

BRAC Tenant Farmer Development Project in Bangladesh

by

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1- Background and Context

The incidence of rural landlessness has been steadily increasing in Bangladesh. Households who do not own any land at all has increased from 10.2% in 1996 to 12.8% in 2008, while those who do not own any cultivable land increased from 27% to 33% over 1983-84 to 2008.

Due to the constraints of conventional micro-credit and formal banking systems in reaching the farming community especially the tenant farmers in Bangladesh, BRAC, the largest NGO in the world, introduced the 'Tenant Farmers Development Project (Borga Chashi Unnayan Prakalpa (BCUP), with a low-interest revolving fund from the Bangladesh Bank (Central Bank of Bangladesh) under its financial inclusion strategy.

The project was initiated in December 2009 with BDT. 5,000 million (US\$ 70 million) as revolving loan fund with a rate of interest of 5% per month. The fund was given initially for three years with a target of providing credit to 300,000 farmers within this period. The target group was tenant farmers with a size of farm of up to two acres either fully (pure tenant) or partially (tenant-owner) rented from landowners under different tenancy arrangements. In 2012, Bangladesh Bank approved extension of the project for another three years.

2- Partnership, Structure and Processes

BRAC partnered with the government of Bangladesh through its central bank, Bangladesh Bank, for the Tenant Farmers' Access to Credit and Extension Services.

The BCUP provides customized credit services to the farmers by provided loans at subsidized rate of interest of 10% per year at a flat rate. The effective rate of interest comes to 18% on declining balance. According to the rules of the Micro-Credit Regulatory Authority of the Bangladesh Bank, NGOs can charge up to a maximum of 27% rate of interest on declining balance for their microfinance operations. Although the provision of extension service was not stipulated in the

terms and conditions of the project contract, BRAC decided to include extension services on the premise that improved farming practices could increase the profitability of farming and thereby improve capacity of the borrowers to repay the loan.

The main objective of the project is to reduce dependence of tenant farmers on high cost informal markets for financing their working capital needs as they do not have access to the formal financial institutions. These poor farmers are also usually bypassed by the extension services of the Department of Agricultural Extension (DAE) under the Ministry of Agriculture. So, the supplementary objective of the project is to provide them knowledge on modern technology and crop management practices at free of charge.

As mentioned earlier, an important feature of the program is formation of Village Organizations (VO) as the platform for delivery of services. In the VOs, members are grouped in teams of five members and four to eight teams consisting of 20 to 40 members form the village level informal tenant farmer association. The VO meets every month on a fixed day and time which is attended by the BCUP Program Organizer and an agricultural technician. Apart from the discussion of loan proposal and collection of repayment of instalment due and deposit of savings, farmers get agricultural information, advice and training from the Agriculture Development Officer (ADO).

Village organization (VO) formation and loan disbursement procedure:

Selection of members:

- 1) Matching the household with BCUP selection criteria
- 2) Orienting the farmers with the BCUP program and its terms and conditions.



VO formation:

- 1) Initially form a small group of 5 farmers informally if they agree to the terms and conditions of BCUP.
- 2) Motivate and invite other farmers to form a large group or VO consisting of a minimum of 3 small groups or 15 members.



Final verification:

Collection of member information and finalization of the list through verification by the Branch Manager on eligibility of the selected members based on selection criteria



Orientation meeting and formal admission of new members



3- Results so far

BCUP is targeted to reach all the 484 sub-districts (upazilla) of Bangladesh in successive phases. In 2012, it reached 212 sub-districts. By December 2013, the project organized over 355,000 tenant households in 16,517 Village Organizations. Women now constitute almost 71% of the members. The amount of loans disbursed has reached Tk. 695 crores (US\$ 147.3 million) and nearly 51% of it has been accessed by women farmers. About 148,000 farmers received training on improved technology and cultivation practices.

4- Expected Results

The project initially targeted male farmers of the tenant farm households by organizing them into informal village level associations. The association meets once a month attended by the project's credit and extension staff, where problems of the farmers (insects and diseases, accessing inputs, etc.) are discussed and instalments of repayments are collected. However, during implementation of project it was observed that men do not like to attend the monthly meetings because of the high opportunity cost of time. Also, many women are engaged in vegetable production and in poultry and livestock activities around the home gardens. It helps to generate a regular stream of income that would facilitate repayment of loans in small instalments on a regular basis. So, the project decided to include women along with men in the village organization of the tenant farmers. It is expected that the project will contribute to faster adoption of improved technologies thereby increasing land and labor productivity. The productivity growth will increase the profitability of farming for the tenant farmers by reducing the cost of production that will ultimately improve their livelihoods and nutritional status.

5- Private Sector Growth Component

The information on changes in the agrarian structure and tenancy market shows that many medium and large landowners are leaving farming in favor of rural non-farm activities and/ or migrating to urban areas in search of better economic opportunities. But they are not selling the in-land. Instead, they are renting out land to small and marginal farmers and their former agricultural laborers in small sizes. As a result, the number of small and marginal farm households has been growing despite rapid rural urban migration and expansion of rural non-farm economy. The tenancy market has moderated distribution of land holding in a regime of highly skewed land ownership.

The agrarian structure is getting increasingly dominated by marginal and small farms that are largely dependent on the tenancy market for land. These farmers, however, have limited access to credit and extension services. The BCUP was designed to meet the demands of working capital for farming and knowledge of improved technology and farming practices.



Biographies of Authors:

Mr. Mohammad Mamdudur Rashid joined BRAC Bank in December 2009. He has been in financial services for 19 years out of which 15 years have been in banking, a career that began in 1995 with Citibank-Bangladesh. In his banking career that covers multiple cultures across Bangladesh, India and Australia. M.M. Rashid managed a number of functional areas covering Finance, Operations, Credit Administration, prior to joining BRAC bank, M.M. Rashid was the Head of planning and Analysis for Citibank-Australia and New Zealand for its institutional banking business.

He held numerous other senior management positions of Citibank including that of Chief Operating Officer of Citibank-Bangladesh during 2001-2005. He completed his MBA from the institute of Business Administration (IBA) of Dhaka University as Vice Chancellor's Gold medalist and his MA in International Economics and Finance as a Fulbright Scholar from Brandeis University of Massachusetts, USA. In his multifaceted career, M.M. Rashid has been a Lecturer of Finance in IBA, a Merchant Mariner and has won the President's Gold Medal of Marine Academy in 1985.

As you decide how to best write your 4-page note, you might want to consider some of these ideas:

- *Country, Name of initiative, Year established.*
 - *Areas in which the initiative is designed to have an impact on.*
 - *Main government and private sector sponsors.*
 - *Development Partner sponsor.*
 - *Program management/Coordinator/facilitation main people and facilities.*
 - *Background and context information (explain the background of the partnership and list the major milestones. Indicate budget, funding sources and relationships with government, private sector, other donors and others in the World Bank Group. Indicate your sense of ownership of this initiative, if you feel it is sustainable, if its vocation is to become an institution or remain a temporary initiative).*
 - *Enacted reforms processed through this public-private initiative (list each reform separately and indicate the specific reference for each law, code, act, etc.). Estimated impact of reforms listed above, if ever estimated.*
 - *What material or guidance have you been using to help you in the implementation of this initiative?*
 - *What are some of the biggest challenges you have encountered in the establishment of the PPD?*
 - *What are some of the risks you have encountered and how have you mitigated these?*
 - *What would you identify as some of the main factors of success while establishing dialogue?*
 - *Status and progress of the partnership in the following 12 areas. Give as much detail as you see fit. Feel free to refer to the PPD handbook for a better understanding of these process areas):*
1. *Mandate and Institutional Alignment (what is the mandate of the initiative, where is it anchored, what role for different actors, how is the secretariat funded, etc.).*
 2. *Structure and Participation (how many working groups and on what, working group membership and base, respective roles, etc.).*
 3. *Champions (what political will, reservoir of experience and initiative in the private sector, who are the main champions, etc.).*
 4. *Facilitator (who is facilitating, how is the secretariat organized, what are the different roles, etc.).*
 5. *Outputs (what are the desired outputs of the initiative, what are the main targets, and what is the selection process for reform proposals, etc.).*
 6. *Outreach and communications (is there a communication strategy, stakeholder plan, what has been its outputs and results so far, is there a website, etc.).*
 7. *Monitoring and evaluation (is the initiative being evaluated periodically, what method or process is used for doing so, what indicators have been adopted, and what corrective measures have been adopted when issues were identified, are there planning tools, are results reported publicly, etc.).*
 8. *Sub-national (is there a sub-national component to this initiative, etc.).*
 9. *Sector-Specific (how does the initiative addresses sector, clusters, or industrial strategies, etc.).*



10. *International Role (has the initiative a role in international negotiations regarding trade, commercial treaties, promoting regional trade etc.).*
11. *Crisis-mitigation (has the initiative a role in re-building trust between conflicted parties – post-conflict economies, or has it had a role in addressing critical needs after a crisis – financial crisis , natural disasters, etc.).*
12. *Development partners (what is the role of donors, how are donors coordinating their activities around the initiative or not, how is the agenda of the initiative independent or not for these this of donors, how financially dependent the PPD is from donors etc.).*