



Making a difference in Asia and the Pacific



Special issue: December 2007

Bangladesh

Reducing poverty in the face of natural disasters

Welcome to the third edition of IFAD's newsletter for Bangladesh.

In 2007, Bangladesh was hit by two major natural disasters. First, from July to September, many areas suffered from severe flooding. Then on 15 November, a cyclone 'Sidr' hit south-western coastal areas causing great damage and loss of life. This newsletter describes the impacts of these disasters on IFAD-supported projects and how projects met the related challenges.

This newsletter also includes a summary of a market chain investigation covering fruits and vegetables supplied to consumers in Dhaka. Many development initiatives across the world are increasing emphasis on enabling poor people to access markets. Such efforts aim to spread the benefits of increasing economic interactions within and between countries – helping poor people gain from globalization.

Please send your comments to n.brett@ifad.org to help us make this e-newsletter responsive to your interests and needs.

Nigel Brett, Country Programme Manager, Asia and the Pacific Division

Latest News

New project is approved

On 12 September 2007, IFAD's Executive Board approved a new project for Bangladesh – the Finance for Enterprise Development and Employment Creation Project (FEDEC). The project will be funded by a US\$ 35 million loan from IFAD and a contribution of US\$ 22 million from the Palli Karma-Sahayak Foundation (PKSF).

The overall goal of the initiative is to increase employment opportunities and reduce poverty, hence contribute to economic growth. In doing this, it will make a direct contribution to the overarching goal of the government's poverty reduction strategy (PRS) which focuses on pro-poor rural growth. This would be achieved through expanding existing, and establishing new, micro-enterprises.

The project will be implemented by PKSF, through PKSF's existing micro-enterprise lending unit, and will scale up its lending to micro-enterprises. These are larger businesses than the household income generating activities that are normally funded by microcredit loans. The project will also improve access to complementary business development and value chain services. This will enable expanding businesses to tap new markets and add greater value to their goods and services. In widening the scope of micro-finance to areas which hitherto have been underserved, the project is considered to be part of the multi-donor programme to support micro-finance in Bangladesh entitled 'Promoting Financial Services for Poverty Reduction (PROSPER)'.

IFAD reviews and coordinates Bangladesh portfolio

On 6 October 2007, IFAD carried out a portfolio review workshop in Bangladesh. At this event, the project directors/coordinators of all IFAD-supported projects in Bangladesh discussed the progress of their projects with the Economic Relations Division (ERD), the IFAD country programme manager (CPM) and other IFAD representatives.

Contact

ifad@ifad.org
www.ifad.org

Martina Spisiakova
Newsletter Coordinator
m.spisiakova@ifad.org
Tel: +39 06-54592295

Nigel Brett
Country Programme
Manager
IFAD, Rome, Italy
Tel: +39 0654592516
n.brett@ifad.org

Hashibul Alam
IFAD Field Presence
Dhaka, Bangladesh
Tel: +88 0152422231
g.alam@ifad.org

Issue 2: April 2007

Progress in
implementation of
IFAD's new country
programme

Issue 1: October 2006

Knowledge sharing for
development effectiveness

Useful links

Bangladesh: knowledge
sharing for development
effectiveness, newsletter
on Bangladesh, issue 1:
[http://www.ifad.org/english/
operations/pi/bgd/km/index.
htm#1](http://www.ifad.org/english/operations/pi/bgd/km/index.htm#1)

IFAD in Bangladesh:
[http://www.ifad.org/english/
operations/pi/bgd/index.htm](http://www.ifad.org/english/operations/pi/bgd/index.htm)

Bangladesh: Case
studies and reports
[http://www.ruralpovertyport
al.org/english/regions/asia/
bgd/resources.htm](http://www.ruralpovertyportal.org/english/regions/asia/bgd/resources.htm)

Between April and December 2007, teams composed of staff from IFAD and the United Nations Office for Project Services (UNOPS) carried out:

- supervision missions of the Market Infrastructure Microfinance and Technical Support Project, Microfinance for Marginal and Small Farmers Project and the Smallholder Agriculture Improvement Project
- follow-up mission for the Sunamganj Community-Based Resource Management Project
- project completion review mission for the Smallholder Agricultural Improvement Project.

Floods disrupt the livelihoods of poor farmers



Floods in Gaibandha district.
Photo: Practical Action Bangladesh (NGO)

The BBC reported that this year's flooding in South Asia was the worst in living memory, affecting over 34 million people in Bangladesh, India and Nepal. In Bangladesh, 1,000 people lost their lives, along with over 1,500 cattle. With two-thirds of the country under water, agriculture was particularly badly affected. Crops on over 360,000 hectares were lost and on another 550,000 hectares crops were damaged. Compared with other years, floods came late in the monsoon season and some areas suffered flooding twice. This damaged seedbeds and prevented timely planting of the main aman rice crop. The implication is that food production will be substantially reduced and a significant amount of rice will need to be imported.

The western part of Bangladesh was particularly badly affected. Two IFAD projects are working in this area – Microfinance and Technical Support Project (MFTSP) and Microfinance for Marginal and Small Farmers Project (MFMSFP). Both projects are being implemented by PKSf through its partner organizations (NGO-MFIs). MFTSP focuses on microfinance and livestock for landless households and MFMSFP on microfinance for poor farmers.

In response to floods, both projects suspended collection of regular weekly savings and loan repayments and allowed members to withdraw savings. Partner organizations (POs) also provided members with additional disaster recovery loans at lower interest rates than normal to be repaid once they have recovered their livelihoods. Many POs also distributed relief from other sources, such as international relief organizations.

Living with floods in Gaibandha

Kohinoor Begum (40) and her husband Golder Bapari (55) live in Putimari Village of Saghata upazila in Gaibandha District. They have three sons and a daughter. Neither Kohinoor nor her husband had any formal education. Golder Bapari was deprived of his inheritance, so they became landless without even a homestead. They used to live on other people's land and earn their income from whatever work was available, such as labouring and selling vegetables. Only after Kohinoor joined a local NGO – SKS – and participated in various projects, was the family able to buy a small piece of land (36 decimals).



Kohinoor Begum and her husband working on their small piece of land
Photo: Rownok Jahan, IFAD consultant

SKS is a partner in the Marginal and Small Farmers Project. Since joining the project group three years ago, Kohinoor has taken two loans, each of BDT 10,000 (US\$ 146) and invested in vegetable production. The project trained her in cow rearing, vegetable production and integrated pest management (IPM). Since joining the project, Kohinoor has also leased another 21 decimals of land for vegetables and paddy. Her small pond provides fish for home consumption. The family now owns two bullocks (which are used for contract ploughing), three milk cows, and up to 15 poultry. With additional income she has earned with the help of the project, Kohinoor has improved her house, installed a tubewell and a slab latrine, and has purchased furniture, a table fan and mobile phone.

Ongoing IFAD operations in Bangladesh

[Market Infrastructure Development Project in Charland Regions](#)

Loan number: I-681-BD
Total cost: US\$43.9 million
IFAD loan amount: US\$25.0 million
Grant from Royal Netherlands Embassy of US\$ 5.0 million
Project type: rural development
Approval date: 13/12/05

[Microfinance for Marginal and Small Farmers Project](#)

Loan number: I-644-BD
Total cost: US\$29.7 million
IFAD loan amount: US\$20.1 million
Project type: credit and financial services
Approval date: 02/12/04

[Microfinance and Technical Support Project](#)

Loan number: I-609-BD
Total cost: US\$20.2 million
IFAD loan amount: US\$16.3 million
Project type: credit and financial services
Approval date: 10/04/03

[Sunamganj Community-Based Resource Management Project](#)

Loan number: I-567-BD
Total cost: US\$34.3 million
IFAD loan amount: US\$22.0 million
Project type: flexible lending mechanism
Approval date: 12/09/01

[Smallholder Agricultural Improvement Project](#)

Loan number: I-505-BD
Total cost: US\$25.7 million
IFAD loan amount: US\$18.6 million
Project type: rural development
Approval date: 29/04/99

However, Gaibandha is a flood-prone district. This year's floods washed away Kohinoor's vegetable crop. Flood water entered the house but the family managed to save their lives and their livestock and poultry. All their off-farm sources of income stopped during the flood. The increased price of rice, which was already high before the floods, further contributed to the family's financial losses (as they only have enough land to meet the family's consumption needs for six months).

Despite this crisis Kohinoor did not give up and is now growing an early crop of winter vegetables. She hopes that with a good profit from selling winter vegetables, the family's hardship will be over. But for the next two or three months, her family will have to live in poverty. For the future, Kohinoor plans to increase the number of cattle and purchase 66 decimal of paddy land for irrigated *boro* production. This will be less prone to flood damage and is expected to provide rice to feed the family for the whole year.

Source: Rownok Jahan, IFAD consultant

Rural Finance – IFAD is an active participant in a donor partnership in support of a rural finance sector programme entitled Promoting Financial Services for Poverty Reduction (PROSPER) which is lead by Department for International Development of the United Kingdom (DFID) with the Canadian International Development Agency (CIDA) currently considering joining the partnership.

Although Sunamganj district was not as badly flooded this year as it was two years ago, the district is routinely inundated every monsoon season. Vast areas are becoming an inland sea with villages as islands.

The Sunamganj Community-Based Resource Management Project has been constructing roads to improve access to villages. These roads, being made of concrete, withstood flooding well, unlike the more usual bitumous surfaces that normally need to be replaced after flooding.

However, in some places flood waters eroded the sides of project road embankments (see photo).

Although no surface slabs were damaged and it is easy to replace the eroded soil, the project is now considering how to make these embankments more resistant to erosion.



Road embankment eroded by floods
Photo: Sunamganj Community-Based Resource Management Project

IFAD is fully included in the 2005 United Nations Development Assistance Framework

International agricultural research centres

IFAD is working with the following institutions to enable improved access to agricultural technologies for poor farmers in Bangladesh:

International Rice Research Institute (IRRI)

World Fish Centre (WFC)

Non-governmental organizations (NGOs) implementing IFAD-supported projects in Bangladesh:

Agroforestry Seed Production & Development Association (ASPADA)

Al-Falah Aam Unnayan Sangstha (AFAUS)

Ananya Samaj Kallayan Sangostha Salgaria (ASKSS)

Annesha Foundation

Bangladesh Development Society (BDS)

Bangladesh Extension Education Services (BEES)

The impact of cyclone Sidr on IFAD-supported projects

On 15 November 2007, a major cyclone named Sidr hit the south-western coast of Bangladesh. This was the most destructive storm since the cyclone of April 1991, with similar wind speeds of over 240 km/hour recorded. However, due to improved warning and the availability of cyclone shelters for many (but not all) people, the human death toll was around 4,000 compared with over 130,000 in 1991.

Some of the force of Sidr was absorbed by the Sundarbans, the world's largest mangrove swamp which lost up to a quarter of its trees. Despite this, the cyclone significantly damaged property and infrastructure in an area where two IFAD projects, MFTSP and Market Infrastructure Development Project in Charlands Regions (MIDPCR) are operating. It affected about 8.5 million people. As of 2 December 2007, the Government's Disaster Management Information Centre reported that 563,887 houses had been destroyed and 939,675 damaged. A total of at least 500,000 cattle have been killed, which is comparable to the level of losses in the 1991 cyclone.



Damage caused by Sidr
Photo: Fazlul Kader, FEDEC, PKSF

MIDPCR is at its start-up phase and group formation is just beginning, so the impact of the cyclone on the project was limited. However, MFTSP has been operating for five years and was badly hit. The cyclone affected the groups of 15 out of 24 POs in the project. Reports from 11 of these 15 POs at the end of November show that 4,174 groups and 44,232 members with current loans amounting to BDT 281.0 million (US\$ 4.1 million) have been affected. This amounts to around 25 to 30 per cent of the total number of participants in the project.

Although, only six group members of MFTSP have been reported as being killed, it would be expected

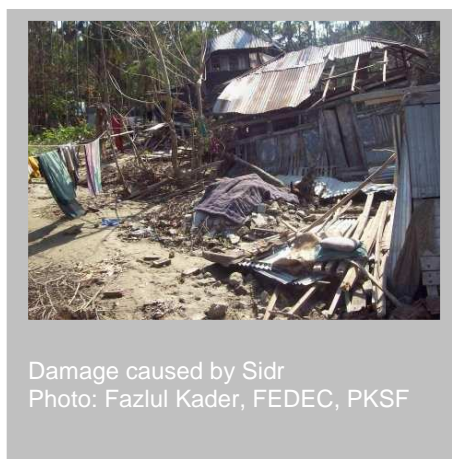
that 20 to 30 people in the families of group members will also have died. A total of 12,223 homes of project group members were totally destroyed, and 21,484 partially destroyed.

Damage to the livestock enterprises of project group members included:

- 93 chick rearing units which lost 10,289 chicks
- 55 model breeder units where 2,854 birds died
- 44 mini hatcheries where 4,825 eggs were damaged
- 4,787 backyard poultry units where 27,884 birds perished
- 448 broiler units which lost 49,333 birds
- 133 layer units where 12,842 hens were killed
- 1,817 cattle rearing units which lost 401 animals
- 90 beef fattening units where 40 animals died
- 1,295 goat units where 737 goats died.

The POs of PKSf were in the forefront of immediate disaster relief. They were distributing food and water from the stocks of national and international relief agencies as well as using their own resources. PKSf quickly formulated an action plan for cyclone recovery. This includes:

- Using the financial reserves of POs to supplement other sources of relief for PO group members if needed.
- Rescheduling the current loans of members who have suffered losses. The terms of rescheduling was going to be determined in discussion between the PO and groups, but POs have stopped the regular collection of repayments and savings in the affected area. In cases where group members have been killed, most POs have credit-life insurance schemes that will allow outstanding loans to be cancelled.
- Allowing members to withdraw savings to meet immediate needs.
- Providing special assistance for housing of borrowers affected by Sidr, through zero interest loans over three years, with six months grace from an existing disaster mitigation fund of PKSf.
- Providing low interest loans (4 per cent) using resources from the Livelihood Restoration Programme funded by the World Bank.
- Providing specialized loans for livestock and shrimp producers, fishing communities, and small traders at 4 per cent interest rate, utilizing BDT 1,300 million (US\$ 19 million) that the Government of Bangladesh will provide to PKSf for this purpose.
- Providing seasonal loans for agricultural rehabilitation after the relief programme ends at 4 per cent interest rate using PKSf's own funds.
- Replicating the approach of the Programmed Initiatives for Monga Eradication (PRIME) – a programme initiated by PKSf in the area – with cash-for-work and flexible loans with reduced interest rates to start income-generating activities (IGAs).



Damage caused by Sidr
Photo: Fazlul Kader, FEDEC, PKSf

MFTSP staff in PKSf are working closely with their colleagues to bring this assistance to the households of affected group members. Discussions with these groups show that they are very receptive to the proposed special loans for housing and re-starting IGAs. Many members have withdrawn savings and used them for house repairs, buying food and getting businesses going again, for example repairing a rickshaw.

Tragedy on a char island

Majher char in Pirojpur district is an island of newly accreted silt surrounded by the Balswar river. In total 1,200 mainly fishing households live on this char. Out of these households, 60 are members of two MFTSP groups organized by a local NGO called DDJ.

Renoo Begum was a member of one of these groups. She had five children. On 15 November 2007 the wind started to rise around 8.00 pm. Renoo's husband sent his mother, who was ill, and two young children to the cyclone shelter about one km away. However, Renoo and her husband stayed in the house. They had 20 cattle – a huge investment – some of which they were hoping to sell this coming Eid. Furthermore, there is no kila – a raised earth platform built as a refuge for livestock – on the char.

BEDO Segun Bagicha

Center for Action
Research Barindh
(CARB)

Centre for Advanced
Research & Social
Action (CARSA)

Centre for Community
Development
Assistance (CCDA)

Coastal Association for
Social Transformation
Trust (COAST Trust)

Dushtha Shasthya
Kendra (DSK)

Dak Diye Jai (DDJ)

Eskandar Welfare
Foundation (EWSF)

Eco-Social
Development
Organization (ESDO)

Gram Unnayan Karma
(GUK)

Grameen Manobik
Unnayan Sangastha
(GRAMUS)

Gano Unnayan
Procheshta (GUP)

Grameen Jano
Unnayan Sangstha
(GJUS)

Hilful Fuzul Samaj
Kallyan Sangstha
(HFSKS)

Integrated Community
Development
Association (ICDA)

Jatiyo Kallyan Sangstha
Sabujnagar (JAKAS)

Joypurhat Rural
Development
Movement (JRDM)

Naria Unnayan Samity
(NUSA)

Pally Bikash Kendra
(PBK)

At 11 pm an 18-20 foot high tidal surge struck the char and remained for 20 or 25 minutes. When the wave came, they released their cattle to fend for themselves. Renoo took her 11 year-old son while her husband took the other two children to find safety. The force of water snatched the boy from his mother's arms, but he caught hold of something, which turned out to be a tree. He could not see or hear his mother in the darkness and the noise of the storm. The next morning they found her body under a tree 500 meters away. However, Renoo's husband and other children were able to hang onto a tree and survived. Of their 20 cattle, 15 were dead, and their house and belongings were totally destroyed, along with almost all other houses on the char.

Source: A. Sarwar, MFTSP, Project Coordination Unit, PKSF

Some important lessons are being learned from this disaster which can be built into the design of future programmes. These include the vital importance of providing safe refuges for both livestock and people, and selecting deep rooted and wind-resistant species of trees to grow near buildings. MFTSP is commissioning a study into the impact of the cyclone on livestock so lessons can be learned for the future. MIDPCR was already planning to construct raised platform areas for markets, and these may need to be extended. The design of proposed market sheds could also be changed to incorporate flat concrete roofs that can be used as refuges during cyclones.

Cyclone hits Bhola island

Bhola is a large island (and a district) on the eastern side of the Meghna estuary. Although it is largely protected by a circular coastal embankment, many members of MFTSP groups live outside the embankment. The tidal surge caused by Sidr rose more slowly here than in Pirojpur and Patukhali. Many project participants could therefore move their livestock to safety on top of the embankment. Luckily, the surge took place at low tide, and although it reached the top of the embankment, it did not breach it.

Rashma Begum (22) is a member of Shikut Group, Dulahat, Bhola organized by COAST Trust (a partner organization of MFTSP). Rashma, her husband Salahuddin (32) and their six months old son live in a house on the coast of the main Bhola island. Their house is outside the flood protection embankment.

Rashma took a loan of BDT 7,000 (US\$ 102) from MFTSP to buy fertiliser for the paddy that her husband was growing on 0.97 hectares of land. The land was leased from the local Union Parishad government on a small char island called Kochua Khali. The family also kept six buffalos, three cattle and five goats here. On 15 November 2007, Rashma and her son took refuge in a cyclone shelter on Bhola mainland, but Salahuddin stayed on the island to save his livestock and crops. When the cyclone started, he went to the room he rented in a corrugated iron shed owned by the local government.

At 10pm, when the tidal surge flooded the char, Salahuddin climbed up into the rafters of the shed. Although the roof sheets were blown away, he clung on until the water receded after 3am. When he returned to his land in the morning, Salahuddin found his paddy crop largely destroyed and all his animals lost except for one buffalo and one goat. According to Salahuddin, the paddy field will now only produce 10 per cent of what he was expecting. 'I don't know how my family will survive,' he said.

The house mainland was also damaged. Salahuddin says he needs a new loan to repair the house and to cultivate his land again. With the new loan he plans to grow groundnuts, water melon and pulses in this rabi season.

Source: S. M. Rajiur, MFTSP, Project Coordination Unit, PKSF

Getting going again

Nurul Nahar is a trained mini-hatchery operator in a group organized by the Nabogram branch of Annesha Foundation (a partner organization of MFTSP) in Jhalokhati district. Nurul lives with her husband and two children aged 7 and 11. When the cyclone came, her husband took their 11 year-old son to another house, while Nurul hid under a bed with their other child.

Palli Progati Shayak Samity (PPSS)

Padakhep Manabik Unnayan Kendra (PMUK)

People's Oriented Program Implementation (POPI)

Practical Action Bangladesh (PAB)

Program for Community Development (PCD)

Project in Agriculture, Rural Industry Science and Medicine (PRISM)

Rangpur Dinajpur Rural Service (RDRS)

Resource Integration Centre (RIC)

Sabalambay Unnayan Samity (SUS)

Samj Kallan Sabgastha (SKS)

Self-Help and Rehabilitation Programme (SHARP)

Society For Social Service (SSS)

Society Development Committee (SDC)

Shariatpur Development Society (SDS)

Sangkalpa Trust

Thengamara Mohila Sabuj Sangha (TMSS)

United Development Initiative for Programme Actions (Uddipan)

Voluntary Association for Rural Development (VARD)

Uttara Development Program Society (UDPS)

Village Education Resource Center (VERC)

The wind completely blew away their house. Fortunately the bed stayed put and there was no tidal surge in this place. The wind blew off the walls of the mini-hatchery, which was a small shed beside the house. The heavy rain soaked 500 eggs which were being incubated. Nurul also had a model breeder unit to produce fertile eggs for hatching. A big tree fell on the chicken shed, killing 50 out of 200 breeding birds. Others were soaked by rain. The heavy rain also cooled the incubating eggs to such an extent that they were spoiled, while another 50 hens died later of pneumonia.

Nurul was left with 100 hens, which continued to lay, albeit at a reduced rate. However, she and her husband were too busy rebuilding their house to re-start the mini-hatchery until 1 December when Nurul set 150 eggs. Their six cattle managed to survive, though two have injured legs.

Source: A. Sarwar, MFTSP, Project Coordination Unit, PKSF

Opportunities to improve access to markets

Value chain analysis of the vegetable production and marketing system

The Microfinance for Marginal and Small Farmers Project (MFMSFP) commissioned a rapid assessment of the vegetable production and marketing system with special reference to supplies for Dhaka city markets. The study, led by Dewan Alamgir, a project consultant, was conducted in July 2007 against a backdrop of rising prices of vegetables in Dhaka.

Issues related to market actors

Producers

In Bangladesh, vegetable production in the summer season is a profitable business given good weather conditions. This is encouraging farmers, who have suitable flood-free land, to switch from traditional rice production to vegetables. Farmers feel that they are receiving good prices for their produce due to the presence of numerous buyers, good road communications and access to market price information (typically via mobile phones). Their main concerns are lack of good quality and high yielding varieties of seeds, rising input costs and knowledge about improved farm practices. They often also lack access to finance from either banks or MFI. Farmers did not complain about 'curtail by paikers' (collusion between paikers to fix their buying prices in local markets at a low level) or any artificial hindrance in selling their produce.

Rural markets and paikers

Rural markets have well developed linkages with Dhaka wholesale markets through a large network of paikers (wholesale traders). Paikers purchase vegetables from farmers either at the farm-gate or in local markets, and then pack and transport vegetables to Dhaka wholesale markets. Poor infrastructure in rural markets and poor packaging leads to spoilage and loss of quality. Paikers either use their own capital or take cash advances (daadan) from aarathdars (agents) in wholesale markets. Access to loan programmes of NGOs and credit from banks is limited. There are numerous full, part-time and seasonal paikers which ensures competition.

Transportation

The cost of packing and trucking from the neighbouring districts to Dhaka is between BDT 1.00 – 1.50 (US\$ 0.02) per kg. Transport from northern districts to Dhaka costs between BDT 2 – 4 (US\$ 0.03 – 0.06) per kg. This is quite expensive for low value products such as vegetables.

Wholesale markets

Paikers sell vegetables in Dhaka through aarathdars, who provide space and labour, and arrange payment on behalf of paikers. Aarathdars collect a commission from buyers (retailers). The widely held view that vegetables pass through many hands between producer and consumer is incorrect. Actually, the ownership changes only three times: producer to paiker, paiker to retailer, retailer to consumer.

The major wholesale markets in Dhaka (Karwan Bazaar, Jatrabari and Shympur) all suffer from very poor infrastructure for access, loading and handling of vegetables that leads to losses of quality and spoilage. These markets were built a long time ago. They have limited space, which restricts the number of aarathdars and so may limit the competition between them.

Retail markets

There are five types of retail outlets:

- permanent shops in permanently built markets
- temporary shops inside or outside permanent markets
- exclusive large shops and supermarkets
- small shops in paras/neighbourhoods and
- hawkers



Kawran bazaar in Dhaka.
Photo: Rownok Jahan, IFAD consultant

Retail prices reflect the purchase cost (wholesale price), labour, transport, spoilage and weight loss, market rent, incidental expenses and risk. Retailers add a margin based on their target daily income. Media reports saying that prices double between wholesale and retail markets are incorrect. The price of the same product may vary on the same day within city markets. This is due to factors such as freshness, colour, income of local consumers, transport, labour cost and hour of the day. Retail markets, many of which were built decades ago, face similar problems to wholesale markets, with the number of shops not keeping pace with the growing population.

Economic profile of traders

Most paikers and retailers of fruits and vegetables fit the general profile of poor to lower-middle income illiterate, to semi-literate persons. The business is considered difficult and involves hard work for long hours, sometimes in an unhealthy environment.

Margin analysis

Price analysis of sample vegetables in rural, wholesale and retail markets shows the following:

- The price increase between rural bazaar and retail markets in Dhaka is between 66 to 146 per cent.
- Farmers get 40 to 60 per cent of the retail price depending on the product, which is comparable to that in other countries.
- Paikers add a margin of around BDT 3.50 to 5.00 (US\$ 0.05 – 0.07) per kg of vegetable representing between 18 to 22 per cent of the retail price. From their revenue, they have to pay transport and other expenses of BDT 1.00 to 1.25 (US\$ 0.02) per kg. If vegetables are brought to Dhaka from more distant districts, transport cost will be higher and farmers will get a lower price for their produce. Although the margin made by paikers is not excessive, further competition could reduce the price mark-up at this stage.
- Aarathdars take a small commission of BDT 0.40 (US\$ 0.006) per kg representing between 1.5 to 2.5 per cent of the retail price, without taking any risk. Due to physical restriction in each of the current wholesale markets, it is extremely difficult to induce further competition in this segment unless new wholesale markets are made operational.
- Retailers add a margin of between BDT 3.60 to BDT 7.60 (US\$ 0.05 – 0.1) per kg representing between 18 to 35 per cent of the retail price. There is an opportunity to induce further competition in retail segment but it is important to note that retailers take the final risk.

Other long-term issues

Reduction in acreage

Highland areas in districts close to Dhaka that are traditional sources of fruit and summer vegetables are fast being used up for industries and associated housing. This decreases the area for vegetable production, especially during the summer monsoon seasons, when lower land is flooded. Moreover, vegetables are increasingly competing for space with the expanding commercial poultry and livestock sector.

Transport costs

Large quantities of vegetables are also brought from more distant production areas in northern and southern regions. Vegetables are low value, weighty and bulky commodities so the cost of transport is high relative to the final price. Strategically, this type of product should be produced near the place of consumption so transportation costs are minimal compared to retail prices.

Increase in demand

The population of Dhaka is increasing. Annually, between 400,000 to 600,000 people come to Dhaka to settle permanently. At the same time income is increasing. During the period from 2002 to 2006 Bangladesh experienced sustained economic growth. This means that demand for higher quality foods, such as vegetables, fruit, milk, meat, fish and eggs, is rising as people improve their diet. In addition, more vegetables are being exported – further adding to the demand.

Ramadan issue

Several years ago, Ramadan used to be during the winter season. But now it is moving towards the summer monsoon season, which is the short-supply season for vegetables. With a sudden surge in demand for one month, Dhaka residents should not be expecting lower prices in a supply-constrained period.

The price of vegetables for consumers in Dhaka has been rising because of increasing demand, rising cost of farm inputs and transport, poor management of physical markets, and a reduction in land available for cultivation. Future price increases could be mitigated by increasing vegetable production through crop diversification and a significant increase in the yield of vegetable crops. Although marketing margins are not excessive, some reduction may be achieved through inducing more competition in various segments of the value chain, especially by increasing the number of wholesale and retail markets, and the number of shops in existing markets.

To ensure plentiful supplies of vegetables at reasonable prices, the main focus of development efforts should be on production management and waste reduction through application of technology, and proper packing and transport.



Rural market in Kishorganj district. Vegetables are being loaded for transport to Dhaka.
Photo: E. Mallorie, IFAD consultant

Development planners also need to strike a balance between efforts to enhance farm income on one hand and reducing consumer prices in urban centres on the other. Any interventions designed to influence the market need a good economic rationale and not be artificial or temporary administrative steps. There is no quick fix for a complex problem such as food prices.

Recommendations of the study

Short-term recommendations are to:

- Increase the number of vegetable suppliers (paikers) from rural areas. Groups of farmers (farmers associations) may also do this job with assistance from NGOs.
- Set-up new retail and wholesale markets at different places in Dhaka.
- Improve physical infrastructure in existing markets to ensure easier loading and faster distribution of commodities. Also, as far as possible, expand the number of retail and wholesale shops.

Medium and longer term recommendations are to:

- Develop vegetable belts around Dhaka and other large cities and town by launching vegetable development projects to encourage farmers to opt for vegetable production.
- Increase yields of vegetables through improved inputs, better farm practices and the introduction of new varieties and technologies.
- Introduce simple post harvest and packaging methods at every stage of vegetable transport and distribution.
- Encourage commercial production and processing of vegetables by establishing linkages between entrepreneurs and national and international markets.
- Modernize major rural markets and wholesale markets in Dhaka and other major cities so that aggregate quantity and price information are collected and displayed electronically. This information should then be passed on to traders, farmers and the media through telephone or over the Internet.
- Improve physical facilities in rural large markets.
- Improve access to financial services for farmers and introduce new financial services for paikers.



Kawran bazaar.
Photo: Rownok Jahan,
IFAD consultant

Response to the study



Vegetable grower in MFMSFP.
Photo: Thengamara Mohila Sabuj Sangha (NGO)

The report was circulated to high level policy makers. The government has recently announced that new wholesale markets will be established in Dhaka – one of the principal recommendations of the study. MFMSFP has made arrangements for two of its NGO partner organizations to take space in a wholesale market where their farmer groups can bring produce for sale. This means increasing competition in the market chain. A previous IFAD-supported project (Agricultural Diversification and Intensification Project) did this with some success some years ago, through its market operating groups. A similar approach is now being promoted in the Department for Agricultural Extension's Northwest Crop Diversification Project supported by the Asian Development Bank.

The Market Services Sub-component of MFMSFP will build linkages between producers and markets. It will support commodity marketing groups and develop contract marketing arrangements. A similar

approach is incorporated into the Rural Enterprise Development Component of the Market Infrastructure Development Project in Charland Regions implemented by the Local Government Engineering Department and supported by IFAD and the Government of Netherlands.

At the production end of the chain, MFMSFP is providing credit and access to technical support for vegetable production, which was also a focus of the recently completed Smallholder Agricultural Improvement Project. MIDPCR will provide, through the Department for Agricultural Extension, support for the production of marketable crops. The forthcoming National Agricultural Technology Project, funded by the World Bank and IFAD, will promote improved technologies for all types of crops, and will also have a marketing component. The Finance for Enterprise Development and Employment Creation, another new project supported by PKSF and IFAD, will provide larger loans for emerging micro-enterprises which may include marketing and agri-processing enterprises, and will also provide support for marketing chains.