

GCP/BGD/064/GAF
Terminal Report

FAO/GOVERNMENT COOPERATIVE PROGRAMME

INCREASING ACCESS TO FINANCE FOR FARMERS' ORGANIZATIONS IN BANGLADESH

BANGLADESH

PROJECT FINDINGS AND RECOMMENDATIONS

Report prepared for
the Government of Bangladesh
by
the Food and Agriculture Organization of the United Nations

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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The Food and Agriculture Organization is greatly indebted to all those who assisted in the implementation of the project by providing information, advice and facilities.

TABLE OF CONTENTS

	<u>Page</u>
LIST OF ABBREVIATIONS	vii
A OVERVIEW	1
A1 Project profile	1
A2 Financial data in USD	2
A3 Executive summary	2
B RELEVANCE	4
C ACHIEVEMENT OF RESULTS	8
D IMPLEMENTATION OF WORK PLAN AND BUDGET	14
E SUSTAINABILITY	18
F LESSONS LEARNED	23
G FOLLOW-UP ACTIONS FOR GOVERNMENT ATTENTION	26
H HUMAN INTEREST STORY	28
<u>Appendix 1</u> LOGFRAME MATRIX– ACHIEVEMENT OF INDICATORS	31
<u>Appendix 2</u> DOCUMENTS PRODUCED DURING THE PROJECT	36
<u>Appendix 3</u> PROJECT STAFF	39
<u>Appendix 4</u> TRAINING AND STUDY TOURS	40
<u>Appendix 5</u> MAJOR ITEMS OF EQUIPMENT PROVIDED	45

TABLES

	<u>Page</u>
<u>Table 1</u> Project extensions	15

FIGURES

<u>Figure 1</u> Performance of MMI supported POs	19
<u>Figure 2</u> Dairy value chain within Lahirimohanpur cooperative	30

LIST OF ABBREVIATIONS

ACCESS -

FBF - Farmer business facilitator

FFS - Farmer Field School

FO -

UNDAF - United Nations Development Assistance Framework

UNSDCF - United Nations Sustainable Development Cooperation Framework

USD - United States Dollar

VCC - Virtual Call Centre

The collaboration among FAO, GAFSP and SBKS proved successful in reducing poverty and improving smallholder farmer livelihoods. It drew on a spirit of genuine partnership and respect, grounded in practical, business-focused activities and following a process of ongoing support, capacity development and monitoring. This genuine partnership and openness allowed for all those involved to reach their highest potential, with each bringing their competitive advantage to the table.

B. RELEVANCE

The problem

Smallholders constitute 85 percent of the farming community in Bangladesh. They produce a substantial proportion of food for approximately 170 million people of the country. The strength of smallholder family farming is its integrated nature that reduces environmental impact and increases resilience. However, most smallholder farmers in Bangladesh face enormous challenges. They struggle to access finance, markets, value chain services, technology and information. Climate change, input price hikes, gender inequality, as well as food security and nutrition challenges abound. All require tailor-made solutions based on the community context and needs. Those best placed to address these challenges are smallholder farmers themselves.

Agricultural extension policies in the years prior to the start of the project recommended extension agencies and agricultural investment projects to work with farmers groups in order to allow smallholders better access to inputs, markets, finance, technology and information by creating “economies of scale”. Extension agencies in Bangladesh had mobilized more than 200 000 farmers groups of various types (FAO, 2014)³, however, in most cases the groups had been mobilized as a tool for technology dissemination rather than developed into autonomous rural institutions. Many lacked the key principles necessary for the development of strong organizations, including: (i) autonomy; (ii) inclusive leadership; (iii)

Similarly, farmers lack access to finance needed to invest in and/or strengthen their livelihoods. Despite non-governmental organizations and m

The project aimed to develop FO/PO capacity to facilitate smallholders' access to value chains, markets, technical knowledge, information and financing through training and collective pilot activities. The project design was quite straightforward, with a clear theory of change and a clear set of activities that directly contributed to the expected outputs.

The expected impact was "poverty is reduced amongst members of farmer organizations. This higher-level result was assessed through changes in annual household income and in monthly household expenditure of FO members on non-food items".⁷ The project aspired to increase both income and non-food household expenditure by a target of 20 percent.

The expected outcome was "sustainable farmer organizations are providing their smallholder farmer members with access to value chains, markets, technical knowledge, information and financing", which was assessed through the indicators (i) FOs with satisfactory institutional maturity rating, including gender equality indicators, with a target of 80 percent of FOs; (ii) value chain projects/businesses providing access to value chains, markets, technical knowledge, information and financing, with a target of 80 percent of value chain projects/businesses.

and developing their skills. Each participating FO was facilitated by a farmer business facilitator (FBF) selected from another mature FO.

The third output of the project, “FOs that are able to assist members’ access financing, concentrates on facilitating access to finance for FOs and their members though providing training on financial literacy, access to the ‘MMI grant’ to establish FO-led revolving loan funds, as well as facilitating access to different agricultural financial products of commercial banks” was measured by three indicators: (3.1) number of new financiers accept applications for financing FO investments; (3.2) percentage of FO and individual applications submitted that were approved by lender (M/F) and; (3.3) number of FOs that generate net plus incomes after the first cycle of production with the MMI grant (i.e. first cycle of their revolving loan fund).

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Synergy with other projects

During the design phase, the project applied a very innovative pilot approach that was not designed in synergy with other projects. However, as the approach started to prove fruitful, synergies developed during project implementation. The MMI approach of building strong POs has been adopted by the Smallholder Agricultural Competitiveness Project (SACP), funded by the International Fund for Agricultural Development, to mobilize 789 water user groups and 26 seed village groups. In addition, the PSC recommended an MMI mainstreaming approach across the country by strengthening apex POs.

C. ACHIEVEMENT OF RESULTS

The project's contribution to the expected impact, "reduced poverty and enhanced food security and nutrition", was fully achieved, exceeding the targeted 20 percent increase for each indicator, as described in further detail below:

- average annual household income of smallholder farmers increased 35 percent from the baseline BDT 200 950 (USD 2 392) to BDT 271 345 (USD 2 681). Adjusted for inflation⁹, this is a 7 percent increase in real income, as compared to a 6 percent decrease in real income that the control group farmers experienced.
- monthly average non-food expenditure per family increased 41 percent from the baseline BDT 8 235 (USD 98) to BDT 11 598 (USD 115), exceeding the original target of 20 percent. Adjusted for inflation, this was an 11 percent increase compared to the 5 percent decrease experienced by farmers in the control group.

Over the life of the project, the project reached nearly 11 000 smallholder members in 57 POs, exceeding the original targets of 10 000 households in 55 POs, and of which 64 percent were women and 25 percent were youth.

The expected outcome, "sustainable farmer organizations are providing their smallholder farmer members with access to value chains, markets, technical knowledge, information and financing" was fully achieved, with all three outcome indicators exceeding their original targets.

A total of 54 FOs have value chain projects/businesses that are generating revenues for FOs, against a target of 44 FOs. In addition, 56 FOs are operating revolving credit from member savings and at baseline, none of the FO value chain projects/businesses were generating revenue and only 20 FOs were operating revolving credit from members savings.

Of the total 57 FOs, 51 FOs had mobilized non-project financing, compared to a baseline of only 6 FOs. By the end of the project, these 51 FOs had mobilized nearly USD 1.1 million in non-project financing for new or expanding initiatives. The leverage ratio of project investment to non-project financing was approximately 1:0.35, exceeding the target of 1:0.1.

Output 1: Farmers organizations with good governance

The project's initial efforts aimed to ensure that the POs were strong and inclusive institutions. Significant time was spent to develop leadership, good governance, accountability, financial literacy, networking, negotiation skills and the confidence of the members. These laid a solid foundation upon which all other interventions took place.

The project launched its activities through a community-led participatory road mapping exercise to develop a sustainable mechanism for POs. The leaders of SBKS prepared a membership profile, strategies for developing a skilled workforce and a uniform financial management system to operate POs accounts and revolving credit. They also registered all POs with Department of Cooperatives and assisted members

- Output Indicator 1.2, target 40 FOs: A total of 50 FOs, had transparent decision making and bookkeeping, including FO account management, compared to the baseline of 19 FOs.
- Out

Output 2 was measured by six indicators, of which four were in the original logical framework matrix, and two additional indicators (2.5 and 2.6) were added after receiving additional COVID-19 recovery grants. All six indicator targets were achieved as described below.

- Output Indicator 2.1, target 40 FOs: 50 FOs enhanced their organizational performance to

Output 3 was measured by four indicators. The first three were in the original project design and the fourth (3.4) was added when the project received additional funding to measure outreach of the COVID-19 recovery revolving (CRR) loan among FO members. The results of the four indicator targets are further described below.

- Output Indicator 3.1, target two banks (one per region): A total of eight banks accepted applications to finance 11 FOs' investments. Five banks were in the northern region and three in southern region.
- Output Indicator 3.2, target 80 percent for FOs and individual applications: 100 percent of all 11 FO applications submitted were approved by the lender. A total of 20 percent of FOs were female only, and 63 percent of FO members were female. A total of 1 959 individual applications were made from 51 Fos (911 females), and 88 percent were approved.
- Output Indicator 3.3, target 30 FOs: after the first cycle of production with the MMI Grant (RLF finance), 50 Fos (of which 14 percent were female only, and 65 percent of FO members were female) generated a net income.
- Output Indicator

Contribution to expected outcome and impact

Strong, sustainable POs with good governance (as measured by Output 1 indicators), provided the basis on which other interventions were carried out. The POs served as an entry point for smallholders to access value chains, markets, technical knowledge and information gained under Output 2. Furthermore, the access to financing results achieved under Output 3 meant that smallholders were able to put their knowledge to good use and actually make profitable investments in their businesses. This contributed to the overall project impact to reduce poverty, as measured through increase in income and non-food household expenditure.

Assumptions

The main assumption behind the project's rationale was that smallholder POs had the potential to transform the livelihoods of their members. This held true throughout the project implementation, and the output indicators were well formulated, which greatly helped the monitoring and overall project

equitable access to resources), Better Production 5 (digital agriculture), Better

Table 1: Project extensions

Revision Date	Justification	Actual EOD	Actual NTE
16 April 2019	Re-allocation of budget as per mid-term review mission recommendation and FAOR proposal to create two new field facilitator posts	28 March 2018	27 March 2021
7 March 2021	Re-allocation of budget and inclusion of additional fund and 1 year extension	28 March 2018	27 March 2022
5 January 2022	Re-allocation of budget and new NTE	28 March 2018	27 September 2022
12 July 2022	Re-allocation of budget and new NTE	28 March 2018	25 March 2023

Resource partner contribution

The total resource partner contribution of USD 3 701 000

Risk management

The risk log was reviewed every year and considered relevant throughout the project implementation. More importantly, the project team actively managed risks. For example, to mitigate the risk of “misconduct by officeholders within POs”, the team provided rigorous training on financial management. The project also recruited two field facilitators (rural finance), not originally foreseen during project design, to monitor the handling of funds from LoAs and to provide learning-by-doing training to the POs. Out of the 57 POs, five were not eligible to receive a business grant from the project because their governance system did not reach the minimum level in time to ensure proper use of project funds. As a result, project funds were used correctly by POs, and the good governance system established in each PO will help prevent misconduct in future. In case it should still occur, SBKS has a monitoring

Further visibility came organically through external actors. The visibility of the project's innovative approaches for institutionalization, financing POs for 15 value chains and digitalization, reached many through the GAFSP portal, FAO YouTube channel, the World Bank blog, as well as print and electronic media (please also refer to Appendix for some examples of inspiring articles produced about the project).

E. SUSTAINABILITY

a. Capacity development

The sustainability of the project rests largely on its capacity building approach. The project developed s

increase from the baseline. The performance of POs in managing value chain business was 24.27 out of 30, a 318 percent increase from the baseline. On BFM per Finance improved by 89 percent from the baseline. In order to maintain the same pace and sustain high performance in PO management and governance, SBKS continues to provide backstopping support to the POs on a regular basis after closure of the project.

Figure 1: Performance of MMI supported POs (Source:).

The project actively and successfully advocated for government recognition of the potential role that POs can play in professionalizing the agriculture sector and providing access to finance. Specifically, the Government adopted a new policy that farmer organizations can act as a banking agent for banks.

In Bangladesh, the rules and regulations governing the

regulatory changes to facilitate the development of cooperatives managing a RLF to provide agriculture loans. The ACCESS project aims to improve livelihoods of smallholder farmers in climatic hotspots in Bangladesh so that they are more resilient to external shocks and crises.

The apex body, SBKS, developed into a professionally run producers' organization with a proper governance structure and procedures, salaried staff and revenue generating activities to pay for the staff. The SBKS will continue to support its member POs to develop their collective businesses, provide services to member farmers and run the RLFs.

b. Gender equality

The project, as well as SBKS as an organization itself, emphasized the importance of gender equality, particularly through increased access to finance and opportunities for women to become leaders in their POs. Membership of POs was 64 percent female, and 60 percent of finance through PO-led funds went to female borrowers. A total of 95 percent of POs scored satisfactory or higher in terms of gender balance in office holder positions. During the course of the project, many female PO leaders grew into champion FNFs, providing inspiration and support to POs throughout the SBKS network.

farming. For example, members of a SBKS member PO in Madhupur practice intercropping of pineapple, banana, papaya, ginger and turmeric in the same plot with a fencing of medicinal plants or flowers. In the southern region, many farmers have also been growing pulses during the dry season because they fixate nitrogen in the soil and are slightly saline- and drought-tolerant.

- The project supported eleven POs that are implementing the ‘seed village’ concept a community-based seed production scheme to ensure local seed production of locally and climatically adapted high yielding varieties and timely seed availability. In the southern region, farmers have selected saline-tolerant rice cultivars for use in innovative cropping patterns such as mustard oil (dry season), pulses (dry season) and rice (monsoon).
- The project conducted training on safe vegetable production, following GAPs that are also climate resilient. Climate-resilient practices that were included in the training were better soil management with use of organic fertilizers and compost, intercropping with short duration soil nutrition enhancing vegetables and better integrated pest management.

d. Human Rights-based Approach (HRBA) in particular Right to Food and Decent Work

Through the promotion of good governance of the supported POs, the project promoted human rights principles in PO decision-making processes. The project also involved POs (directly or through their apex) in project work planning, and during the course of the project gradually more so, for example also in the development of the application for additional funds. The project also included four SBKS members and two women in the PSC and Project Advisory Committee.

Under the Right to Food Guideline 4 (market systems), the project promoted both economic growth and sustainable development by mobilizing members’ savings, developing credit access, stimulating investment and increasing human capacity.

In terms of job creation, although not a main objective of the project, 492 part-time jobs were created for a total of 113 full-time equivalent positions, such like virtual call centre operators and MBWin teller operators and PO accountants. These all provided opportunities to computer-literate rural youth.

While the improvement of labour conditions was also not an objective of the project, the project produced a One Health video for its 13 POs involved in the dairy value chain. The video educates farmers on appropriate practices to avoid transmitting communicable zoonotic diseases, contributing to improving the safety and health of its members. During the

COVID-19 pandemic,

As a result of the

RuralInvest, along with matching grants for the establishment of common facility centres and increased access to finance through external linkages and PO-led revolving loan funds, served to ensure that capacity developed translated all the way through into increased incomes.

Ongoing support to POs thro

Common facility centres

The project facilitated the establishment of common facility centres at each PO to help decrease operating costs. These centres enhanced the economic activities of POs and enabled smallholders to access farm machineries at a competitive rate. Further, instead of buying high-priced inputs from companies, such as fish, cattle and poultry feed, these were produced directly by the POs at these centre

questions between the Ministry of Agriculture and SBKS

The third PSC meeting requested the Governor of the Bangladesh Bank (central bank) to include a clause in the “Agriculture and Rural Credit Policy” extending credit facilities with a low interest rate to registered farmers’ organizations practicing transparent financial management. In accordance with this decision, MoA sent a semi-official letter to the Governor of Bangladesh Bank. The Agricultural Credit Department of the Bangladesh Bank supportively replied to the MoA Secretary that the Agricultural and Rural Credit Policy and Programme, FY 2022-23, included agriculture group loan disbursement by farmer organizations.

“Since I am a woman, I want women to be given due respect and dignity of labour. I want female and male farmers to sell their produce at fair prices and to reduce productions costs through good business and farming practices.”

Over four years of relentless service to her designated POs, Rita Bamma surpassed others according to the internal evaluation of FAO and SBKS on the performance of farmer business facilitators. Owing to her popularity and acceptance among members, she became electe

Appendix 1

LOGFRAME MATRIX– ACHIEVEMENT OF INDICATORS

Results Chain	Indicators			If not achieved, explain why	If applicable/ follow-up action to be taken
	Indicators	Baseline	End target (<i>expected value at project completion</i>)		

Results Chain	Indicators				If not achieved, explain why	If applicable/ follow-up action to be taken
	Indicators	Baseline	End target (expected value at project completion)	Achieved		
	Outcome 3: Non-project financing mobilized for new or expanding initiatives (leverage ratio and amount).	6 FOs mobilized non-project financing for new or expanding initiatives (already due to project activities before baseline was conducted).	Leverage ratio 1:0.1 (BDT 30 million).	369% of target achieved 51 FOs mobilized BDT 110 58 million (USD 1 092 498) in non-project financing for new or expanding initiatives.		
	Output 1.1: Number of FOs that created a service fee payment mechanism for the FBFs after the closure of the project.	N/A	40, of which 5% female only, and with total 50% female members.	138% of target achieved 55 FOs (of which 14% were female only, and with a total of 64% female members) paid a service fee to their FBF.		

Output 1
Farmers organizations with good governance.

Output 1.2: Number of FOs with transparent des277 424.

Results Chain	Indicators	If
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Results Chain	Indicators	If
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FAO Bangladesh. 2021. *Market literacy: Agricultural Commodities* (Bangla). Dhaka. 21 pp.

FAO Bangladesh. 2022. *Handbook: 3-day Training on Digital Literacy*. Dhaka

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Appendix 3

PROJECT STAFF

Function	Dates of Service	
	Starting Date	Concluding Date
<i>International staff</i>		
Manuscript editor (English)	30 January 2020	25 March 2022
<i>National staff</i>		
National operations associate, ISU	3 May 2018	

Appendix 4

TRAINING AND

Number of Participants	Title of Study/Training Tour	Place	Date
167	National workshop on financ		

Number of Participants	Title of Study/Training Tour	Place	Date
	orientation on local manufacturing of agricultural implements		

Number of Participants	Title of Study/Training Tour	Place	Date
108	Community-based duck		

Number of Participants	Title of Study/Training Tour	Place	Date
27	Digital literacy training (part 1), Barishal	Action for Behavioral Change Foundation, Barishal	11-13 January 2022
59	Annual review and planning workshop	Rural Development Academy, Bogura	18-20 January 2022
42	Digital literacy training (part 1), Rangpur	ASOD Training Centre, Rangpur	22-23 January 2022
232	MMI community webinar on digital inclusion of smallholder farmers in Bangladesh	Virtual using Zoom link	7 February 2022

