

BANGLADESH: CHANGING MARKETS IN FAVOUR OF THE POOR

The project Katalyst in Bangladesh promotes (“catalyzes”) change in markets to benefit the poor as producers, labourers and consumers. By relying on market mechanisms and locally funded public services, Katalyst avoids donor dependency and allows large numbers of beneficiaries to be reached. By 2011, 1’030’000 small enterprises and farmers had benefitted from such changes. Additional income of 130 million US dollars was created between 2008 and 2011. This Asia Brief illustrates the way Katalyst achieves results by showing how a contracting system in maize production was promoted, and through the story of Momena Begum, a poor women farmer living on an island in the Brahmaputra river.

Bangladesh is among the most densely populated countries in the world with 160 million people – over 1,000 persons per square kilometre – crowded onto a small delta plain. In other words: 20 times the population of Switzerland living in a country only three times its size. The majority of this population still lives in the countryside and depends on agriculture to make a living. Land sizes are small - on average around 500 square meters for a five-member household. Given the enormous pressure on land, farmers in Bangladesh grow three to four crops per plot a year in order to be able to feed the family and find some space to grow cash crops that can be sold in the market to earn an income. Being able to grow cash crops is important for preserving the fragile balance between food and income.

This Asia Brief presents the project **Katalyst** implemented since 2002 under the Ministry of Commerce, Government of Bangladesh. It is presently funded by the Governments of Canada, the Netherlands, the United Kingdom and Switzerland. Katalyst takes an unconventional approach for more efficient, more effective and lasting change benefitting the poor. This approach is illustrated here by one project intervention – the promotion of contract farming in maize cultivation. Promoting access to credit for maize growers through banks or microfinance institutions is one other such intervention. Maize is a cash crop that is well suited for poor farmers who want to earn an extra income. Katalyst therefore promotes several changes in the maize sector with the objective of benefitting the poor. Overall, Katalyst presently supports around 60 interventions in seventeen sectors and areas of interest with the objective of indirectly benefitting the poor.

Maize was only introduced in Bangladesh in the 1990s. Since then production has steadily increased, fuelled by a strong demand for feed from the poultry industry. Nevertheless, despite feed mills having a preference for fresh, locally produced maize, more than one-third of local consumption still needs to be imported. Maize is of particular relevance for the sandy-loamy strip of land alongside the Ganges and Brahmaputra River in Northern Bangladesh and for the river islands called “chars” in Bengali. These are among the poorest parts of the country. There is no electrical supply, infrastructure in general is poorly developed, and agricultural practices are very basic. The soil is not very suitable for Bangladesh’s more traditional cash crops like vegetables, and farmers have to leave land idle for lack of alternatives. At the same time, 50% of the soil here suitable for maize cultivation is not properly utilized.

A typical farmer family on a **river island called “char”** is extremely poor, earning as little as one hundred Swiss Francs per year, leaving little money to invest in agriculture. In addition to the land not being suitable for growing vegetables, the family does not even have the means to invest much in agriculture. Traditional banks and micro finance institutes do not usually extend their facilities to remote locations like the chars. Thus the household will typically grow rice one-third of the year to feed the family, maybe combined with some leafy vegetables on the side. After the harvest, family members will go off to the mainland looking for opportunities to make some money, maybe working as day labourers on a farm, or maybe at a construction site. Even if they can find work for some months, they are still typically unemployed for one-third of the year. However, during this period the family could potentially grow maize. The chars are surrounded by water and often there is no shoreline visible in either direction, which means it takes up to four hours to reach the mainland, and transport is expensive. Nevertheless, a typical farmer will travel up there at least once a week, because there s/he finds dynamic market places to buy regular staples like milk and soap, buy seeds and fertilizers to use in the farm, sell leftover rice after feeding the family, and look for opportunities to earn another day’s wage.



Photo 1: The challenge of living on a river island and getting access to markets to buy and sell goods and services

Because of this weak connection to the mainland, often a char farmer's knowledge of cultivation practices and market situations remains quite primeval, particularly knowledge of growing new cash crops like maize. S/he will tend to rely on seed and fertilizer retailers on the mainland for farming advice, but they are also often not very knowledgeable and do not always sell the best quality seeds, pesticides and fertilizers.

If a char farmer gets information on maize cultivation and gets better quality seeds and fertilizers, if need be on credit or by drawing from a savings account, it will enable him to utilize his land better. In addition to growing food to eat, s/he can also grow a crop to sell and earn money to invest in a better economic future. Thus the project Katalyst started working in the char areas to facilitate the introduction of maize farming as another income earning opportunity.



Photo 2: Maize – a cash crop for poor farmers

'Katalyzing' maize cultivation in the chars means that Katalyst does not provide services or goods such as training, seeds or credit, etc. to poor farmers itself. Instead, Katalyst works by first trying to understand the causes of problems such as lack of know-how, production inputs,

or opportunities to sell maize produced. It then partners with locally present actors, be it government agricultural advisory staff, retailers or feed mills, or multinational seed companies, to invest in providing tailor-made, lasting solutions for economic activities benefitting many

more poor farmers than it could reach directly. Figure 1 and the explanations that follow highlight the route taken by Katalyst (bottom to top) in maize chars in Bangladesh.

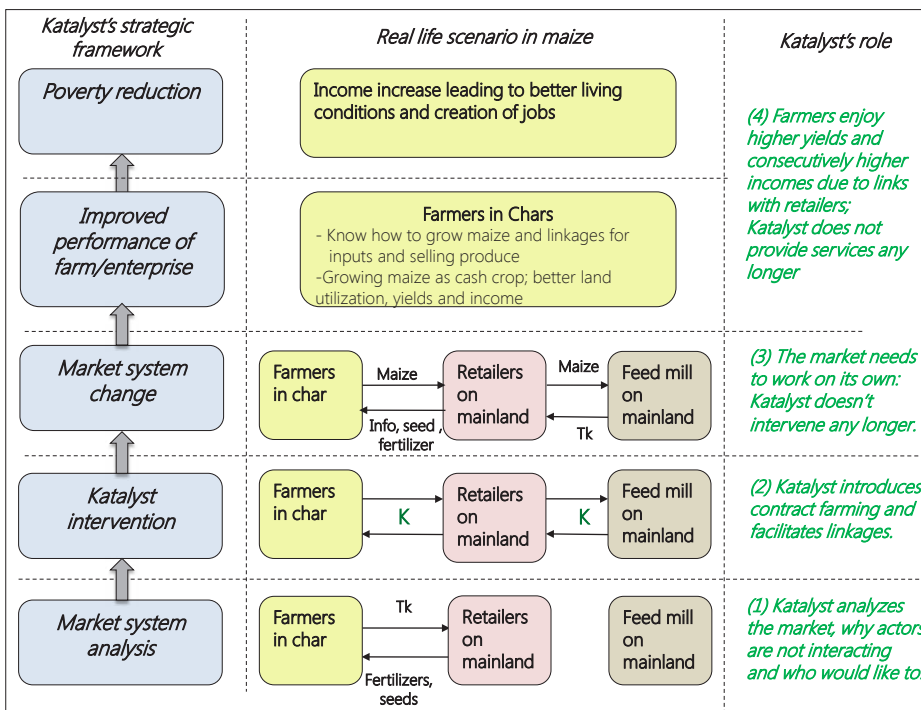


Figure 1: Contract farming model for maize production promoted by Katalyst in Bangladesh

(In the diagram Tk refers to Bangladeshi Taka (1 Swiss Franc =87 Tk; K refers to Katalyst)

(1) Katalyst first set about understanding the dynamics of the chars (the farmers, who and what influences them) by doing a 'market system analysis'. The 'market system' comprises the constellation of private and public actors (stretching from the seed retailer and extension worker in the village up to government departments, feed mills and banks) who influence or can influence the char farmers. Analyzing the market system, Katalyst imagined that since there was a demand for maize, and profits can be made from trading maize and selling its inputs (such as seeds, fertilizers, pesticides), retailers and traders might be willing to invest in maize cultivation in chars if they could earn profit from it.

(2) Thus using its market intelligence, Katalyst set forth to introduce a system of 'contract farming' to induce maize growth in chars. Katalyst partnered with retailers to introduce maize cropping to char farmers, as the char farmers already knew the retailers and relied

on their advice. Katalyst introduced a system whereby the retailers could expand their business and go into maize trading by contracting char farmers to produce maize for them. Using their existing retail business, the retailers could provide char farmers with maize seeds and fertilizers on credit, combined with basic know-how of how to grow maize and in return buy their harvest to sell to feed mills. It is an efficient way to reach a large number of char farmers as retailers had the motive to sell to as many clients as possible. Katalyst also introduced the retailers to feed mills, so that they could sell the harvested maize to them. In other words, it thought through a way of creating a win-win scenario between feed mills, retailers and farmers, and developed their capacity in making this happen. Katalyst bore 60% of the cost of training and advising the retailers to manage the contract farming system and to transfer know-how to farmers on maize cultivation; the retailers bore all the recurrent business cost (providing seeds and fertilizers on credit, transporting the maize produced by farmers to the mainland, etc.).

- (3) Katalyst thus triggered a change in the economic environment surrounding the char farmer. While previously the different actors had no interaction with each other (feed mills and retailers) or only sporadic interaction with each other (farmers purchasing occasionally from retailers), now there are stronger relations between feed mills, retailers and farmers in chars. These relations should continue to last, and be sustainable without support from Katalyst. Katalyst simply reduced the initial risk and helped retailers think through how to set up this new business. As maize cultivation catches on, retailers and feed mills should be able to cope with this expansion, buying maize from more char farmers without further assistance from Katalyst. Thus instead of directly training char farmers or buying seeds for them, Katalyst played the role of a facilitator or “catalyst” to help solve the problem by influencing its partner (retailers) to provide the solutions.
- (4) As a result, all parties benefit from this improved functioning of the market system: the feed mill from an increased supply of locally produced maize; the retailers from an increase in business (maize input sales and maize trade);

and the farmers from growing maize as a cash crop. As of 2011, the income of farmers involved in contract farming went up by 65%, effectively contributing to poverty reduction in chars.

In order to reach more farmers, Katalyst is now working to further develop relations between retailers and Chareon Pokphand (CP), a feed mill/seed producing company, so that CP will share some of the costs and risks involved in contract farming, for instance by paying for training or by allowing the retailers to sell their company seeds to farmers on credit. If in future there are natural calamities like drought, CP could **effectively** introduce drought-resistant varieties of seeds and promote them through the retailers in order to get their desired volume of local maize. As of 2010-2011, CP has 15 contractors, buying maize from around 3000 char farmers.

Momena Begum is one such farmer living in a char called Harudanga in the Brahmaputra River in the Gaibandha District. Divorced at an early age, Momena now lives with her father and two daughters. Despite owning about 5,000 square meters of land in the char, she only grew rice in her field as her knowledge of farming was limited and she did not have the money to invest. She frequently went to work in the mainland, sometimes as a maid, sometimes in a farmer’s field, making only 80 Swiss Francs per year. By chance in 2009, Momena started working as a day labourer for Md. Momtaz, a maize contractor, who encouraged her to try growing maize on her land. Momtaz initially gave her some seeds, fertilizer and pesticides on credit. Using these inputs, Momena started her first year growing maize. However, she did not use the inputs properly and most of her maize got destroyed by flooding. Persistent by nature, she tried again the next year, consulting Momtaz for more information. As a result, her yield increased substantially, earning her an annual income of 470 Swiss Francs. Impressed by her resilience, in 2011 Momtaz enlisted Momena as his contract grower of maize and this year she has doubled her income. Momena has now stopped working as a day labourer and instead leased more land to expand her maize business. Using this income, she has built her own house and enrolled her daughter in school to give her a more secure future.



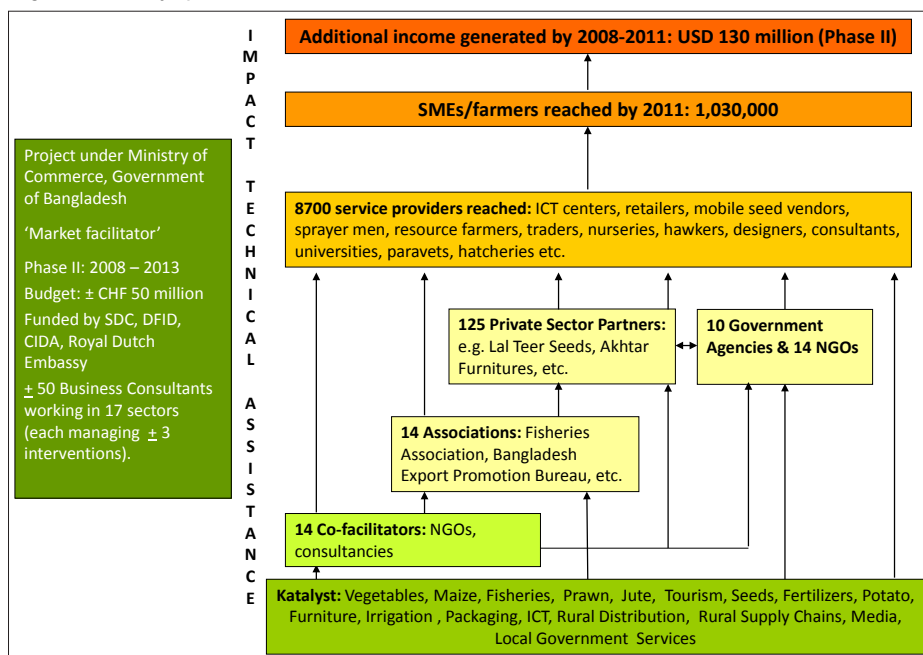
Photo 3: Momena Begum has markedly improved her income situation and the living condition of her family

Following the same approach and “philosophy” used for contract farming in maize production outlined above, Katalyst pursues **other interventions** to strengthen the position of the poor **in the maize sector**. These include promoting the access of poor maize growers to financial services, and working with fertilizer and micro nutrient companies to encourage the appropriate use of fertilizers, which helps to increase maize yield while maintaining soil fertility.

Katalyst’s portfolio of interventions as a whole today includes market development activities in 17 sectors or areas of interest, with annual expenditures of 10 million Swiss Francs. Besides maize, these include fisheries, vegetables, prawn, jute, potatoes, furniture, tourism, seeds, fertilizers, irrigation, packaging, media, information and communication technologies (ICT), rural distribution, rural supply chains, and public services delivered at local levels. Katalyst chooses these sectors based on whether they have a growth potential and whether the poor can benefit from this growth and development through their involvement as producers, labourers and consumers. There are also synergies between these sectors. For instance, by working through the media and ICT sectors, Katalyst spreads business information to a large variety of companies and small enterprises in a larger assortment of sectors, such as maize, vegetables, fisheries; by working in seed and fertilizer sectors, Katalyst aims to ensure the availability of good quality seeds and

fertilizers for poor maize and vegetables farmers, amongst others. Figure 2 provides a consolidated overview of the sectors, main intermediaries involved, and results achieved up to the level of small enterprises, including farmers. These have been established through a sophisticated monitoring and evaluation system.

Figure 2: The Katalyst portfolio with sectors, intermediaries and results



Katalyst engages with a range of different partners: private companies, associations, government, local and international non-governmental organisations, etc. It ensures that different service providers (retailers, traders, designers, local business consultants) deliver essential products (such as seeds, fertilizers) and services (such as information, trading, savings and credit) to a clientele base of poor farmers and small and medium enterprises (SMEs). Figure 2 also shows the effect, i.e. additional income generated for these farmers and enterprises, through Katalyst's work so far in the period 2008–2011.

By working with only a select number of private sector partners, Katalyst leaves room for other players to copy similar practices, enhance competition and broaden the access to services for farmers and small enterprises. For instance, in the maize sector, several other retailers have been seen to have adopted the contract farming system introduced by Katalyst, so that they can also have more client farmers and trade maize. In turn, the poor get the opportunity to utilize their resources (land, labour) in the best possible ways (with good information, quality seeds, secure market to sell their produce), have a choice among traders, and earn more income.

Working with the private sector for poverty reduction

One of the Millennium Development Goals (MDGs) set by the 192 United Nations member states is to eradicate poverty and hunger in the world's poorest countries by 2015. To reach this goal, international development cooperation agencies such as the Swiss Agency for Development and Cooperation (SDC) have to contribute to the mobilization of the poor's resources and entrepreneurial

capabilities, and work together with private businesses and governments who all form part of the world around the poor. It is not possible to work alone and reach a substantive number of poor people without engaging the resources and the innovative capacity of both private and public actors. Katalyst embodies this vision. It shows how development cooperation can engage different partners (private companies, associations, local government) to play a role in improving poor people's lives in a sustainable manner.

Links

SDC: <http://www.sdc.admin.ch/>
 SDC Bangladesh: <http://www.swiss-cooperation.admin.ch/bangladesh/>
 Katalyst: <http://katalyst.com.bd/>

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