non food expenditure.
<b>Outcome</b> Sustainable farmer organizations are providing smallholder farmers access to finance, information, markets and technical knowledge.	% FOs with Satisfactory Institutional Maturity Rating (incl. gender equality indicators).	tbd <sup>14</sup>	80%	Project participatory M&E system reports building on FO meeting records.	FOs not affected by corrupt leadership or political interference.
	No. of FO value chain projects/businesses generating revenues for FO.	0%	80%	FO participatory monitoring of project activities for ISU Project Progress Report and FO membership registers.	No damage from major weather events, drought or floods.
	Non project financing mobilized for new or expanding initiatives (leverage ration and amount).	0	Leverage ratio 1 : 0.1 (USD250 m)	Project M&E Reporting based on FO financial records. (USD 250 000 =50 X 5 000 People).	No major change in banking regulations or policies.

<sup>14</sup> As participating Farmers' Organizations will start the project at different levels of maturity, an initial activity of the ISU will be to undertake an institutional maturity assessment of each organization at the time of start-up, against which progress can be monitored during implementation and at project closure. Evidence of equal opportunity for women and due attention to differences in members' priorities by gender will be indicators by which the organizational maturity of an organization is judged in the maturity assessments.

Results Chain	Indicators	Baseline	Target	Means of Verification	Assumptions
<b>Outputs 1. Farmers organizations with good governance</b>	1.1 No. of FOs that created a service fee payment mechanism for the BF's after the closure of the project.	0	40, of which 5% female only, and with total 50% female members <sup>15</sup>	Project progress reports, FO Record inspection on site.	Capacity of the BF's will be developed to meet the needs of the FOs.
	1.2 No. of FOs with transparent decision making and book-keeping including FO account management.	0	40 of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site.	FO leaders do not have personal political and economical agenda for FOs.
	1.3 No of FO with an effective data collection system.	0	40 of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site.	The BF's are capable to use the mobile application.
<b>Outputs 2. FOs that are able to assist members' access value chains, markets and technical knowledge</b>	2.1 No of FOs eligible to apply the MMI grant under Output 3 as a result of the pilot grant.	0	40 of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site.	Feasible value-chain and enterprise models are developed at each FO.
	2.2 No of FOs with at least one new product, business or marketing arrangement.	0	40 of which 5% female only, and with total 50%	Project progress reports, FO Record inspection on site.	There are a number of robust and transparent private sector companies that

<sup>15</sup> Of the identified 46 FOs as project beneficiary FOs, 5% have an exclusive female membership and total membership of the FOs is 53% female. The target for the successful FOs on all indicators is to keep the same percentages.

			female members		are willing to work with FOs.
	2.3 Percentage of FO members adopting new production and/or value-chain modality developed through the training and pilot activities.	0	65% of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site.	Successful learning process under the pilot grant.
	2.4 Percentage of FO members adopting new technologies in their learning and developing their skills.	<u>0</u>	<u>75%</u> of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site.	
<b>Outputs 3. FOs that are able to assist members' access financing.</b>	3.1 No. of new financiers accept applications for financing FO investments.	<u>0</u>	<u>At least 1 at each region</u>	Project progress reports, ISU monitoring with participating financial institutions.	Financial institutions are willing to explore new business options.
	3.2 Percentage of FO and individual applications submitted that were approved by lender (M/F).	0	80% of which 5% female only, and with total 50% female members	Project progress reports, ISU monitoring with participating financial institutions.	Financial institutions find risk associated with new applicants acceptable, given project support.
	3.3 No of FOs that generate net plus incomes after the first cycle production with the MMI Grant.	0	30 of which 5% female only, and with total 50% female members	Project progress reports, FO Record inspection on site	FO proposals fit with interests of private sector investors and partners.



## Appendix II. Work plan

Activity	Responsible	Project Year 1				Project Year 2				Project Year 3			
		Q1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
<b>Output 1: Farmers Organizations with Good Governance</b>													
Activity 1.1 Development of sustainable mechanism for Missing Middle Initiatives	ISU												
Activity 1.2 Development of FO capacity	BFs/FOs/ISU												
Activity 1.3 Assessment of organizational capacity and performance	ISU												
<b>Output 2: Farmers Organizations that are able to assist members to access value chains, markets and technology</b>													
Activity 2.1 Development of collective FO activity with Pilot Grant	FO/BFs												
Activity 2.2 Inclusive value-chain development	FO/BFs												
Activity 2.3 Innovation in developing value-chains and Farmers' capacity	ISU/BFs												
<b>Output 3: Farmers organizations that are able to assist members to access financing</b>													
Activity 3.1 Access to finance	ISU/BFs												
Activity 3.2 Investment to develop missing middle services to FO members	ISU/BFs/FO												

ISU – Implementation Support Unit, FO – Farmer Organization, BFs – Business Facilitators.

## **Appendix III: Details of Project Activities**

At the start of the project a full gender strategy will be developed, in conjunction with a gender sensitive monitoring and evaluation framework that will also allow monitoring of the implementation of the gender strategy.

### **Output 1: Farmer organizations with good governance.**

In order to achieve this output, the project will have three main activities:

Activity 1.1 Development of sustainable mechanism for Missing Middle Initiatives

Activity 1.2 Development of FO capacity

Activity 1.3 Assessment of organizational capacity and performance

These three activities are carried out in parallel and comprised of a sequence of actions as described below:

#### **A. Selection and Training of BF's (under Activity 1.1)**

The project will begin with the identification of potential candidates for the BF's who will work with the FOs. These candidates will be identified using IAPP's network and should have previous experience as Community Facilitators (CFs) and FOMOs. Half of these will be women to ensure a gender-balanced team. Drawing upon the most experienced and competent people, 15 -20 BF's will be selected and the project will then begin providing ToT to all BF's.

In parallel to the identification and selection of BF's, the ISU will recruit subject matter specialists to prepare all training materials to be used for ToT and FO training. These subject matter specialists will become the trainers for the ToT.

#### **B. Launch of project with FOs (under Activity 1.1)**

A start-up workshop, organized by the ISU, will be held to launch the project, one at national level and one in each of the two regions. This will be a one-day event with the purpose of mobilizing all participating FOs to discuss the planned project outcome and outputs and agreed methods of collaboration over the coming three years. FO leaders will have the opportunity to present their own perspectives and expectations and will also be introduced to their respective BF's.

These large events will allow potential stakeholders to network and become acquainted with each other, through direct contact, by mobilizing as many of them as possible in an impartial environment.

#### **C. Organizational Training of FOs (under Activity 1.2)**

The project will take all participating FOs through a series of modules that will comprise a core curriculum on managing organizations. The core curriculum will have modules in leadership, governance, negotiations, financial management and accounting and communications. The training modules that make up the core curriculum will be delivered on-site in the village in training sessions of not more than one half day each. These will be scheduled over time, ideally over a 3-6 month period to take into consideration the needs and commitments of the participants, with a particular attention given to women's availability.

There will be two subject matter specialists contributing to this output, a specialist in organizational development and a specialist in training and adult education who will work as needed on all three outputs. Together these specialists will design the training programme for FOs. The materials used will be based on materials used by FAO for FOs under the IAPP project, and other available materials in similar programmes in Bangladesh and other countries. During the first quarter of the project, the subject matter specialists will review available materials, revise them for the purposes of this project, ensuring gender-sensitivity, and finalise the materials that will be used to deliver the training to the FOs. Once tested and revised, the project will reproduce the materials that will be used for the various training modules. These may include print, video or audio visual materials. The subject matter specialists will then train all of the BFs and FO Leaders in the training methods, content and materials.

The BFs and the respective FO Leaders will, in turn, train their members by going through the modules according to the needs and capacity of their organizations. Each BF will be responsible for two to three FOs. The BF will deliver some training modules, for example the training on financial management and accounting, to FO leaders and office holders, and other materials to the entire membership of the FO. Each FO will be provided with a TA fund by the project to remunerate the BFs, via contract, for the training work undertaken.

The BFs will follow up with FOs through visits and discussions on their experiences and provide guidance in applying the ideas and suggestions delivered in the core curriculum. The BFs will visit and stay with FOs for periods of 2-3 days at a time to work with them on specific subjects in accordance with the needs and desires of the FO. This support will be directly requested by the FO.

The subject matter specialists will also develop and deliver modules for refresher and advanced course modules on specific topics to be identified with the FOs. The project will also sponsor Study Circles, as tested under IAPP, to help farmers examine and understand government agricultural policies. Materials that explain the most important policies of concern to the project's small, marginal and landless men and women will be developed in simple user-friendly language for use at the Circles. Local government officials will be invited to join the activities as resource persons.

#### **D. Assessment of FO capacity (under Activity 1.3)**

During the first quarter, the ISU will use a mobile phone based application to undertake an assessment of institutional maturity as a baseline for each of the participating FOs. This would be implemented by the BFs who will visit each FO to collect baseline data while supervised by project M&E officer. The project will pay the fee for the BFs to collect the data with an output base contract.

The data collection will also include FO members' socio-economic profile, current agribusiness practices, production potentials and current markets, as well as interactions with rural finance institutions and practice on informal money borrowing. The qualitative assessment will be completed against a set of standards and ratings to be set by the ISU. To define the standards and rating system for institutional maturity the ISU will draw from other examples of such tools. Points on which the FO will be evaluated include: (i) Frequency of meetings; (ii) the availability of written records of meetings held; (iii) the percentage of all members who attended plenary meetings; (iv) evidence of equal opportunity for women to express themselves and have their priorities taken into account; (v) the percentage of FO office holder

positions held by women; (vi) election and problem-free handover of duties from one FO official to another when leadership changes; (vii) separation of responsibilities between treasurers and book-keepers; and (viii) the mobilization of financial or in-kind contributions from members to the FO.

In order to use a mobile phone-based application, the project will develop a set of questionnaires and prepare the system in Bangla, and provide training to the M&E officers and BF's.

During the baseline FO assessments, the teams will brief the FOs in detail about the roles and responsibilities of the FO Leaders.

## **Output 2: FOs that are able to assist members' access to value chains, information, markets and technical knowledge.**

In order to achieve the second output, the project will have three main activities:

Activity 2.1 Development of collective FO activity with Pilot Grant

Activity 2.2 Inclusive value-chain development

Activity 2.3 Innovation in developing value-chains and Farmers' capacity

These three activities are carried out in parallel and comprised of a sequence of actions as described below:

### **A. Business plan development for Pilot Grant (under Activity 2.1)**

The project will deliver a set of core courses, and provide direct assistance to FOs in formulating business plans for the Pilot Grant. The plan will be prepared using FAO's proven business planning tool and facilitated by the BF's.

The core course modules will cover: (i) identification of opportunities for FO value initiatives to engage with the private sector; and (ii) business planning with business planning tools. The courses will include content that introduces FOs to opportunities to improve the conditions of which they supply outputs into the value chain in terms of stability, predictability and quality standards. It will also cover the identification of opportunities to function as service providers to their members. Materials for the business planning training will draw heavily on arrangements that have proved effective in the project area or in similar rural areas.

FOs will be provided with a pilot grant to improve their hands-on knowledge and ability to produce and supply their partner companies with good quality materials that meet the standards and quality required. Thus potential private sector companies will be invited to provide FOs with advice for preparing the business plan to identify learning activities, materials to be purchased and training to be provided to the FOs.

Modules for enterprise management and management of borrowed capital resources will be part of the business planning core course material. Public sector institutions that procure food for health, education and other social services will be amongst the several value chain actors with whom the project will assist FOs to build partnerships with in connection to their enterprise activities.

Through training and technical assistance FOs will be enabled by the project to organize buyer-seller meetings, including field days inviting processors and traders to meet their members. They will cover the hospitality costs of such meetings while the project will assist with transport and eventual communications materials.

#### **B. Buyers and sellers meeting (under Activity 2.1)**

At the onset of the project, the ISU will carry out a private sector company mapping study to cover two regions. The mapping exercise will take into consideration the FO assessment including production potentials and organizational skills. This study will be conducted by hired consultants. This aims to identify potential companies that will work with the participating FOs. The mapping exercise will also include a simple evaluation of companies through a score card, which will be prepared based on the project's priority criteria.

Those companies that are pre-screened by the evaluation will be invited to a workshop where the project will explain and discuss the planned project outcome and outputs and its expectation for collaboration over the coming three years. The companies that agree to participate in the project and work with FOs will be invited to a "Buyer and Seller" meeting where they and the FO leaders will be provided with an opportunity to discuss potential business development partnerships. The expected outcome of the meeting would be to have an agreement between companies and FOs for potential companies to provide advice to FOs when preparing a joint Pilot Grant to identify items to be purchased and skills/knowledge to be developed for a collective activity to be financed by the grant. Such an agreement will act as a trigger for FOs to prepare a business plan for the Pilot Grant.

#### **C. Implementation of Pilot Grant (Under Activity 2.1)**

Having participated in the "Buyer and Seller Meeting" and the basic courses on identifying business opportunities and doing business planning, the FOs will then focus on undertaking one collective initiative with the pilot grant. Pilot grant activities – "learning by doing" and practical training to implement pilot grant activities – will help those that have already started activities to improve and expand what they are currently doing, and support others in beginning new activities.

Those FOs that have a basic agreement with a potential partner company will start preparing a proposal for the Pilot Grant with support from the BFs and the company. The BF will be trained to facilitate the process and to ensure that gender differences in members' priorities are taken into account. The prepared proposal will be sent to the ISU and appraised for the funding.

As most FOs are registered cooperatives they are oriented towards doing business together and many have already begun initiatives as organizations such as production of vermin-compost, production of medicinal plants, fruit orchards, rental of farming equipment to their members, collective marketing of seed, etc.

The project will provide FOs with a small pilot grant of around USD 1 500. The principal purpose of the pilot grant is to develop FO members' farm and production management capacity through learning-by-doing by developing pilot activities in the form of a demonstration plot or a small scale production facility, or collective bulk purchase of inputs – or any other collective activity that will provide services to their members and generate income for the FO.

The eligible items of the grant will be materials to develop a demonstration site, technical assistance and training to FOs, inputs.

As part of the pilot grant activities, participating farmers will be given business training, exposure to technical expertise, mentoring and exchanges with other farmers. These training subjects need to be identified during the pilot grant proposal made with the partner companies. However, the project will provide additional training funds to FOs, if identified during implementation and found necessary.

#### **D. Inclusive value chain development training (under Activity 2.2)**

As in Output 1, the training materials will be developed by a full-time subject matter specialist in business advisory services, who will support, advise and oversee the implementation of this output. The specialist will be assisted by the training and adult education subject matter specialist, who will be recruited under Output 1. The courses and materials developed by the subject matter specialists will be delivered by BFIs who will have been trained to do this by the subject matter specialists. The FOs may wish to select different BFIs for different outputs due to the different types of training activities they will support for their FOs.

Members of the FOs will also be guided in identifying opportunities and initiatives for themselves, as individuals, through their participation in the training.

Through their participation in the training for the identification, planning and implementation of the value chain business initiative of their organizations as a part of implementing the Pilot Grant, individual members of the FOs will also be guided in identifying opportunities and initiatives for themselves as individuals. Through their participation in farmer exchange meetings, trade fairs and buyer-seller meetings they will have access to knowledge and information they may use to undertake new initiatives for increasing their own household income directly, with the support of the BFIs and FO leaders who will be assisting their FO. Specialized training will be designed and provided by the subject matter specialist or other dedicated trainer in marketing options and innovative arrangements including contract farming for business partnerships to mobilise or 'crowd in' additional investments or sources of operating capital from private sector agri-business partners.

Activities to build the relationships needed to do business and develop partnerships with technical advisory service providers, input suppliers, processors, and buyers will include exchange visits, briefings and trade fairs along the lines of those that were tested under the IAPP project. They will also be exposed to Output 3 activities to assist them in accessing financial services that they may use for their individual initiatives.

Specialized training will be provided in marketing options and innovative arrangements including contract farming for business partnerships to mobilise or 'crowd in' additional investments or sources of operating capital from private sector agri-business partners.

#### **E. Innovation in developing value-chains and Farmers' capacity (under Activities 2.3)**

To facilitate the acquisition of technical knowledge and skills, the project will explore options for assisting FOs to access to existing mobile phone-based information services for agricultural production and for marketing in partnership with providers such as [eKrishok](#), or Banglalink Jigyasa 7676.

In addition, the project will use the Digital Green's methodology during preparation of demonstration sites as well as key technical inputs by resource persons.

The project will examine and introduce these innovative technologies from the project's onset.

#### **F. Trade fairs (under Activities 2.2)**

Based on the model successfully implemented under IAPP, there will be two trade fairs every year in each region to bring together producers, buyers, processors, inputs suppliers and technical service providers. These will be closely coordinated with MoA field staff and stakeholders from other development assistance projects in the area, so as to increase potential benefits for all. The organization of these fairs may be contracted to local service providers or societies working with farmers. The fairs will include booths for all participating stakeholders interested in showcasing their business activities. Other activities at the fairs will include displays of agricultural produce, panel discussions, demonstrations of technologies used and available, together with presentations of new initiatives and collaboration undertaken with the FOs.

#### **G. Exchange visits (under Activities 2.2)**

Exchange visits will also be financed by the project each year. Where possible the receiving FO will be contracted to organise the visit on the topic to be identified, by the FO that requests to make such a visit, in connection with the value chain initiative. At the beginning of the second year of project implementation, on the basis of the outcomes of the training implemented in Output 2, the ISU will organise an exchange visit to an FAO project and its private sector counterparts working on a common technology question in the region. This will include representatives of the FOs as well as government staff working on the subject. To ensure that benefits of visits accrue to members of organizations and institutions who do not undertake the visit, the project will draw on the '[Learning Route](#)' approach developed by Procasur Corporation and applied in Bangladesh in connection with development assistance projects such as Sunamganj and NATP.

### **Output 3: FOs that are able to assist members to access financing.**

In order to achieve the second output, the project will have three main activities:

Activity 3.1 Access to finance

Activity 3.2 Investment to develop missing middle services to FO members

The project will focus on advocacy, training and a transfer of capital to provide FOs with a small fund, which the project will produce in Output 3. There will be a subject matter specialist in rural finance who will support, advise and oversee the activities of the output.

#### **A. Advocacy with local commercial banks (under Activity 3.1)**

FOs will learn about a variety of approaches to increase their access to financial services that are already being used by FOs and others. These include: (i) commercial bank lending to FO for on-lending to members e.g. PangarBhanga Mahila Cooperative; (ii) non-bank financial institution lending to FO for on-lending to members, e.g. Adarsha cooperative in Bhola district; (iii) commercial bank lending to individual FO members with FO giving loan repayment guarantee, e.g. Rajshahi Krishi Unnayan Bank and Sonali Bank; (iv) Member Cooperatives using

their savings (capital) for investment in cooperative owned businesses; and (v) FOs using own member saving to lend to its members, effectively running microcredit within the FO by adopting management practices of local Microfinance Institutions (MFIs). These are some of the existing practices and knowledge base of some FOs that the project subject matter specialist in this area will draw upon and from which other FOs can access during training, mentoring and exchange visits.

The project will implement several initiatives for advocacy to increase the availability and forms of financial services available to small and marginal farmers and their organizations and that address gender-specific needs. These will include a dialogue with the Agricultural and Rural Credit Department of the Bank of Bangladesh on the norms, procedures and products available to small farmers. In this effort it will join hands with the Business Finance for the Poor in Bangladesh, (BFP-B) that will be working with the Bank of Bangladesh during the project implementation.

The subject matter specialist will work with fellow project staff and FO leaders in conducting advocacy activities with local commercial banks on behalf of the FOs and their members. At the same time the subject matter specialist will undertake a full review of what options FOs and their members have with respect to financial services to finance the investment and operating costs of their business activities. S/he will document exactly how and what farmers can do to access financing that meets their needs.

#### **B. Financial literacy training (under Activity 3.1)**

From the information gained through advocacy with local commercial banks, the subject matter specialist will develop materials and work with the BFs to train FO leaders, such as the President, Secretary, and Cashier of each participating FO, in three central areas: (i) policy and processes of commercial banks; (ii) preparation of bank proposals; and (iii) monitoring and repayment of bank loans on time.

In addition, the project will provide training in the management of FO funds for on-lending. It is foreseen that about 10-15 FO cooperatives will be interested in using the resources that they have accumulated, and possibly part of the seed capital that they receive from the project, to revolve to their members in microfinance-type operations. This training may be contracted to a specialized service provider.

Financial literacy training will result in the opening of a bank account, if possible with mobile banking, by each participating farmers. The project will encourage saving of money with the banking account, which will be used as either collateral for an access to the access, and/or the contribution to the matching grant (the medium size MMI Grant).

#### **C. Investment to develop missing middle services to FO members (under Activity 3.2)**

Lastly, the project will provide a capital grant of an amount ranging from BDT 1 200 000 to BDT 1 600 000 (or about USD 15 000 – 20 000) to each FO who are performing well in the pilot grant and developed a good collaborative activities with a private sector company. A seed capital fund, in the form of a grant from the project to each FO will be made with the intent to provide the FO with an asset, which may be invested or maintained as permanent capital of the FO, for the future sustainability. The fund will be used by the FO for common business purposes such as: (i) leveraging to borrow from commercial banks and non-bank financial institutions; (ii) revolving capital for offering small loans to individual farmers; and



(iii) profitable investments such as the purchase of agricultural machineries, or building common physical assets such as seed storage, seed and commodity drying yard, etc. Depending on the agreement between the FO and the private sector company that will be providing markets, value chains and services to the FO, up to 20 percent of the total budget can be used for the development of the private sector company in a form of long-term investment items.

Each FO will develop and submit a proposal with an aide of FAO's business planning tool to the project ISU stating the purpose and management system for the seed capital grant. The project will review the proposal using criteria that will include: (i) the institutional maturity rating of the FO; (ii) the viability of the proposed uses of the resources, and (iii) the proposed arrangements for the short and long term management of the funds. In order to develop a feasible business plan, the project will train ISU staff members with the business planning tool.

The project will develop a policy, an application form and assessment process for deciding disbursement of the grant funds to individual FOs. It is expected that an FO will be adequately prepared to receive the MMI grant funds only once it has successfully completed the implementation of the pilot grant offered by the project. In fact, it is intended that receipt of the grant would be a strong incentive for participating in the pilot grant, training and developing a given organization to meet the performance criteria implicit in the maturity assessment. It is estimated that some 40 FOs will be eligible for a grant, though the number could increase if additional FOs qualify.

With the business planning tool, the FOs will be able to identify the maintenance and replacement costs of the investments made through the MMI grant. A careful planning on how to save such costs for the sustainability of the enterprises will be carried out with support from the ISU. Some profits will also contribute to the increase of the FO funds that will be created by each FO. Depending on the decision of each FO, the fund can also be used in revolving fund.

At the end of the project, a final evaluation will be carried out and the impacts of these investments will be assessed. Thus, the disbursement of the MMI grant needs to be completed by the end of the second year.

#### Appendix IV. Budget by Outputs

<b>Outputs</b>	<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>Total (USD)</b>
1.Farmers Organizations with Good Governance	215 500	133 500	109 500	458 500
2. Farmers Organizations that are able to assist members to access value chains, markets and technology	243 100	102 000	45 000	390 100
3. Farmers organizations that are able to assist members to access financing	24 500	47 600	836 000	908 100
Project Management, Monitoring and Evaluation	251 400	151 554	158 104	561 057
<b>Subtotal</b>	<b>734 500</b>	<b>434 654</b>	<b>1 148 604</b>	<b>2 317 757</b>
Support Costs (7%)	51 415	30 426	80 402	162 243
<b>Total</b>	<b>785 914</b>	<b>465 079</b>	<b>1 229 006</b>	<b>2 480 000</b>

## Appendix V. Budget by Category

Budget Code	Budget line description	Base Costs (USD)			
		PY1	PY2	PY3	Total
5012	Personnel	214,900	194,200	192,200	601,300
5014	Contracts	189,000	55,600	813,000	1,057,600
5021	Travel	10,500	10,500	10,500	31,500
5023	Training	106,100	66,000	24,000	196,100
5024	Supplies and Consumables	10,000	7,000	1,000	18,000
5025	Equipment	90,600	-	-	90,600
5027	FAO Technical Support Services	48,000	30,000	36,550	114,550
5028	General Operating Expenses	65,400	71,354	71,354	208,107
5029	Project Support Cost (7% of sub-total)	51,415	30,426	80,402	162,243
	<b>Total</b>	<b>785,914</b>	<b>465,079</b>	<b>1,229,006</b>	<b>2,480,000</b>

## Appendix VI. Project Risk Log

### Section A: Risks

Risk No.	Risk statement	Impact [effect on project organization if risk were to occur: H,MH,ML or L]	Likelihood [estimate of likelihood: H,MH,ML or L]	Overall ranking (Red/Amber/Green)	Mitigating action	Action owner [person/ unit appointed to monitor this risk]	Target date
1	Stakeholder risk: Misconduct by officer-holders within farmer organizations	MH	ML	Amber	Training in Financial Management at farmer organization level to more than one person, support to adoption of internal control mechanisms by organizations	ISU Coordinator, M&E staff supported by Fin and Admin Officer	Continuous
2	Commercial risk: Linked to value chain development	H	MH	Amber	Extensive screening of potential companies which show their interests to work with FOs.	ISU Coordinator	From the second to third year.
3	Financial risks: In promoting credits from financing institutes to participating farmers	ML	ML	Amber	Application of mitigation measures with the financing entities who have a long history of lending credits to farmers.	ISU Coordinator	From the second to third year.
4	Political risk: Manipulation of FOs by political parties	MH	ML	Amber	Screening of FOs eligible for inclusion in project benefits and service agreements	ISU Coordinator	Continuous

### Section B: Environmental and Social Risks

N/A.

## Annex I. Identified and Proposed Participating Farmers Organizations

No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
No 1 Mentor: Md Obydul Haque, President, Bodorganj Upazila Krishi Sebadankari Samobay Samity Ltd., Bodorganj, Rangpur											
1	Kashimpur Bagherbazar IAPP Krishak Samobay Samity Ltd.	Md. Mamun ,Vill-Kashimpur, Post-Panbazar, P.S.-Pirgang, Dist. Rangpur, 01725-671317	20	5	25	8	1	9	Yes from DoC	primary	Paddy, Medicinal Plants, Seed Production
2	Eso Gari Somaj Bahumukhi Samobay Samity	Mehedul Islam Midul, Vill-Jahangirabad, Post-Jahangirabad,P.S.-Pirganj,Dist. Rangpur, 01764-718754	40	160	200	12	13	25	Yes from DoC	primary	Paddy, Medicinal Plants, Poultry rearing, Dairy Cattle Rearing
3	Bijoypur Surjasena Bahumukhi Samobay Samity Ltd.	Bhogirath Chandra Tati, Vill-Bijoypur,Post- Proshadpur, P.S.-Manda, Dist. Nougao, 01748-161726	44	63	107	5	4	9	Yes from DoC	primary	Paddy, Vegetables, Cattle Fattening
4	Kushumba Krishi Samobay Samity Ltd.	Ms. Kamrunnahar, Vill-ChakKushumba, Post- Kushumba, P.S.- Manda, Dist. Nougao 01720534284	20	60	80	7	5	12	Yes from DoC	primary	Paddy, Vegetables, Dairy Cattle Rearing, Cattle Fattening
5	Samota Sarbik Gram Unnayan Samobay Samity Ltd.	Shahabuddin, Vill- Madhya Chak Kushumba, Post- Kushumba, P.S. Manda, Dist. Nougao, 01751-523866	12	72	84	2	7	9	Yes from DoC	primary	Paddy, Vegetables, Dairy Cattle Rearing, Cattle Fattening
6	Ghanirampur Nadir Par IAPP Krishak Samobay Samity	Ohidul Isalm,Vill-Ghanirampur, Post-Taraganj, P.S. Taraganj, Dist. Rangpur 01743933024	10	10	20	4	3	7	yes from DoC	primary	Paddy, Wheat, Corn Potato
7	Ekbarpur Moddhyapara IAPP Krishak Samobay Samity Ltd.	Omar Faruq Lelin, Vill-Ekbarpur, Post-Panbazar, P.S.- Pirganj, Dist. Rangpur, 01710438907	20	5	25	9	-	9	Yes from DoC	Primary	Paddy, Seed Production, Vegetables
No 2. Mentor: Ohidul Islam, President, Ghanirampur Nadir Par IAPP Krishak Samobay Samity, Taraganj, Rangpur											

No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
8	Bodorganj Upazila Krishi Sebadankari Samobay Samity Ltd.	Md. Obaidul Haque CO Bazar, Badarganj, Rangpur. 01717-888010	200	50	250	5	1	6	Yes from DoC	Federated at union level	Mango, Litchi, Dairy Cattle Rearing, Paddy, Vegetables
9	Bisshashar Kawlapara ICM Club	Ms Morsheda, Vill- Bisshashar Kawlapara, Post- Khalilganj, P.S. & Dist. Kurigram, 01918-456862	25	25	50	8	3	11	under process from DoC	Primary	Paddy, Dairy Cattle Rearing
10	Kaliganj Para IAPP Krishak Samobay Samity	Azizar Rahman, Vill-Joyrampur Kaliganj para, Post-Pairaband,P.S.- Mithapukur, Dist. Rangpur, 01718712011	15	10	25	5	2	7	Yes from DoC	Primary	Paddy, Potato, Vermi Compost, Dairy Cattle Rearing, Vegetables
11	Biramhin IAPP Krishak Samobay Samity	Md Mokhsedul Islam, Vill- Biramhin, Union – Parul, Post- Madrasha Sayedpur, P.S. Pirgacha, Dist. Rangpur, 01737-145247	20	5	25	5	2	7	Yes from DoC	Primary	Paddy, Dairy Cattle Rearing, Vermi Compost
12	Babupara Bhaggyo Unnayan IAPP Krishi Samobay Samity Ltd.	Shyamapada Roy, Vill-Gurgri, Kundopukur, Post-Nilphamari, P.S & Dist- Nilphamari 01713740082	18	7	25	4	3	7	Yes from DoC	Primary	Paddy
13	Aditmari Upazila Sebadankari Krishi Samobay Samity Ltd.	Abdul Kayum, Vill-Shaptibari, Post-Shaptibari, P.S. Aditmari, Dist. Lalmonirhat, 01762-772684	31	25	53	12	1	13	Yes from DoC	Primary	Paddy, Corn, Dairy Cattle Rearing
<b>No 3. Mentor: Ms. Morsheda Begum, Secretary, Bisshashar Kawlapara ICM Club, Kurigram Sadar, Kurigram</b>											
14	Jatrapur Union Federation	Abdul Jabbar Vill- Jatrapur, Post-Jatrapur, P.S. & Dist. Kurigram, 01710-998888	684	254	938	6	3	9	Yes from DSS	federated	Paddy , Peas, Dairy Cattle Rearing
15	Moyenpur Agari IAPP Motshya Chasi Samobay Samity Ltd.	Bakul, Vill- Mayanpur, Post-Kasempur, P.S.- Mithapukur, Dist. Rangpur, 01747-482970	15	5	20	5	2	7	Yes from DoC	Primary	Fisheries, Cattle Fattening, potato
16	Joyrampur Anwar Koalipara CIG Mahila Samobay Samity	Ms. Jesmin, Vill- Joyrampur, Post-Pairabanda, P. S.- Mithapukur, Dist. Rangpur, 01744-619206	-	20	20	-	7	7	Yes from DoC	Primary	Vermi Compost, Paddy, Potato, Vegetables , Cattle Fattening

No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
17	Pandul IAPP Krishak Samobay Samity Ltd.	Md. Nasir Uddin, Vill- Pandul, Post-Pandul, P.S. Ulirpur, Dist. Kurigram, 01743-943179	18	7	25	4	2	6	Yes from DoC	Primary	Seed Production & Marketing
18	Fakiran IAPP Krishak Dal	Baydhhonath, Vill- Fakiram, Post-Horidebpur, P. S. & Dist. Rangpur, 01719770612	15	10	25	5	2	7	Under process	Primary	Paddy, Vegetables, Dairy Cattle Rearing
<b>No 4. Mentor: Azizar Rahman</b> , President, Kaliganj Para IAPP Krishak Samobay Samity, Mithapukur, Rangpur											
19	Rajendrapur Samaj Kallyan Sanghstha	Ms Ferdousi Begum, Vill- Rajendrapur, Post- Keranihat, P.S. & Dist. Rangpur, 01921-896747	25	225	250	3	6	9	Yes from DSS	federated	Paddy, Potato, Corn, Cattle Fattening, fishing
20	Janata Mahendranagar Union Federation	Bulbuli Rani, Vill-Shing Gadha, Post-Mahendranagar, P.S. & Dist. Nilphamari, 01773-742610	25	175	200	6	3	9	Yes from DSS	federated	Paddy, Vegetables
21	Purba Panjarbhanga Samobay Samity	Ms Renu Bala; Vill: Purba Panjar Bhanga; Uz: Kawnia; Dist: Rangpur 01920165745		25	25		7	7	Yes from DoC	primary	Dairy, paddy, pulses
22	Kettarpara ICM Krishak Sanggton	Rafiqul Islam ( Rafiq ), Vill- Kettarpara, Post- Dholvanga, P.S. Palashbari, Dist. Gaibandha, 01750-307593	20	36	56	4	3	7	Under processing from DoC	primary	Medicinal Plants, Paddy, Potato
23	Idilpur Anarash Chashi Bahumukhi Samobay Samity	Abdul Mannan, Vill- Idilpur, Post-Kakraid, P.S.- Madhupur, Dist. Tangail, 01740-905408	63	73	136	12	-	12	Yes from DoC	primary	Pineapple, Banana, Ginger, Turmeric
<b>FOs of northern region without mentoring</b>											
24	Rowshanpur Polipara IAPP Krishak Samobay Samity	Shahjahan Ali, Treasurer Vill: Roushanpur; PO: Abdullahpur; Upazila: Pirganj, District: Rangpur 01798924979	7	18	25	1	8	9	Yes from DoC	primary	seed Production
25	Osmanpur Khamarerdanga Krishi Samobay Samity	Zikrul Anam Liton, Vill: Khamarerdanga; PO: Bishnupur; Uz: Bodorganj; Dist: Rangpur	24	9	33	6	3	9	yes from DoC	primary	

No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
26	Gongahari IAPP Krishak Samobay Samity Ltd.	Md. Mosaddek, Vill: Gongahari; PO: Paglapir; Rangpur 01751119456	20	5	25	8	1	9	yes from DoC	primary	Paddy, fruits
<b>No. 5 Mentor: Fazlul Haque, President, Mundopasha IAPP LFS, Wazirpur, Barisal</b>											
27	Ishwarkati LFS	Md. Mobarak Hossain, President, Vill- Ishwarkati, Post-Protap, Union- Bairabpasha, P. S. Nalcity, Dist. Jhalkati, 01736-726018	20	5	25	4	2	6	Not Yet Registered	primary	Paddy, paddy seed, Mustard, Lentil, Mungbean
28	Makrampur IAPP Samobay Samity Ltd.	Md. Shakhawat Hossain, President, Vill-Makrampur, Post-Nabagram, Union- Nabagram, P.S. Jhalkati Sadar, Dist. Jhalkati, 01718-815623	20	10	30	5	1	6	Yes from DoC	primary	Papaya, Guava Paddy Seed, Pulses
29	Sharuparchak IAPP Club	Ms. Beauti, General Secretary, Vill- Sharupachar, Post- Gualanda, Union- Choto Vakana, P.S. Gualanda, Dist. Rajbari, 01784-717692	5	36	41	11	11	22	Not Yet Registered	primary	Jute, Paddy, Chili, onion
30	Paschim Kalomegha Gram Samity	Ms. Shahanaj Begum, President, Vill- Porchim Kalomegha, Post- Kalomegha, Union- 5 No. Kalomegha, P.S. Patharghata, Dist. Barguna, 01729-326745	3	164	167	0	0	9	Not Yet Registered	Federated	Mungbean, Sunflower, Paddy, Seasonal Vegetables
31	Kumrakhali IAPP Matsho Chasi Samobay Samity	Ms. Raziya Sultana, General Secretary, Vill- Kumrakhali, Post- Baowalkar, Union- Badarkhali, P.S. Barguna Sadar, Dist. Barguna, 01710-417832	19	6	25	5	1	6	Yes from DoC	primary	Mungbean, Chili, Groundnut, Paddy, fish
32	Sarbari Krishi Uddyugi Baboshay Sanggathan	Pranjit Sen, President, Vill- Sarbari, Post- Jegarpar, Union- Bakal, P.S. Aigaljhara, Dist. Barisal, 01752-605271	7	17	24	3	4	7	Not Yet Registered	primary	Fish, Paddy, Poultry - Chicken
<b>No. 6 Mentor: Ashim Ray, Secretary, Badarkhali Union Samonitto Matshyo Chashi Kallyan Samobay Samity Ltd., Barguna Sadar</b>											
33	KhakBuniya IAPP Krishak Samobay Samity Ltd.	Md. Salim Miah, President, Vill- & Post.- Khakbuniya Union- Dhalua, P.S. Barguna Sadar, Dist. Barguna, 01762-102867	14	11	25	5	1	6	Yes from DoC	primary	Paddy, Lentil, sunflower, vegetables, potato, sesame



No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
34	Mundopasha Livelihood Field School Samobay Samity Ltd.	Md. Fazlul Haque, President, Vill-Mundopasha, Post- Shikarpur , Union-Shikarpur, P.S. Wazirpur, Dist. Barisal, 01726-906100	18	7	25	5	1	6	Yes from DoC	primary	Mungbean, Lentil, Sunflower, wheat, Paddy, Seasonal Vegetables
35	Bara Auliyapur Gavi Palan IAPP Krishak Samobay Samity Ltd.	Md. Jalil Mia, President, Vill-Bara Auliyapur, Post- Maydan Madrasa, Union-Auliyapur, P.S. & Dist. Patuakhali, 01915-109060	7	13	20	2	3	5	yes from DoC	primary	Dairy, chili, mungpulse, paddy, soyabean
36	Dakkhin Shikarpur Purbopara IAPP LFS	Ms. Maksuda, President, Vill-Dakkhin Shikarpur, Post- Sikarpur, Union- Sikarpur, P.S. Uzirpur, Dist. Barisal, 01753-836785	2	48	50	8	5	13	yes from DoC	primary	Pulses, Jute, Paddy
37	Bamrail IAPP Chasi Kallyan Samobay Samity Ltd.	Md. Babul Khan, Vill-Kalihata, Post. & Union-Bamrail, P.S. Uzirpur, Dist. Barisal, 01756-288682	17	8	25	5	2	7	Yes from DoC	primary	Paddy, Jute, Lentil, Mungbean
<b>No. 7 Mentor: Delwara Begum, President, Porir Khal Gram Samity., Barguna Sadar</b>											
38	Badarkhali Union Samonitto Matsho Chasi Kallyan Samobay Samity Ltd.	Ashim Ray, General Secretary, Vill-Kumrakhali, Post- Bawyalkar, Union-Badarkhali, P.S. & Dist. Barguna, 01712-979661	121	68	189	9	3	12	Yes from DoC	Federated	Fish, Mungbean, Paddy, Dairy Cattle Rearing, Cattle Fattening, Seasonal Vegetables
39	Chander Alo Co-operative Credit Union Ltd.	Anjoly Boiddyo, President, Vill-Nabogram, Union & Post-Nabogram, P.S. Kalkini, Dist. Madaripur, 01791-074722	1	788	789	0	9	9	Yes from DoC	Federated	Jute, Paddy, Potato, vegetables
40	Maddhya Rakudiya IAPP Krishak Club	Ms Rita Brammo, Vill-Rakudia, Union- Rakudia, Post- Khanpura, P.S.- Babuganj, Dist. Barisal, 01761-630266	18	22	40	4	5	9	Yes from DoC	primary	Mungbean, Lentil, Banana, Paddy, scavenging poultry, eggs, fish
41	Adarsha Chashi Unnayan Samity	Md. Solaiman, General Secretary, Vill-Uttar Madrasha, Post- Kasemgar,	883	67	950	11	0	11	Yes from DoC	Federated	Cucumber, Tomato, Green

No	Name of Farmers Organization	Address with contact person	General Members		Total	Executive Committee		Total	Registration Status	Types of FOs	Major agribusinesses of members
			M	F		M	F				
		Union- Jinnagar, P.S. Charfasson, Dist. Bhola,01724-323253									Pepper, Bitter Gourd, Bean
<b>No. 8 Mentor: Md. Solaiman, Secretary, Adarsha Chashi Unnyan Samity, Charfasson, Bhola</b>											
42	Parirkhal Gram Samity	Mst. Delwara Begum, Vill- Parirkhal, Post- Parirkhal, Union- M Baliyatali, P. S. Barguna Sadar, Dist. Barguna, 01726-624990	4	170	174	0	9	9	Not yet registered	Federated	Watermelon, Mungbean, Paddy
43	Purba Kawniya IAPP LFS	Md. Abdul Mannan, Vill- Purbo Kawniya, Post- Kawniya, Union- Bura Majumder, P.S. Betagi, Dist. Barguna, 01724-322045	42	18	60	5	4	9	yes from DoC	primary	Paddy, Mungbean, Sunflower
44	Paschim Charlakhipur BaluChar IAPP LFS	Md. Kamrul Hossain, General Secretary, Vill: Paschim Charlakhipur; Upazila: Muladi; Dist: Barisal, 01739-515427	23	2	25	7	0	7	Yes from DoC	Primary	Jute, Paddy, Mustard
45	Charbunia Fisheries Group	Jahangir Howlader, Vill: Charabunia, PO: Bashak Bazar, Patuakhali Sadar, Patuakhali. 01733135693	18	7	25	9	2	11	Not Yet Registered	Primary	Fish, Mung pulse (sprouted)
46	Kendrio Krishak Moitree (KKM)	Mst. Sajeda Begum, Vill- Chorgacha, Post- Osmanpur, P. S.- Ghoraghat, Dist. Dinajpur, 01798-985752	166	396	562	58	92	150	Not yet registered	Federated	Dairy Cattle Rearing, scavenging poultry, seeds
<b>Total smallholder members</b>			<b>2 785</b>	<b>3 191</b>	<b>5 973</b>	<b>299</b>	<b>236</b>	<b>544</b>			

## Annex II. Disclosure to Stakeholders during Design Phase

Name	Title/Function	Institution	Email
Mohammad Nazmul Islam	Additional Secretary (PPC): head of the policy planning and coordination wing of MoA	MOA	<a href="mailto:adlsecyppc@moa.gov.bd">adlsecyppc@moa.gov.bd</a>
Anwar Hossain	Joint Chief: head of planning cell at MoA	MOA	<a href="mailto:anwarimed@yahoo.com">anwarimed@yahoo.com</a>
Mahmudur Rahman	Senior Assistant Chief	MOA	
Mohammad Fahim Afsan Chowdhury	Assistant Chief	MOA	<a href="mailto:fahim_moa@yahoo.com">fahim_moa@yahoo.com</a>
Manzurul Hannan	Director General	DAE	<a href="mailto:dg@dae.gov.bd">dg@dae.gov.bd</a>
Md. Mahmud Hossain	Member Director - Seed and Horticulture (Additional Secretary)	BADC	<a href="mailto:mhossain_dae@hotmail.com">mhossain_dae@hotmail.com</a>
Anil Kumar Das	National Consultant	FAO	<a href="mailto:Anil.Das@fao.org">Anil.Das@fao.org</a>
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Nur Ahamed Khondakar	Assistant FAO Representative	FAO	<a href="mailto:Nur.Khondaker@fao.org">Nur.Khondaker@fao.org</a>
Mahbubul Huq Patwary	Deputy Chief	MOA	
Hemayet Uddin	Deputy Secretary	MOA	
Manzurul Hannan	Director General	DAE	<a href="mailto:dg@dae.gov.bd">dg@dae.gov.bd</a>
Hamidur Rahman	Ex-Director General	DAE	
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Md. Abdul Mannan	Secretary, Idilpur Anarosh Chashi Bahumukhi Samobay Samity	SBKJ	
Ashim Ray	Secretary, Bodorkhali Matshya Chashi Samobay Samity Ltd. and Organizing Secretary, SBKJ	SBKJ	
Mr. Asgar Ali Sabri	Director, Advocacy	Action Aid	

Name	Title/Function	Institution	Email
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Ms. Shamim Ara Nargis	Additonal Secretary, UN Wing, ERD	Min. of Fin	
Ms. Saleha Binte Siraj	Senior Assitant Secretary, UN Wing	Min. of Fin	
Mr. Golam Touhid	Deputy Managing Director (Operations)	PKSF	
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Mr. Provash Chandra Mallick	General Manager, ACD	BB	
Mr. Md. Shahid Reza	Joint Director, ACD	BB	
Mr. Abdul Hakim	Joint Director, ACD	BB	
Mr. Farid Uddin	Deputy Director, ACD	BB	
Mr. A K M Nurul Islam	Joint Director, Bijer Apodkalin Majud Karmashuchi (Bufferstock)	BADC	
Mr. Kazi Saiful Islam	Deputy Director (Field Service Wing)	DAE	
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### **Annex III – Key Findings from Stakeholder Consultations**

A three-day field visit was conducted by the MMI project formulation team from 23 to 25 January 2017 aimed to assess SBKS present membership status, farmers' perception on benefits of being organized, expectation from own organizations and SBKS, vision for own and SBKS.

**General:** The team met members of 12 Farmer Organizations (FOs) of different types in Rangpur and Kurigram districts. Of them seven FOs were emerged from Livelihood Field School (LFS) facilitated by the IAPP, two union level federations mobilized by the Rangpur Dinajpur Rural Services (RDRS), one common interest group (CIG) facilitated by the NATP-I, one service providers association (SPA) backstopped by Swiss-Intercooperation, one Integrated Crop Management (ICM) club facilitated by the Integrated Farm Management Component (IFMC). All visited FOs are now phased out from their respective projects and have become members of Sara Bangla Krishak Society. Although no longer associated with a specific development project, all of them are operational and have some association with DAE, DLS, DoF and BADC for getting extension services for their members. Among them nine FOs are registered from Department of Cooperatives (DoC), two from Department of Social Services (DSS) and registration of one FO is under process.

As a collective business, eight of the FOs visited were found to be engaged in seed production. The team also visited a vermi-compost plant established by the SBKS in Jatrapur village of Kurigram district aimed to improve soil health in northern region through their member organizations. This venture has been managed through investment from subscription of member FOs and voluntarily operated by the leaders of SBKS on rotation basis.

**Farmers Opinion on Benefits of being organized:** Members' perception of the benefits of being organized in a farmer group include the exchange of views, ideas, solidarity and togetherness during troubles or difficulties, additional access to finance and markets, linkages with government and private service providers, reduction of production cost and better prices for their products. Members of most of the organizations indicated that although they were formed by different government or NGO projects they have remained still active after being phased-out from project assistance. The motivations for sustaining membership with FOs after a project included regular savings, internal loans from savings at a lower interest rates, need-based business services at a competitive cost, etc. All visited FO have their own bank account operated by two or three signatories.

**Expectation from own FO and Vision:** Making the transition from subsistence agriculture to a viable agribusiness is a vision for most FOs. Their vision and expectations of their own organizations includes long-term sustainability and for them transparency and accountability in operating their organizations will be key. They are interested that grievance and governance mechanism should be in place to address concerns about weak leadership and elite capture. They believe that if leaders are genuinely supported by their members, then their organizations can act proactively to address members' needs. The vision of the members is to run collective businesses so that all the members of the FO can benefits. This creates a strong bonding to their own organization. They consider that such businesses might include the establishment of a common facility center, agricultural machinery rental services, seed production, nurseries, community seed beds, common threshing and drying floors, joint seed storage facilities, procurement and delivery of animal vaccines, artificial insemination and de-

worming services for livestock, pond leasing, etc. They consider that these businesses will have two-pronged benefits, firstly to provide services to the members at competitive prices and second to raise capital, through service fees, that can be re-invested in other businesses after covering operation and maintenance costs of the organizations and any machinery.

**Expectation from SBKS and Vision:** As there are diversified FOs in Bangladesh, there is scope for SBKS to bring organizations together to share each other experiences. During the visit, FOs expressed quite wide ranging and high expectations from their apex body SBKS. The major ones were: (i) to facilitate member FOs for their skill development on investing profitable businesses; (ii) to help business plan preparation; (iii) to help improve farm and enterprise management; (iii) to provide access to finance at a low interest rates; (iv) to provide access to new processing technologies, marketing, transportation and logistics services; (v) to support their project proposal development for investing in collective businesses and sourcing of needed finance. At present SBKS has been managing a small-scale vermi-compost plant in Kurigram and pulse seed production in Barisal from the funds provided through FO member subscription. To address the constraints of diversified FOs, SBKS is expected to be expanding its services for which strengthening capacity of mentor leaders (one from each member organization) is considered a must.

As a short-term vision, member FOs would like to see SBKS and their own FOs provide equitable business services so that smallholder farmers can get access to finance, technology, information and markets. While the long term vision is a dream for building a strong platform of smallholder farmers to assist government as a local knowledge partner for decision making and to eradicate food and nutrition security in Bangladesh.

#### **Consultation Meeting with FOs of SBKS North and South region:**

The mission organized two consultation meetings: first one in Rangpur with 24 representative of northern regions member FOs of SBKS on 26 January 2017 and another meeting in Dhaka with 19 representatives from southern FOs of SBKS on 28 January 2017. In the Rangpur consultation meeting, along with mission members, two focal points from DAE and BADC, Additional Director (Rangpur Region) of DAE and Joint Director, BADC (Rangpur region), Ex-Project Manager (North) also participated. There were three sessions for both meetings: Organization strengthening and networking, Value chain development and Access to finance. The outcomes from the participatory discussions is summarized below, by session.

**Organization strengthening and networking:** A wide range of capacity development activities were arranged by the earlier IAPP-TA especially on Study Circles on policies and regulations related to getting services from the government, leadership development and confidence building. FOs were assisted in considering their vision and mission, in participatory constitution development, in developing a Governance Accountability Action Plan (GAAP), in advocacy tools for getting services for the members. They learned about member registration and dialogue with local government and extension agencies. They also benefited from sharing and exchange visit, etc. But these were limited to network leaders, one from each organization. For upcoming project, the participants expressed the view that more capacity development events are needed for at least 3-4 leaders from each organizations and for members at large to strengthen their individual organizations as well as SBKS:

- experience sharing workshop among successful, federated and primary organizations;
- study circle on access to market and finance related policies and charters of the government;
- leadership development and confidence building;
- networking tools;
- advocacy tools;
- negotiation.

**Value Chain Development:** Through participatory discussion they have already begun to consider and select profitable businesses for their own organizations based on the member's needs. They have also identified some business services they would like to have from SBKS. The nature of the identified businesses is collective. These are listed below:

<b>SBKS</b>	<b>Own coop/FO</b>
1. Organic fertilizer production	1. Input shop
2. Agricultural machineries (medium to large scale)	2. Seed production
3. Transport services	3. Agricultural machineries (small scale)
4. Collection point	4. Cattle fattening
5. Export	5. Collection point
6. Processing	6. Export-vegetables
7. Storage	7. Chemical free vegetables production
8. Medicinal plant seeds production	8. Soil health test
9. Pulse seed/Seed village	9. Vermi and Trico-derma
	10. Medicinal plant
	11. Business Information
	12. Goat rearing (share)
	13. Fodder
	14. Loan service

The participants identified the resources and skills that they felt would be needed to undertake the above businesses, such as start-up capital, business planning, technical knowledge and information, quality inputs, etc. For training, they would like to see at least 2-3 leaders from each organization trained in enterprise management, business proposal preparation, value chain analysis, processing, marketing, branding, contract negotiation, etc.

**Access to Finance:** There were five models explored during FO visits which further validated in this session. These models were:

- commercial bank to members via the cooperative, with the cooperative as a guarantor; e.g. agreement between Mutual Trust Bank and Panjar Bhanga Mahila Dugdha Samobay Samity, Kawnia;
- non-bank Financial Institution to FO to FO members, with the non-bank FI providing wholesale finance to the coop for retailing among smallholders; e.g. Adarsha Chashi Unnayan Samity, Charfasson);

- (iii) government bank to FO members with farmers organization as a guarantor; e.g. pineapple cooperative in Madhupur and Jatrapur Union Federation, Kurigram;
- (iv) FO loans to members with own savings;
- (v) FO own savings as investment capital for collective business to serve members.

The participants underlined the need for more flexible arrangements for agricultural credit. In this connection they emphasized their desire for more training and information on credit norms, financial products, and financial institutions. They also highlighted their interest in operating lending from their own savings and how to make and evaluate bankable business plans.

### **Feedback from Focal Points:**

The MMI mission was accompanied by two MoA focal points: A K M Nurul Islam, Project Director (BSS) and Joint Director, BADC and Kazi Md. Saiful Islam, Deputy Director (Field Service), DAE. This was suggested by MoA to get better insight into the formulation of ***Increasing Access to Finance for Farmers Organizations in Bangladesh under MMI***. After visiting some selected member FOs of SBKS in northern region and participating in two consultation meetings, the focal points appreciated the proposed project and suggested some activities for inclusion. The following summarises their views provided to the FOs and the formulation mission:

**Focal Point, BADC:** Dreams are clearly important for SBKS and its member FOs. As member FOs still alive even after withdrawal of project assistance, according to the aspiration of SBKS leaders, we all hope to find the way for them to implement their dream. MMI may be a tool for sustainability but since you have choose your road, please not return back' mentioned by Mr. A K M Nurul Islam, Project Director (BSS) and Joint Director, BADC as a closing speech during consultation meeting in Rangpur to the SBKS leaders.

He indicated that as members in Rangpur region engaged in paddy, pulse and potato seed production, member FOs can communicate with BADC regional facilities for seed processing. Also southern farmers who are producing sunflower, sesame, mung pulses, etc. can avail the facility of BADC in Jhalokathi, Patuakhali and Bhola districts for seed processing and storage. If member FOs want to engage in potato, pulses, oil seed, paddy seed scheme they can contact with respective regional offices of BADC. To provide smallholders members more services, SBKS can also take up seed dealership from BADC.

**Focal Point, DAE:** Kazi Md. Saiful Islam, Deputy Director (Field Service), DAE expressed his gratitude to the members FO leaders of SBKS for their spontaneous zeal to advance organization activities even after closure of project activities by which they were initially mobilized. He mentioned that government is agriculture-friendly and DAE is working to extend its services for the farmers to get quality seeds, agricultural machineries, soil testing, and linkage to research agencies and financial institutions. He suggested that farmers maintain close contact with Sub-Assistant Agriculture Officer (SAAO) in respective areas where SBKS member FOs are working. He also emphasized the use of different apps developed by the DAE, like the fertilizer recommendation app, krishi jiggyasha, etc. He encouraged SBKS and their member FOs to develop their understanding of different financial products offered by banks. He pointed out that Bangladesh Bank has developed credit norms for all agricultural products according to DAE's consultation.



## **Annex IV. Current Situation with respect to Farmers' Organizations and Access to Financial Services**

### **Bangladesh microfinance market**

About 30 million<sup>16</sup> individual clients, more than 80 percent are women, regularly borrow from more than 600 licensed microfinance institutions offering financial services throughout the country. The main services are: savings of different types (mandatory weekly/monthly savings, savings with unlimited withdrawal facilities, and time deposits); credit products with varying features in terms of target groups, amount of loan, interest rates, and repayment conditions; and microinsurance (livestock insurance, human life and health insurance, microcredit portfolio insurance etc.). Three very large microfinance institutions (MFIs) – Grameen Bank, BRAC and ASA, and about 50 or so medium size MFIs dominate the market in terms of number of clients (popularly called as members) and portfolio. The financial services are now available all over Bangladesh, even in difficult geographical locations such as river char, haor, hills and coastal districts. In fact MFIs have emerged as the main source for financial services in rural and peri-urban areas and for people who can't offer collateral for commercial bank loans.

The clients are broadly grouped as extremely poor (may suffer from food insecurity some months during the year), landless/poor, marginal and small farmers (near poor or non-poor) and microentrepreneurs (nor-poor). Although many MFIs offer savings and loan products but terms and conditions are more or less similar except loan size. Larger MFIs with large capital base usually offer larger loans to their individual clients. The loan ranges vary according to type of clients: USD 100-200 (extremely poor), USD 150-400 (poor/landless), USD 200-650 (marginal and small farmers), and USD 1 500-15 000 (microenterprise loan). Loans are typically disbursed for one year and collected in weekly or monthly installments. But over the last decade agricultural and seasonal loans have become one of the main loan products from MFIs. Seasonal loans disbursed for crops and livestock for 6 to 9 months and collected after harvest (and sale of livestock) have become very popular among marginal and small farmers as well as poor who are involved in farming (crop, horticulture, pond fisheries, and livestock) and for seasonal small trades.

MFIs offer three tiers of interest for loans: 20 percent (Grameen Bank), 25 percent (200 PKSF funded MFIs) and 27 percent BRAC, ASA and other MFIs. Although their interest rates are higher than commercial banks, the rural clients and urban poor borrow from MFIs as the MFIs do not require collateral, and also for the simplicity of the process (one application form, recovery of loan at door steps, etc.), and the speed of loan approval (i.e. within days) without any hassle. Access to finance is assured as long as a client repays the previous loan. In fact, access is no more an issue as multiple MFIs offer services in the same village, and multiple borrowing (i.e. a person borrows from more than one MFIs simultaneously) is very common in Bangladesh. The challenge is how fast the MFIs adopt information and communication technologies to serve clients better.

Alongside the MFIs, commercial banks are directly or indirectly serving the poor and the farmers: one commercial bank (Islamic Bank Bangladesh limited) has large retail microfinance operations with nearly one million clients; and several commercial banks lend large amount

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<sup>16</sup> Source: Microfinance Statistics 2015, Credit and Development Forum (CDF), Dhaka, Bangladesh.

of money (wholesale loan) to MFIs for their retail microfinance programs. Numerous cooperative societies run by traders and shop owners in rural and urban markets throughout the country offer savings and loan services to their shareholders/savers. But the success of rural small cooperatives of farmers is extremely limited.

### **Profile of SBKS' member Farmers' Organizations**

SBKS currently has 44 member organizations (FOs), majority (40) of them are registered as cooperative societies. These village-based tiny cooperatives with members varied from twenty to few hundreds are converts from informal farmer groups of various government and donor funded projects, notably IAPP funded by GAFSP. The design mission of 'Increasing Access to Finance for Farmers Organizations in Bangladesh (IAFFO-B)' visits to such member organizations to gather additional information about management and activities including financial services, and two regional workshops provided the following insights and key findings.

**Land ownership and poverty level.** Although there is no restriction of large farmers participating these village-based cooperatives it has been found that marginal and small farmers and poorer sections of the villagers joined them. Most of the FOs are of mixed memberships but a number of them are women-only reflecting the nature of the original informal groups. The main motivation was to develop the informal groups as local service recipients as well as an organized force to ensure rights of the farmers, especially 'fair price' for farm produces.

**Sources of income.** The sources of income of participating member families broadly reflect local agricultural economy: all members depend on agriculture (field crop, horticulture, fisheries and livestock) as their main source of income. But the basket of commodities produced by them may vary, e.g. rice and potato are very common in the north-western districts whereas rice, fish, lentils and oil seeds are the main sources in the south-western districts. A small percent of members may own shops or are traders.

**Skill level.** Being farmers the members have acquired basic knowledge of common farming techniques. Many of them received production related training and extension services from government and NGO-MFI managed agricultural development projects. All of them select crops according to market demand and profitability, and quickly switch crops as price/profitability changes. The most profitable agri-businesses are livestock, pond fisheries, horticulture and seed products (vegetable and potato seeds). The price of potato and rice fluctuates a lot, as reported by the farmers.

**Access to market.** Agricultural produces in Bangladesh typically are sold at farm gates thanks to increasingly good rural road networks where buyers show up with their mini-trucks, at thousands of local rural open markets (called *haat/bazaar*) that dot throughout rural Bangladesh, or directly to big buyers. Numerous traders called *bepari* at these small markets aggregate commodities and supply to large towns. The farmers of FOs are no exception. They reported that selling their produces at market price was not an issue although they would love to get better prices as prices of some crops dramatically fall during harvest time due to oversupply. The mission found the farmers

adopt all three modes of selling their commodities. One example of selling directly to a large company is selling of rice seed to by *Bagher Bazaar Krishi Samabay Samity* to AgroConcern. Cell phones are the main medium the farmers of contacting buyers, checking prices, and also buying inputs.

**Access to technology and extension services.** The farmers have multiple sources for extension services and accessing technology and technical information including: neighbors, government extension services (DAE, DLS and DoF), private seed and input sellers, large agri-product companies subcontracting production of seeds and organic fertilizers, development projects, NGOs promoting agriculture as important livelihoods options for the poor, etc.

**Women as farmers.** A very important transformation is quietly happening in rural Bangladesh where the word ‘farmer’ does not mean ‘man’ anymore rather increasingly women are very much involved in full chain of farming including: the decision to select crops and other agricultural activities; input buying; physical production-related activities; post-harvest activities; and more importantly, marketing. Many women in FOs are full-time farmers and provide extension services to their neighbors as well. They have participated in many agricultural and financial management training courses offered by government as well as non-governmental organizations.

### **Financial services for farmers’ member organizations (FOs) of SBKS**

The mission found that all members of FOs regularly borrow from MFIs operating in the villages, many of them from multiple sources. The terms and conditions are similar to that mentioned in Section A. Therefore, access to finance for individual farmers was a not a big concern. However, one issue that has surfaced is the lack of access of FOs to finance MO-owned businesses.

The mission found that farmers want to further increase access to finance through FOs. Several FOs (cooperatives and NGOs<sup>17</sup>) have developed a variety of approaches to expand access to financial services for their individual members:

**Commercial Bank lending to Member Cooperative.** One example is in Rangpur district where Mutual Trust Bank (a private commercial bank) has given loan for purchasing livestock (dairy cows) to individual dairy farmers (women) through Pajar Bhanga Mahila Cooperative. Loan amount varied between BDT 60 000 to BDT 200 000 for individual farmers for period of three years at an interest rate of 10 percent per annum. The borrowers repay in monthly installments. The main benefit of this approach is lower interest rate and longer repayment period (three years). However, serious hurdles remain for receiving loan from commercial banks. Commercial banks demand collateral (land and building). The application process is not easy (huge amounts of paper work, which is often in English). Private banks do not have branch offices in rural areas. Rules and process are not known to cooperatives and their members. Such loans are the exception rather than the norm. If FOs could establish contacts with bank branches and meet their requirements there could be a manifold

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<sup>17</sup> Technically four FOs are registered as tiny village based non-government organizations.

expansion of such loan sources. The FOs/farmers must ensure timely repayment of loans to ensure successive and continued supply of loans from banks that would also dispel prevailing perceptions that farmers are risky borrowers.

***Non-bank financial institution (NBFI) lending to Member Cooperative.*** Another somewhat similar example is in Bhola district where a private non-bank financial institution (NBFI) has provided a 'wholesale' loan to Adarsha Cooperative to on-lend to individual farmers of the cooperative. The rate of interest from the NBFI was 18 percent and the cooperative lent to farmers at the rate of 20 percent by adding 2 percent as its management expense. But the line of credit has been discontinued as the NBFI has raised its interest rate. Nonetheless, this approach could meet a part of loan demand as there are more than 30 NBFIs in the country, several of them might be interested to lend to farmers through FOs, subject to meeting loan conditions. It is found that reputation of FOs and past repayment records are two critical factors in such lending-borrowing arrangement.

***Loan guarantee by FOs.*** Rajshahi Krishi Unnayan Bank (RAKUB) and Sonali Bank (SB), two nationalized commercial banks (NCBs), lend to individual farmers where the loan repayment is guaranteed by the respective FO (Jatrapur Union Federation in Kurigram and Idilpul Cooperative in Tangail). This is a very interesting approach where all farmers of the FOs have received agricultural loan from two banks – loan for pineapple production in Tangail and various seasonal crop and livestock production in Kurigram. The approach requires reputation and credibility of FOs to the banks, which in turn is earned through timely repayment of past loans and credibility of the leadership of FOs. The advantages are lower interest rates than MFIs. FOs from other areas may initiate dialogue with local banks to establish such system of loans to farmers.

***FOs use savings (capital) for investment.*** A number of examples have been found during the field visit where the respective cooperative societies invested farmers' savings funds in cooperative-owned businesses such as seed production, shops, leasing-in fruit orchards, pond fish production, leasing-out (share cropping) cattle to farmers, etc. These FOs in their own way identified potentially profitable businesses to invest collective savings for higher return. Except in one case, the FOs made a profit. However, the amounts of money and size of such businesses are too small to warrant serious analysis of potential profits before making investment decisions. Management complexity is high and the FO time required for management can also be very limited. Some prominent members of respective FOs work as volunteers to look after such investments. Since FOs are looking forward to larger investments, overtime the FOs will need more formal management systems and arrangements where salaried persons run the businesses owned by the FOs.

***Member Cooperatives in microcredit.*** The mission found three examples of FOs that apply member savings to run microcredit within the cooperative by adoptive management practices of local microfinance institutions (MFIs). Two such FOs are: (i) Rajendrapur Union Federation (RUF), a federation developed by RDRS, a famous MFI in the North-western Bangladesh; and (ii) Ekbarpur Modhyapara Samobaya Samity (EMSS). RUF has imitated rules and microfinance management practices of RDRS and

provide loans up to BDT 20,000 per person at an interest rate of 25 percent per annum, the same as RDRS does. Similar, EMSS has started a microcredit program where it lends BDT 2-3 000 per person at the rate of 30 percent per annum. Although it is a common perception that such 'self-help groups' for microcredit will reduce rate of interest to participants, it has been found in these two instances and elsewhere that such groups charge 'market rate' and even higher than market rates to increase their profits faster to increase funds for future use. Other FOs may also seek to go into such internal microfinance services, if funds are available.

In this context, it is pertinent to briefly explain that Self-Help Group (SHG) of microcredit management has never succeeded in large-scale in Bangladesh, though anecdotes of success surface here and there. Many initiatives have been undertaken to pursue the lofty idea that poor people should mobilize own capital, manage their own money, finance their own credit needs at a much lower rates and enjoy their own profits from such self-managed credit operation as opposed to borrowing from MFIs and banks, which charges high interest and 'takes away' the interest.

Some notable initiatives were: South Asia Poverty Alleviation Project (SAPAP) funded by the United Nations Development Programme (UNDP), Community-Based Organizations (CBOs) formed in many parts of the country by World Concern (an International Non-Governmental Organization [INGO]), Ashrai (an NGO working for ethnic minorities funded by the Swiss Agency for Development Cooperation), and SCBRMP and PSSWRP funded by IFAD. An ongoing SDF-managed project funded by the World Bank has adopted somewhat similar approach.

This approach in the past had produced some clear patterns:

**Inadequate loan.** The approach does not provide adequate access to credit as savings amount is never adequate to meet the demand for credit for all members (unlike MFIs where about 30-40 percent of capital comes from savings and MFIs brings in additional resources from other sources). This leads to selection of members. Sometimes poorer members are selected first and the rest wait for quite some time to get their turn. The amount of loan is often small, at least at the initial years.

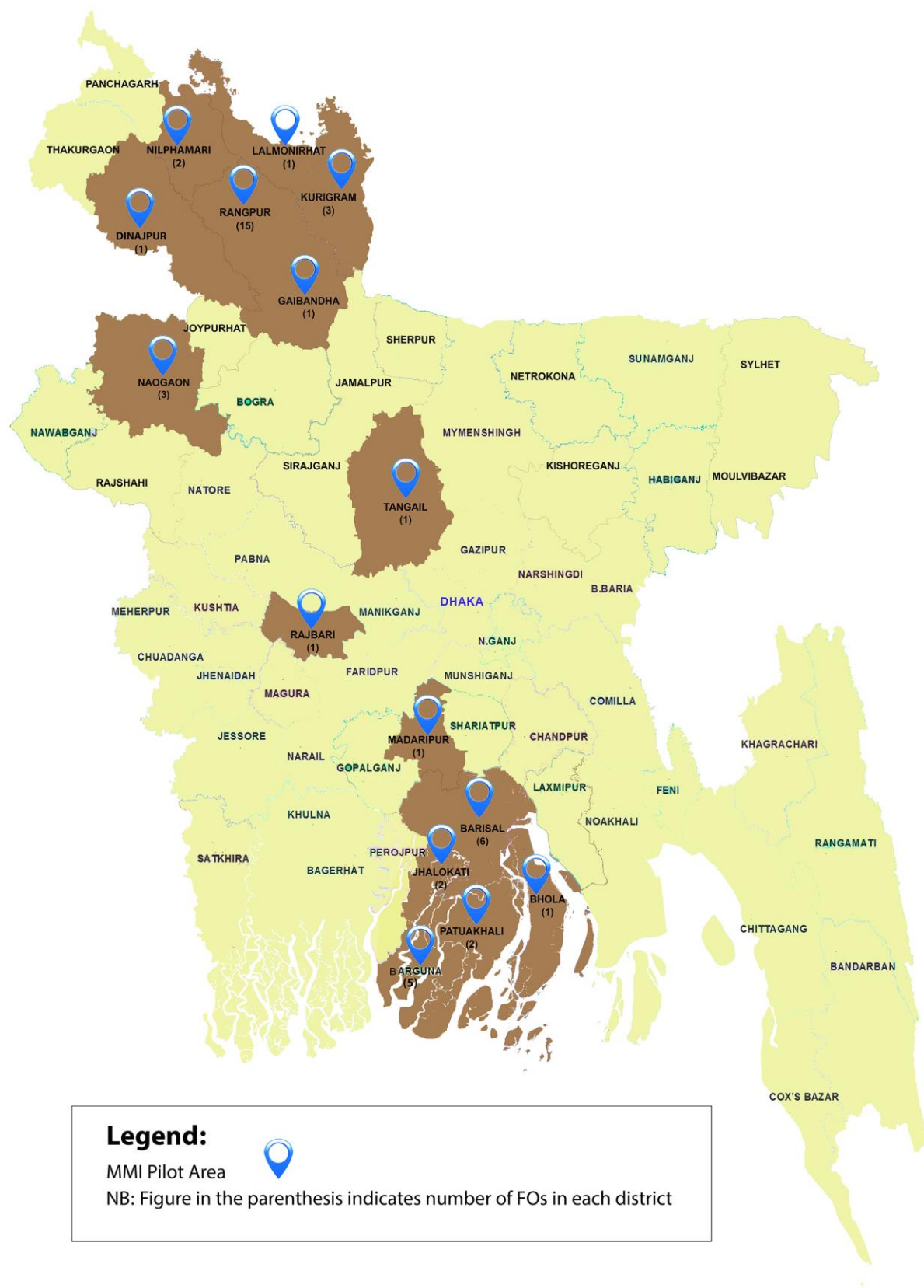
**Cash at hand.** Savings collected weekly/monthly are kept with the cashier as bank branches are usually far away. Besides, travel expenses and lack of time for the volunteer-cashier to travel to bank branch forces SHGs keep money with the cashier or other prominent member that becomes a source of problem after a while. Sometimes such cash is misappropriated.

**Poor loan repayment.** This is at the core of the problem of this approach. It has been found that the loan repayment remains good at the initial 2-3 years when enthusiasms from the management committee and general members remain high. Some borrowers eventually (deliberately or otherwise) default on loan. The cashier or manager who is also from the same group found it difficult to exact pressure to recover loan since the borrowers are neighbors, friends and relatives. Witnessing that some borrowers are not repaying others also stop repayment. Within months members stop savings, resulting total stop of credit functions. Disputes run high and the whole group disbands

quickly. The management committee initially tries for a while to keep the group going, but gives up eventually. Sometimes one or more committee members actively works against the group, and defaulting borrowers may actively work against the group so that they do not have to repay the loans. At the end poorer members lose their savings. This has been pattern seen over and over again.

Since a number of FOs have started own internal microcredit they should be aware of these inherent problems in this approach. The Executive Committees of FOs should be aware of the above pitfalls and must act to prevent the above situations. A number of critical steps must always be taken within FOs running internal credit program: (i) ensure 100 percent repayment of loan as a loss of a loan means of loss of capital/savings, which may lead to collapse of the program; (ii) have no or minimum cash at hand; (iii) ensure proper accounts and monthly audit of cash; (iv) pay a reasonable amount of money as salary to manager of the program; and (v) do not allow Executive committee members of FOs to borrower.

## Annex V. Location of District Wise Proposed Participating Farmers Organizations



## **Annex VI – Terms of Reference for Proposed Project Staff**

### **ISU Coordinator (Project Coordinator, FAO-recruited national consultant)**

Duration: Three years

Duty Station: Dhaka, Bangladesh

Under the supervision of the FAO Representative in Bangladesh and the project Lead Technical Officer, the incumbent will coordinate all project activities. Specific duties are as follows:

- Plan, organize and manage and provide technical guidance for the implementation of the project;
- Prepare terms of reference, identify candidates and arrange for recruitment of Implementation Support Unit (ISU) staff, subject matter specialists, FO mentors and other consultants required by the project;
- In collaboration with the FAO-Bangladesh gender focal point, develop a project gender strategy at the start of the project;
- Ensure regular coordination and exchange of lessons learned with the national, regional and local authorities and institutions, apex farmer organizations, private sector organizations, financial service providers and other partner organizations involved with the project; With the Field/M&E officers, organize an end-of-project internal evaluation and lesson-learning workshop.
- In collaboration with the subject matter specialists, draft and negotiate Letters of Agreements (LoAs) with the beneficiary farmer organizations;
- In collaboration with the value chain subject matter specialist and ISU field officers, develop an assessment process and procedures for deciding on the disbursement of capital grant funds to FOs;
- In collaboration with the Field/M&E officers, supervise and ensure satisfactory standards of implementation of LoAs, contracts and technical assistance inputs to the project;
- Conduct site visits for monitoring, technical support and facilitation of activities;
- In close collaboration with the FAO Representative, supervise on behalf of the executing agency all project financial and administrative matters. In collaboration with the Finance and Administrative Officer, prepare the financial reports in line with FAO and donor requirements. (about 30% of time);
- Serve as the Secretary of the Project Steering Committee and the Advisory Committee, prepare agenda, all discussion materials and minutes for meetings;
- Establish relationships with other relevant development assistance projects in Bangladesh to facilitate collaboration of FOs and projects in the field, and with national and regional FOs for knowledge exchange visits and other forms of collaboration;
- Actively contribute to policy discussions that take place at the national level in the sphere of the project intervention areas;
- Produce project progress reports in line with FAO and donor requirements, technical reports, Terminal Report and other relevant documentation as required by FAO.

#### **Qualifications:**

- Advanced university degree in agriculture, agricultural economics, rural development or related subject;



- Minimum of ten years of progressively responsible professional experience, including in project management in the field of agricultural development;
- Experience in working with farmer organizations and small agribusinesses;
- Experience in working with rural microfinance service providers or related institutions working in financial services sector for rural areas;
- Experience in working with international organizations;
- Experience with gender mainstreaming in agricultural development projects;
- Excellent writing, presentation, communication and interpersonal skills;
- Working knowledge of English;
- Familiarity with the administrative and financial procedures of FAO would be an asset.

**Field coordinator/M&E officers**

Duration: Three years

Duty Station: in Rangpur, in Barisal

Under the supervision of the ISU coordinator in Dhaka, the incumbent will coordinate all project activities in the assigned project area. Specific duties are as follows:

- Assist the beneficiary FOs to identify FO liaison officers and be responsible for the identification and selection of their mentors from among the most experienced and competent FO members;
- Set-up a gender sensitive monitoring and evaluation framework that will also allow monitoring the implementation of the project gender strategy;
- Conduct the baseline survey, including the preparation and facilitation of participatory assessment of the institutional maturity of the beneficiary FOs;
- Assist the subject matter specialists and training specialist with the organization of the ToT workshops;
- In collaboration with the value chain subject matter specialist, organize trade fairs bringing together producers, buyers, processors, input suppliers and technical service providers;
- Help to organise and facilitate business meetings between cooperatives and their buyers to identify critical success factors and common upgrading priorities in their business relationship;
- Establish relationships with other relevant development assistance projects in the project area in order to foster collaboration and knowledge sharing between of the FOs and amongst projects on technical, production and other matters;
- Develop progress report formats for the beneficiary farmer organizations and regularly visit the beneficiary farmer organizations to monitor progress and supervise and ensure satisfactory standards of implementation of LoAs;
- Contribute to the development and implementation of the policy and modalities for capital grant fund disbursement to FOs;
- Collect additional monitoring data according to established protocols, and gender-disaggregated data collection methodologies and routines and submit the data and reports to the M&E officer in Dhaka according to the established schedule. This will include an annual repetition of the participatory institutional maturity assessment of FOs. Signal any problems in time for corrective action.
- Conduct an end-of-project internal evaluation and organize a lesson-learning workshop.

**Qualifications:**

- Tertiary qualification in rural development, agricultural economics or related subject;
- At least five years progressively responsible professional experience;
- Experience with field research and data collection, including collection and analysis of gender-disaggregated data;
- Experience working with farmer organizations;
- Experience with agricultural value chain and business development would be an asset;
- Excellent interpersonal skills; and
- Good command of English (oral and written), fluency in Bangla.

## **Subject Matter Specialist**

### **Organizational Development Specialist**

Duration: Part-time, as needed up to 20 months over 36 month period

Duty Station: Dhaka, Bangladesh with travel to Rangpur and Barisal

Under the supervision of the FAO Representative in Bangladesh and the Lead Technical Officer and in close collaboration with the ISU coordinator, the incumbent will be responsible for the technical assistance under Component 1 of the project that is designed to achieve Output 1 *FOs that have good governance*. Specifically the incumbent will:

- Contribute to the gender strategy that will be developed at the start of the project for aspects related to organizational development;
- In collaboration with the M&E expert and the SBKS network, design the indicators for the institutional maturity assessment of the FO and rating criteria;
- In collaboration with the training and adult education specialist design the training programme modules on leadership, governance, negotiations, financial management and accounting, and organizational management and communication, using training materials used by FAO for the IAPP project and other available materials used in similar programmes in Bangladesh and other countries;
- Test and finalize the developed materials;
- Train all the FO liaison officers;
- Support FO Liaison officers to deliver the training to the FO members and support the FO mentors in their mentoring role and follow-up coaching;
- Analyse the results of the annual FO maturity assessment and provide additional support to FOs lagging behind in their development;
- As the project progresses, develop and deliver refresher and advance course modules in the area of organizational development;
- Develop materials that explain the most important government policies of concern to the project beneficiaries (smallholders, marginal and landless men and women) for use in study circles.

#### **Qualifications:**

- MSc degree in a subject related to farmer organizations development, rural development, community based organizations, community development, agriculture or similar;
- Minimum of ten years professional experience in development of Farmer Organizations, Cooperatives (preferable multi-purpose) or farmer group formation;
- Knowledge of the legal framework and issues related to Cooperatives, including issues related to gender equality;
- Excellent interpersonal, training and facilitation skills;
- Fluency in English and Bangla.

### **Business Advisory Services and Value Chain Specialist**

Duration: Part-time, as needed up to 20 months over 36 month period

Duty Station: Dhaka, Bangladesh with travel to Rangpur and Barisal

Under the supervision of the FAO Representative in Bangladesh and the Lead Technical Officer and in close collaboration with the ISU coordinator, the incumbent will be responsible for the technical assistance under Output2 of the project that is designed to achieve Output 2 *FOs that are able to assist members to access value chains*. Specifically the incumbent will:

- In collaboration with the training and adult education specialist design the training programme modules on identification of the potential roles of FOs in value chains and related identification of business opportunities, business planning, marketing, business operational management and logistics, and business financial management, using available training materials used by FAO and development partners in similar programmes in Bangladesh and other countries, paying due attention to gender equality issues and women's effective participation in value chains;
- Test and finalize the developed materials;
- Train all the FO liaison officers;
- Support FO Liaison officers to deliver the training to the FO members and support the FO mentors in their mentoring role and follow-up coaching;
- Support the field officers in the organization of annual trade fairs bringing together producers, buyers, processors, input suppliers and technical service providers;
- For cooperatives involved in collective marketing to larger buyers, conduct business model analysis of the cooperative and the buyer and, together with the Field Officer, facilitate business meetings to identify critical success factors and common upgrading priorities;
- In collaboration with the ISU coordinator, develop a policy and assessment process for deciding on the disbursement of capital grant funds to FOs. Assess the business proposals on technical, organizational and financial feasibility, market demand and expected return on investment;
- As the project progresses, develop and deliver refresher and advance course modules in the area of agribusiness development.

#### **Qualifications:**

- MBA or MSc degree in agricultural economics, agribusiness development or related subject;
- Minimum of ten years professional experience in SMAE development, agricultural value chains, farmer cooperatives, linking farmers to markets and business advisory services;
- Experience working with farmer organizations and the private sector;
- Excellent interpersonal, training and facilitation skills; and
- Fluency in English and Bangla.

## **Subject Matter Specialist**

### **Rural Finance**

Duration: Part-time, as needed up to 20 months over 36 month period

Duty Station: Dhaka, Bangladesh with travel to Rangpur and Barisal

Under the supervision of the FAO Representative in Bangladesh and the Lead Technical Officer and in close collaboration with the ISU coordinator, the incumbent will be responsible for the technical assistance under Component 3 of the project that is designed to achieve Output 3 *FOs that are able to assist members to access financing*. Specifically the incumbent will:

- Analyse the financial services options for FOs and members at the local level in the areas where the project is working;
- In collaboration with the training and adult education specialist, and drawing from available training materials used by PKSF, Grameen Bank, BRAC, FAO or others, design gender-sensitive training programme modules on identification of sources of financing, how to approach and access financial service providers, how to prepare documentation required by financial service providers (including the preparation of business plans in harmony with Component 2 training on this) , and how to manage borrowed resources;
- Develop reference materials required by FOs to accompany training modules;
- Develop and update briefing materials for FOs on options for financial services;
- Deliver training modules developed to FO office bearers on banking policies and processes, identification of sources, managing borrowed resources and repayments, etc.;
- Develop and deliver specialized training for FO staff of cooperatives interested in microfinance management, i.e. revolving funds.

#### Qualifications:

- MBA or MSc degree in finance, agricultural economics, agribusiness development or related subject;
- Minimum of ten years professional experience in rural finance, preferably related to agriculture;
- Experience working with commercial banks, micro-credit organizations, farmer organizations, and the private sector;
- Excellent interpersonal, training and facilitation skills;
- Fluency in English and Bangla.

## **Annex VII: Terms of Reference for Focal Points**

Based on recommendation from the Ministry of Agriculture (MoA) and Ministry of Fisheries and Livestock (MoFL), there will be four project Focal Points, one each from DAE, BADC, DLS and DoF. Common responsibilities of all focal points are to provide backstopping support in achieving project goal. They will advise ISU for smooth implementation of the project as well as report to the PSC on annual progress of the project. The ISU of the project will form a joint monitoring team where all focal persons will participate. However, agency wise responsibilities of focal points are delineated below:

### **Bangladesh Agricultural Development Corporation (BADC)**

Mr Md Nurul Islam, Joint Director (Buffer Stock of Seed), BADC has been nominated by the MoA as focal point for this project. He will act as a Member Secretary to the PSC and member of the PAC as well as chair of the proposal evaluation committee (PEC) for pilot grant financing to the individual farmers organizations. Besides, he will advise field level seed and irrigation officials to facilitate farmers' organizations (FOs) under MMI for proposed activities.

### **Department of Agricultural Extension (DAE)**

Mr Kazi Saiful Islam, Additional Director (Inputs), DAE has been nominated as a focal point by the Ministry of Agriculture (MoA) for this project. He will chair the Project Advisory Committee (PAC) and provide advice on the proposed annual work plan of the project and on arrangements for complementary activities or collaboration in locations or topics of common interest. Besides, he will advise Upazila Agricultural Officers to facilitate farmers' organizations (FOs) under MMI for proposed activities.

### **Department of Livestock Services (DLS) and Department of Fisheries (DoF)**

The Ministry of Fisheries and Livestock (MoFL) will nominate two focal points, one each from DLS and DoF. They will act as a member in the PAC as well as PEC. They will advise upazila level officials to support the farmers' organizations under MMI for proposed activities.