

**BAN: Second Crop Diversification Project
Project Preparatory Technical Assistance Concept Paper**

Date: 26 January 2009

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|---|--|---|---|------------------------------------|---|---------------------------------|---|----------------------------------|---|--|--------------------------------------|---|---|---|---|-------------------------------------|--|--|---|
| <p>1. Country Partnership strategy (CPS) / Regional cooperation strategy (RCS): Bangladesh Country Operations Business Plan (COBP) 2008-2010</p> <ul style="list-style-type: none"> • Year included in CPS/RCS/COBP/ROBP/CPS or RCS Midterm Review Report: 2008-2010 (Bangladesh COBP) • Reference number and date approved: IND.190-07, 22 August 2007 • In case of change in the PPTA title, type, or amount, please state reason: | | | | | | | | | | | | | | | | | | | |
| <p>2. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> | | | | | | | | | | | | | | | | | | | |
| <p>3. Assistance Focus</p> <p>a. MTS Sector Group</p> <p><input type="checkbox"/> Group I <input checked="" type="checkbox"/> Group II <input type="checkbox"/> Group III</p> <p>b. Sector(s):</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Agriculture and Natural Resources</td> <td><input type="checkbox"/> Industry and Trade</td> </tr> <tr> <td><input type="checkbox"/> Education</td> <td><input type="checkbox"/> Law, Economic Management and Public Policy</td> </tr> <tr> <td><input type="checkbox"/> Energy</td> <td><input type="checkbox"/> Transport and Communications</td> </tr> <tr> <td><input type="checkbox"/> Finance</td> <td><input type="checkbox"/> Water Supply, Sanitation, and Waste Management</td> </tr> <tr> <td><input type="checkbox"/> Health, Nutrition and Social Protection</td> <td><input type="checkbox"/> Multisector</td> </tr> </table> <p>Subsector(s): Agriculture Production, agroprocessing and agribusiness</p> <p>c. Targeting Classification</p> <p><input type="checkbox"/> Targeted Intervention (TI)</p> <p><input type="checkbox"/> Household (TI-H) <input type="checkbox"/> Geographic (TI-G): <input type="checkbox"/> MDG TI (M1-M7):</p> <p><input checked="" type="checkbox"/> General Intervention (GI)</p> <p>d. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subtheme(s): Developing rural areas, public-private partnerships, gender equity in opportunities</p> | | <input checked="" type="checkbox"/> Agriculture and Natural Resources | <input type="checkbox"/> Industry and Trade | <input type="checkbox"/> Education | <input type="checkbox"/> Law, Economic Management and Public Policy | <input type="checkbox"/> Energy | <input type="checkbox"/> Transport and Communications | <input type="checkbox"/> Finance | <input type="checkbox"/> Water Supply, Sanitation, and Waste Management | <input type="checkbox"/> Health, Nutrition and Social Protection | <input type="checkbox"/> Multisector | <input checked="" type="checkbox"/> Sustainable economic growth | <input type="checkbox"/> Environmental sustainability | <input type="checkbox"/> Inclusive social development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Governance | <input checked="" type="checkbox"/> Private sector development | <input checked="" type="checkbox"/> Gender and development | <input type="checkbox"/> Capacity development |
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| <input checked="" type="checkbox"/> Sustainable economic growth | <input type="checkbox"/> Environmental sustainability | | | | | | | | | | | | | | | | | | |
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| <input checked="" type="checkbox"/> Gender and development | <input type="checkbox"/> Capacity development | | | | | | | | | | | | | | | | | | |
| <p>4. Name of the Project Officer: Jiangfeng Zhang</p> <ul style="list-style-type: none"> • Local Number: 5512 • Email Address: jzhang@adb.org | <p>Name of the Alternate Officer: Marzia Mongiorgi-Lorenzo</p> <ul style="list-style-type: none"> • Local Number: 6262 • Email Address: mmongiorgi@adb.org | | | | | | | | | | | | | | | | | | |
| <p>5. Department/Division: SARD/SANS</p> | | | | | | | | | | | | | | | | | | | |
| <p>6. Project Description:</p> <p>The proposed Project will be a follow up of the on-going and successful Northwest Crop Diversification Project (NCDP) approved in 2000 and due to close in 2009. The Project will continue activities in the existing project area at a lower level of intensity and expand project activities to new areas in the Northwest Region as well as the neighboring regions. The Project will (i) demonstrate and disseminate up-to-date technology in alternative, high value crops; (ii) mobilize farmer groups and provide credit packages and technical guidance to small and marginal farmers to allow them to engage in high value crop production; and (iii) provide guidance and credit assistance for post-harvest value addition and marketing. The TA is considered necessary to prepare the project proposal for Board consideration and will: (i) assist the Government to identify suitable areas for an expansion of crop diversification activities within the Northwest and neighboring regions; (ii) formulate in detail the scope of the expanded project; (iii) identify the most appropriate participating</p> | | | | | | | | | | | | | | | | | | | |

agencies, including both Government and non-government agencies and identify any capacity building requirements of these agencies; (iv) determine the most appropriate project implementation arrangements; (v) determine the project cost and financing arrangements; (v) determine the flow of funds for project activities; (vi) ensure that the project will comply with ADB and the Government's safeguard requirements in terms of land acquisition, resettlement, environmental impact, gender, ethnic minorities, financial management and governance; (vi) formulate monitoring and evaluation arrangements; (vi) provide a sound economic, financial and social justification for the project; and (viii) ensure the sustainability of project interventions.

- Link to Country Partnership Strategy/Regional Cooperation Strategy:

The Project is consistent with the poverty reduction strategies of the Government and ADB, which recognizes that improving farmers' livelihood through productivity enhancement, crop diversification and commercialization, and agribusiness development is essential to poverty reduction in the rural area of Bangladesh. The national poverty reduction strategy¹ (NPRS) 2005 identified four areas of focus for agriculture and rural development: (i) intensification of major cereal crops including rice; (ii) diversification of high value non-cereal crops (vegetables, fruits, pulses, and spices); (iii) development of non-crop agriculture (fishery and livestock including poultry); and (iv) promotion of rural non-farm activities (rural infrastructure, transport and services). ADB, under the country partnership strategy for Bangladesh for 2006-2010,² has more focused interventions on crop intensification and diversification, agribusiness development, livestock entrepreneurship development, and water resources management, aiming to increase farm productivity, enhance income of small and marginal farmers and ultimately benefit the rural poor. The Project will complement and build on lessons learned from, among others, the ADB-assisted NCDP and the Agribusiness Development Project, the World Bank-assisted National Agricultural Technology Project, and interventions in the sector by the Danish International Development Agency and the United States Agency for International Development. By increasing rural incomes, the Project will directly improve food security and complement the recently approved Emergency Assistance for Food Security Project.

The revised concept paper summarizes the design and monitoring framework (**Appendix 1**), and arrangements of the TA based on discussions held with the Government of Bangladesh. The outline terms of reference for consultants to be engaged by ADB is given at **Appendix 2**. The cost estimates and financing plan for the TA are given at **Appendix 3**. The initial poverty and social assessment is given at **Appendix 4**.

- Impact

The impact of the ensuing loan will be increased food production and value-addition to food crops, enhanced farm incomes, increased employment opportunities, and higher levels of food security.

- Outcome

The outcome of the PPTA will be a project design that the Government and ADB will have agreed upon for a project to be financed by ADB loan.

- Output, Key Activities and Time Frame

Outputs from the TA will include: (i) formulation of a project design including detailed implementation and management arrangements; (ii) a technical assessment of the proposal including economic and financial assessments; and (iii) a social and environmental assessment of the proposal including the preparation of necessary safeguard documents. Key activities to attain these outputs will include:

- (i) the identification of suitable areas for an expansion of crop diversification activities within the Northwest and Southwest Regions;
- (ii) the formulation of the scope of the expanded project including a delineation of the proposed project components;

¹ Government of Bangladesh. 2005. *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*. Dhaka.

² ADB. 2005. *Country Strategy and Program (2006-2010): Bangladesh*. Manila.

- (iii) the identification of the most appropriate participating agencies, including both government agencies and NGOs and the capacity building requirements of these agencies;
- (iv) a determination of the most appropriate project implementation arrangements;
- (v) a determination of the project cost and proposed financing arrangements;
- (vi) the resolution of the flow of funds for project activities;
- (vii) the preparation of analyses to ensure that the project will comply with ADB's and the Government's safeguard requirements in terms of land acquisition, resettlement, environmental impact, gender, ethnic minorities, financial management and governance;
- (viii) the formulation of monitoring and evaluation arrangements;
- (ix) a sound economic, financial and social justification for the project;
- (x) the delineation of measures to ensure the sustainability of project interventions and the confirmation of the project proposal with stakeholders and development partners.

7. Potential issues and risks

The envisioned interventions should not entail adverse social and resettlement impacts. Possible environmental and social impacts of the envisaged loan will be assessed under the PPTA, with mitigation measures to be prepared as needed. A risk for project implementation is the Ministry of Agriculture (MOA)'s lack of capacity and inefficient coordination among line agencies and MOA. To minimize such risk in implementation, the project design will build on lessons learned from earlier and ongoing projects in Bangladesh and other countries, especially (i) working in partnership with the nongovernment organizations (NGOs) and the private sector, (ii) involving local stakeholders and line agencies in planning and implementation, and (iii) best utilizing the line agencies in-house resources and enhancing their capacities to stimulate the incentive and ownership, to efficiently deliver supports to the farmers and support public-private partnership in crop diversification and commercialization.

8. Expected Year of Ensuing Loan/Grant: 2010

9. Expected Amount of Ensuing Loan/Grant: \$40,000,000

10. Expected Benefits from the Project:

The loan project will contribute to economic growth and food security as well as directly benefit the poor by creating employment opportunities in the crop production sector. In addition, a substantive amount of employment opportunities will be created in post harvest, processing and ancillary activities such as the supply of inputs, marketing and transportation in the project areas. Poor and marginal farmers will benefit from increased incomes due to returns from crop production and increased value added through marketing interventions. The landless poor will benefit as agricultural laborers due to the creation of additional employment opportunities in agriculture and its ancillary industries.

11. Implementation Arrangements

- Proposed executing/implementing agency: Department of Agriculture Extension (DAE) of the Ministry of Agriculture (MOA). The TA will commence in April 2009 and complete in September 2009 over a 5-month period.
- Institutional/organizational assessment on the executing/implementing agency previously conducted
 - Yes
 - No

- Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The 2008 country programming mission confirmed the Project with the Ministry of Finance and MOA. During its stay in the country from 6 to 22 October 2008, the PPTA fact-finding mission consulted and interacted with a range of stakeholders active within the agriculture sector in general and NCDP in particular. These included key government departments and agencies, representatives of NGOs, other donors and international agencies, and a large number of participants in and beneficiaries of NCDP. During its implementation, the PPTA will hold stakeholder workshops, focus group discussions, donor consultations, and discuss with the project stakeholders in both the public and private sectors to identify the major issues and to well conceptualize the components and implementation arrangements of the envisaged loan.

- Complementary inputs to be provided by Government and/or other TA providing agencies

TA implementation will entail the provision of expertise from both international and national consultants in the fields of: agriculture development planning, horticulture extension, agriculture economics, rural credit and NGOs, social concerns (including gender, ethnic minorities and land acquisition), and environmental impact and mitigation. In total, 31 person months of consultant expertise will be recruited consisting of 11 person months of international expertise and 20 person months of national expertise.

Terms of reference for the consultants are provided in Appendix 2. The project preparation activities are expected to be highly interactive and to include seminars and workshops to ensure that a maximum number of stakeholders, including potential beneficiaries can contribute to the overall project design.

The selection and engagement of all consulting services will be in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Since the ensuing project will be modeled on the successful, on-going NCDP, the scope and implementation arrangements will be similar to those under that project. As a result only a small number of consultants will be needed (3 international and 6 national) and the TA duration will be short (5 months). Consultants will thus be recruited as individuals with the international agriculture development planner being designated as the team leader.

12. Cost Estimates

The TA is estimated to cost \$585,000 equivalent, of which the Government has requested ADB financing \$500,000 equivalent. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government will finance the balance equivalent to \$85,000

| Source | Amount (\$'000) |
|----------------------|-----------------|
| ADB Financing | 500 |
| Government Financing | 85 |
| Other Financing | 0 |
| Total Cost | 585 |

Source: Asian Development Bank estimates.

13. JSF Amount Requested \$500,000.00

- Elements that Justify JSF Financing:

The TA will be used to prepare a project in the agriculture sector in Bangladesh. Investment in the agriculture sector is the Government of Bangladesh's primary strategy in combating poverty. It is even more critical nowadays in view of the international food crisis. The proposed project will have a direct poverty reduction impact and a major impact on employment generation. JSF funds will be used to fund consulting services, for technical, financial, economic, social and environmental analysis, as well as to finance workshops and field consultations with beneficiaries of the on-going NCDP and potential beneficiaries of the proposed project.

The proposed TA and project will not overlap with any Japanese bilateral assistance in the country but will be complementary to the rural infrastructure activities currently being undertaken in the Southwest Region.

- Coordination with local Japanese Embassy or any other embassy when external funding is involved

Name of the staff of the local Japanese Embassy / external partner embassy whom you have briefed:

Mr. Masami Tamura, Counselor for Development Cooperation and Economic Affairs.

Mr. Yuichi Inagaki, Second Secretary, Economic and Development Cooperation.

Mr. Takayuki Sugawara, Deputy Resident Representative, Japan International Cooperation Agency, Bangladesh Office.

Date of the discussion: 7 October 2008

Results of the discussion: The Mission briefed the Embassy representatives on the proposed TA and the ensuing loan project. An indication of the TA and ensuing loan amounts were also given. Mr. Tamura expressed full support for the proposed TA and ensuing project especially in view of its contribution to food security. He noted that Japanese bilateral aid activities were on-going in the Southwest Region of the country. It was agreed that a copy of the Aide Memoire would be shared and close coordination and dialogue would be maintained with the Embassy and Japanese bilateral organizations. The Aide Memoire was emailed to the Embassy representatives on 24 October 2008.

- **Approval.** The JSF Application was approved by the Government of Japan on 22 January 2009 (J-3/2009).

14. Monitoring and Evaluation

ADB, with active support of the Bangladesh Resident Mission, will closely monitor and administer the TA implementation. ADB will provide intensive review and supervision by fielding inception, mid-term review and tripartite review missions at critical stages of TA implementation.

Good practices and lessons learned will be disseminated through publication of articles in external journals or books and also by posting an article on adb.org. Stakeholder workshops, focus group discussions and donor consultation will also be conducted.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

| Design Summary | Performance Targets/Indicators | Data Sources/ Reporting Mechanisms | Assumptions and Risks |
|--|--|--|--|
| <p>Impact Increased food production and value-addition to food crops, enhanced farm incomes, increased employment opportunities and higher levels of food security.</p> | <ul style="list-style-type: none"> • Incremental agricultural production, rural net incomes, and employment (to be quantified during the technical assistance [TA]) • Agriculture sector contribution to the gross domestic product (GDP) increased from the 22% in 2007 to 25% by 2020 • Improved quantity, quality, regularity, and value of high value crops (HVCs) in response to market demand, and public health and environmental requirements • Public and private investments in HVC marketing and processing increased incrementally | <ul style="list-style-type: none"> • Government statistics on employment, agriculture production and productivity, trade, import and export, and household income • Survey of project area households • Project results-based monitoring • Review missions • Project progress reports and completion report | <p>Assumptions</p> <ul style="list-style-type: none"> • The Government will accept the terms, conditions and implementation arrangements for the loan project • The project remains feasible taking into account rising / fluctuating food and energy prices • Rural infrastructure developed and/or improved and sustained to support the production and market access <p>Risk</p> <ul style="list-style-type: none"> • Market fluctuations • Natural disasters such as flooding and cyclone • Slow progress with capacity building within the Ministry of Agriculture (MOA), and inefficient coordination among the line agencies and with MOA |
| <p>Outcome Project design that the Government and the Asian Development Bank (ADB) will have agreed upon for a project to be financed by ADB loan</p> | <ul style="list-style-type: none"> • Agreement reached on the proposed loan design, implementation arrangements and financing plan | <ul style="list-style-type: none"> • TA reports • Government endorsement of the TA recommendations | <p>Assumptions</p> <ul style="list-style-type: none"> • Government policies and actions support public-private partnership in crop diversification and commercialization • MOA, line agencies, and other public and private stakeholders adopt the recommended project including its components, implementation arrangements, costing and financing plan |
| <p>Outputs 1. Project design including detailed implementation and management arrangements developed and agreed with the Government</p> | <ul style="list-style-type: none"> • Inception report submitted to the Government and ADB by 31 April 2009 • Draft final report and final report including project design and results-based monitoring system submitted to the Government and ADB by 30 June 2009 and 10 August | <ul style="list-style-type: none"> • Government consultation papers and reports • TA reports • Workshops with key stakeholders • Aide Memoire of ADB missions | <p>Assumptions</p> <ul style="list-style-type: none"> • Political and security conditions are conducive to the TA field activities • The Government provides necessary support and information • Stakeholder participation and ownership are effective |

| Design Summary | Performance Targets/Indicators | Data Sources/ Reporting Mechanisms | Assumptions and Risks |
|---|---|---|-----------------------|
| | on the effectiveness of project outputs and outcome analyzed. | | |
| <p>Activities with Milestones</p> <p>1. By ADB</p> <p>1.1 Recruit consultants in coordination with the Government and MOA by 15 March 2009</p> <p>1.2 Regularly monitor and supervise TA activities</p> <p>1.3 Guide the TA activities through review missions</p> <p>1.4 Facilitate necessary coordination amongst key stakeholders</p> <p>2. By MOA/ Department of Agricultural Extension (DAE) / Government</p> <p>2.1 Appoint TA Project Director and counterpart staff by March 2009</p> <p>2.2 Supervise TA activities and coordinate with government agencies and local authorities</p> <p>2.3 Provide office space, relevant data, information and documents</p> <p>3. By Consultants - Undertake designated TA activities in close interaction with MOA, DAE, the Government, key stakeholders and ADB:</p> <p>3.1 Undertake a quick sector analysis to understand the issues and potential, and explore the complementarities of the envisaged loan to other related projects in Bangladesh, funded by ADB and other international donors, by 30 April 2009;</p> <p>3.2 Carry out institutional analysis covering financial management assessment, identification of development needs and recommended improvement measures, by 15 May 2009;</p> <p>3.3 Consult stakeholders, including government officials, NGOs, project beneficiaries including women and the poor, continuously;</p> <p>3.4 Carry out a social and poverty assessment, and establish baseline values and measuring and monitoring mechanism, by 15 May 2009;</p> <p>3.5 Analyze social and economic impacts, develop mechanisms so that the Project will work with and benefit directly the poor, by 15 May 2009;</p> <p>3.6 Review the potential and mechanism for private sector participation, by 30 April 2009;</p> <p>3.7 Complete the required social safeguard documents, by 30 June 2009;</p> <p>3.8 Carry out technical, financial, and economic analyses, by 15 June 2009;</p> <p>3.9 Prepare the procurement plan, by 15 June 2009;</p> <p>3.10 Develop a results-based monitoring system, including performance indicators, reporting mechanisms, and assumptions and risks, by 15 June 2009;</p> <p>3.11 Conduct stakeholder workshops at various TA stages to disseminate findings and recommendations and solicit feedback to improve the project design;</p> <p>3.12 Submit the draft final report detailing the project design and monitoring framework, cost and financing plan, and detailed implementation and management arrangements, by 30 June 2009.</p> <p>3.13 Submit the final report incorporating ADB and the Government comments by 10 August 2009.</p> <p>4. By Stakeholders</p> <p>4.1 Participate in consultations and TA workshops at various TA stages</p> | | <p>Inputs</p> <ul style="list-style-type: none"> • ADB will provide (i) TA inception and review missions; (ii) ongoing support from ADB headquarters and the Bangladesh Resident Mission; and (iii) \$500,000 Japan Special Fund grant • MOA and DAE will provide in-kind contributions estimated at \$85,000 equivalent comprising provision of office and transport facilities; counterpart staff; field support; and information and reports • Public and private stakeholders including farmers and nongovernment organizations (NGOs) will contribute by participating in TA workshops and consultations • Consultant inputs comprising both international and national consultants | |

ADB = Asian Development Bank, DAE = Department of Agricultural Extension, GDP = gross domestic product, HVC = high value crops, MOA = Ministry of Agriculture, NGO = nongovernment organization.

Cleared by:

Takashi Matsuo
OIC, SANS

Kunio Senga
Director General, SARD

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Agriculture Development Planner/Team Leader (international, 4 person months). The role of the agriculture development planner will be to help the Government to identify appropriate areas for the implementation of the project and to formulate the overall project, including the scope and implementation arrangements. He/she will also be responsible for designing and costing the technology demonstration and dissemination component and working with other experts to design the production credit component and marketing support component. The expert will have at least a Master degree in a related field; extensive experience in the formulation/implementation of projects in the agriculture sector, preferably with experience in Bangladesh and neighboring countries, and a technical background and training in agriculture which preferably encompasses knowledge on the production and post-harvest handling of a wide range of tropical and subtropical crops. Specifically, the expert will:

- (i) Review the implementation experiences of the Northwest Crop Diversification Project (NCDP) and the Agribusiness Development Project and determine the basis for successes and lack of success of the various components of each project. Review recently completed and on-going activities of other donors in the agriculture sector, the levels of success of these interventions and possible synergies with the proposed project.
- (ii) In consultation with the Department of Agricultural Extension (DAE) counterparts, identify areas within the Northwest Region not covered by NCDP and into which crop diversification activities may be expanded. At the same time, determine to what extent crop diversification activities should be continued in areas already covered by NCDP under a new project.
- (iii) Work with DAE counterparts to prepare criteria for determining potential areas of concentration within the Southwest Region and on the basis of those criteria supplemented by field trips and consultations identify districts to include in the project area.
- (iv) Work closely with DAE counterparts and the horticulture development specialist to delineate the activities to be undertaken by the technology demonstration and dissemination component by DAE and its staff in the project districts. Determine the approximate number of field demonstration, farmer field schools and training courses. Estimate the need for increased support to existing field staff and their support facilities (including transport, office facilities and equipment) and determine any new training requirements to update their knowledge of the latest technology for high value crops and technology dissemination. Estimate costs for these activities under the project.
- (v) Work with the credit and NGO specialists and the horticulture extension specialists to determine the range crops to be promoted by NGOs through the credit component, formulate technical packages for and determine likely crop production credit packages for beneficiaries.
- (vi) Examine current post harvest and marketing practices for a range of major crops being produced by farmer groups in the NCDP project area and identify possible areas of intervention under a new project which would add value to produce sold and increase returns to the participating beneficiaries. A particular focus should be on the possibility of a marketing credit line to farmer groups or farmer marketing groups through participating NGOs. Determine any training needs to strengthen the NGOs capacity to help promote and guide the marketing credit component. Investigate other possible interventions, especially those which will make use of the markets built under NCDP.

- (vii) Work with the environmental specialist and the horticulture extension specialists to incorporate the most appropriate adaptation measures to the potential climate change impacts into the project design.
- (viii) Work with other international and national experts as well as proposed executing and implementing agencies to formulate and detail project implementation arrangements.
- (ix) Work with DAE counterparts to determine monitoring and evaluation procedures to be followed under the project.
- (x) Assess capacity development and training needs within DAE and estimate funding requirements to cover these needs during the project period. In the process estimate consulting services requirements and prepare terms of reference for project implementation consultants.
- (xi) Organize and participate in a series of workshops during the TA to ensure full stakeholder involvement and guidance in selecting potential focus areas, selecting potential crops and formulating relevant project components.
- (xii) Work with the agriculture economist to determine the cost of project supervision and management and the overall project cost.
- (xiii) Supervise the activities of other team members, prepare an inception report containing a list of districts which the project will focus on and appropriate crops for each district, and supervise the preparation of a draft final report and final report for the TA. The draft final and final reports will follow the RRP format (without the page limits) and will include a Design and Monitoring Framework, a gender action plan and, if necessary an indigenous people framework and a resettlement framework.

2. Horticulture Extension Specialists (2 national experts for 4 person months each for a total of 8 person months). The role of the horticulture extension specialists will be to assist the team members in designing the technology demonstration and dissemination component and the marketing support component by providing local expertise and knowledge in crops, cropping systems, the extension work of DAE and the marketing system for key high value crops. The experts will have at least B.Sc. degrees in agriculture or a related field and at least five years working within the agriculture sector in the country. The experts will:

- (i) Provide general support, orientation and back-stopping in the fields of horticulture and agriculture extension as in the Bangladesh context for the agriculture development planner and other international experts.
- (ii) Assist in determining the selection criteria for geographic focus areas and in selecting such areas.
- (iii) Assist in determining crops which the project will focus on in specific geographical areas.
- (iv) Assist in designing and costing the technology demonstration and dissemination component.
- (v) Work with the agriculture development planner and the credit/NGO specialist to prepare typical investment packages for beneficiary investment as a basis for determining NGO credit packages.
- (vi) Work with the agriculture development planner to analyze post harvest and marketing practices, determine post harvest storage and processing potential and develop a credit component for marketing support as well as other possible interventions.
- (vii) Work with the environmental specialist to identify appropriate adaptation measures to the potential climate change impacts and propose several options;

discuss with DAE and other relevant organizations regarding the implication of the climate change impacts, advantages and disadvantages, and risks of the proposed options, to select appropriate options; and work with the agriculture development planner to incorporate the recommended options into the project design.

- (viii) Assist the agriculture economists in preparing typical crop budgets and assessing the financial viability of the investment packages.
- (ix) Assist in assessing the capacity strengthening requirements of DAE as well as the project management requirements.
- (x) Assist in organizing workshops and participate in them.

3. Rural Credit/NGO Specialists (international, 4.0 person months; and national, 4.0 person months). The role of the rural credit/NGO specialists will be to formulate the farmer mobilization and credit component of the project and to assist in the formulation of the marketing support component. The international consultant will have at least a Master degree in a relevant discipline, extensive experience in preparing and analyzing projects in the rural credit sector and experience in working with NGOs, preferably in Bangladesh. Knowledge of the banking sector and its link to micro-credit would also be valuable. The national consultant will have an extensive experience working with NGOs and a sound knowledge of the NGO sector in the country. The experts will

- (i) Review the arrangements for and experience with NGO participation in the NCDP and Agribusiness Development Project.
- (ii) Determine the extent to which NGOs involved in NCDP wish to continue involvement with a follow-on project.
- (iii) Work with DAE counterparts and NGO representative to identify additional NGOs in the Southwest Region interested in participating in the project.
- (iv) Formulate a set of selection criteria to assist DAE in selecting the NGOs they will negotiate with for participation in the project.
- (v) Work with the agriculture development planner and the horticulture extension specialists to determine typical credit packages for the crop production and marketing credit components, assess the likely number of participants in the credit components, and, on that basis the amount of credit required for the project.
- (vi) Clarify the procedures to be followed for the flow of funds from the project account to the participating NGOs and ensure that they are sound and agreeable to all concerned. If necessary, work to identify intermediary organizations which can channel credit to the NGOs and determine the credit margin, if any, which would be equitably charged by them for this service.
- (vii) Working with the NGOs and relevant government agencies, determine a fair and equitable interest rate margin for NGOs participating in the project.
- (viii) Determine any project support (training, facilities, scholarships) which could be provided to or through the NGOs to provide incentives to enhance the level of service they can provide and provide an incentive to NGO participation.
- (ix) Undertake financial due diligence assessments of the participating NGOs.
- (x) Provide input on NGO activities during workshops and seminars under the TA.
- (xi) Assist with preparation of the draft final and final reports.

4. Agriculture Economists (international, 3.0 person months; and national, 3.0 person months). The role of the agriculture economists will be to justify the project from poverty reduction, economic and financial points of view and to assist in the formulation of the

project components. The international consultant will have at least a Master degree in an appropriate field, a knowledge of or training in the agriculture sector and extensive experience analyzing projects for international development agencies. The national consultant will have a Bachelor's degree in a related field, experience in agriculture economics, a sound knowledge of the cropping systems in Bangladesh, preferably with experience in analyzing household incomes and experience working on poverty reduction projects or programs. The experts will

- (i) Prepare socio-economic profiles of the new project districts in the Northwest and Southwest Regions including such items as levels of poverty, land use, land tenure, crop production, main economic activities, main transportation links and status of relevant millennium development goals.
- (ii) With the input of other team members prepare detailed costs for each project component and consolidate these into an overall project cost using COSTAB.
- (iii) Prepare representative farm budgets for the crops to be promoted under the project and undertake a financial analysis for each of the credit packages proposed under the production credit and marketing credit components.
- (iv) Undertake a financial management assessment of the public sector executing and implementing agencies in accordance to ADB's financial safeguard requirements.
- (v) Ensure that an appropriate economic and financial justification for the project is prepared, according to ADB requirements.
- (vi) Assist in the preparation of the draft final and final reports.

5. Social Impact and Gender Specialist (national, 3 person months). The specialist will undertake specific studies for social and gender assessments for the preparation of the project aimed at helping to identify and integrate gender aspects and beneficiary participation in all project components and also to meet ADB compliance requirements. The expert will have a higher degree in a related field and experience working on multilateral development projects and ensuring compliance with donor requirements. Activities will include the following:

- (i) Undertake a brief review based on documented information and stakeholder consultation of the effectiveness of NCDP on improving the impacts on income, status and empowerment of the beneficiaries, both male and female;
- (ii) Review the present approach used in NCDP and identify gender based needs, issues related to participation and gender equality, and factors that hinder ensuring maximum potential benefits from the services, especially technology, marketing and linkages with other agencies in accessing services and resources with specific focus on women and suggest mitigation measures, as needed;
- (iii) Identify the best possible operational modalities that can maximize the participation of beneficiaries in reaping the benefits, both men and women;
- (iv) Identify potential opportunities, linkages, mechanisms and action areas that will promote gender equality through women's empowerment in crop sector and help reducing rural poverty;
- (v) Review the operation of farmers' marketing groups and suggest mechanisms to ensure their effectiveness in benefiting the farmers especially women;
- (vi) Contribute to relevant sections of the TA inception, draft final and final reports (as required), and prepare the Summary Poverty Reduction and Social Strategy;
- (vii) Develop a gender action plan for the project with action areas, responsibilities, monitoring indicators specifying the terms of reference of consultants and associated resource requirements for the implementation of the plan;

- (viii) Prepare a resettlement framework and an indigenous people framework based on the ultimate design of the project decided upon by the TA team; and
- (ix) Prepare the consultation and participation plan.

6. Environment Specialist (national, 2 person months). The environment specialist will be responsible for ensuring and verifying that the proposed project will meet both ADB and the Government's requirements for environmental sustainability and also for assessing links between the project and the adaptation of climate change. The consultant will have at least a Bachelor's degree in a related field and at least five year's experience assessing the environmental impact of development activities. The expert will

- (i) Review the NCDP to determine the nature and extent of environmental impact, if any, experienced during the implementation of the project.
- (ii) Review the proposed scope of the new expanded project to determine the nature and extent of likely environmental impacts, with a particular emphasis on water, fertilizer and pesticide use.
- (iii) Assess the potential impact of climate change on the likely success of the project and also determine whether the project is likely to have a net positive, negative or neutral impact of climate change, and how it would relate to the Governments overall measures to address climate change.
- (iv) Work with the horticulture extension specialists to identify appropriate adaptation measures to the potential climate change impacts and propose several options, and work with the horticulture extension specialists to select the most appropriate option.
- (v) Determine the level of environmental analysis appropriate for the project proposal.
- (vi) Prepare the documentation required by the Government and ADB (e.g, Initial Environmental Examination and Environmental Action Plan) to assess the expected level of impact on the environment, provide mitigation measures and provide procedures for environmental compliance during implementation.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Total Cost |
|--|-----------------------|
| A. Asian Development Bank Financing^a | |
| 1. Consultants | |
| a. Remuneration and Per Diem | |
| i. International Consultants | 265 |
| ii. National Consultants | 80 |
| b. International and Local Travel | 50 |
| c. Reports and Communications | 10 |
| 2. Equipment ^b | 5 |
| 3. Training, Seminars, and Conferences | 20 |
| 4. Miscellaneous Administration and Support Costs | 5 |
| 5. Contingencies | 65 |
| Subtotal (A) | 500 |
| B. Government Financing | |
| 1. Office Accommodation and Transport | 25 |
| 2. Remuneration and Per Diem of Counterpart Staff | 35 |
| 3. Workshop Venue | 10 |
| 4. Field Support | 15 |
| Subtotal (B) | 85 |
| Total | 585 |

^a Financed by the Japan Special Fund, funded by the Government of Japan.

^b Including computers, printer, photocopier, and scanner.

Source: Asian Development Bank estimates.

INITIAL POVERTY AND SOCIAL ANALYSIS

| | | | |
|--------------------------------|---|--------------------------|--|
| Country and Project Title: | Bangladesh: Second Crop Diversification Project | | |
| Lending or Financing Modality: | Project | Department and Division: | South Asia Department Agriculture, Natural Resources and Social Services Division |

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy³

1. Based on the country poverty assessment, the country partnership strategy and the sector analysis describe how the project would directly or indirectly contribute to poverty reduction and how it is linked to the poverty reduction strategy of the partner country

Bangladesh, despite its considerable success to date in poverty reduction endeavors, faces still the challenge of high levels of poverty reduction and of tenuous food security of its large population. These problems are exacerbated by low economic growth and limited land resources. In 2005, 40% of the country's population was living below the poverty line and in rural areas the rate was 43.8%. The incidence of poverty in rural areas is twice higher as in urban areas. There also are specific poverty pockets where absolute poverty is higher than the rural average.

The National Strategy for Accelerated Poverty Reduction (NSAPR) 2005 recognizes the nexus between economic growth and poverty reduction, emphasizing on the need to improve income distribution and promote pro poor growth. The NSAPR declares agriculture and rural development as the most strategically important sector to ensure continued food security and economic growth as agriculture sector employs about 63% rural population. The crop sector accounts for 73% of the agriculture and forestry sector GDP and remains the single largest economic activity. It has been identified as a major thrust of the NSAPR. The Strategy gives importance to productivity gains through both intensification and diversification to expand the production base and livelihoods opportunities for the poor. The NSAPR also emphasizes profitability concern, the need for increases in agriculture real wages and the need for a level playing field for the farmers with the neighbouring countries. Diversification of high value crops is also identified as being important for economic growth and increased household incomes. The food crisis of the recent past also calls for improved productivity especially with a balance between high value crops and staple foods. Crop diversification through the adoption of improved seeds, technology and other support can be of immense help in sustaining the food security and purchasing power of the poor households. Bangladesh being a natural calamity prone country has especially to be cautious of climate change aspects to prevent the agriculture from loss of land and crops. Investment in the crop diversification subsector can act as a safety net for changes in climate and catastrophic climatic events. In addition, the crop diversification sub-sector can substantially contribute towards reducing both rural and urban poverty by facilitating creation of employment and income generating opportunities through the agribusiness value chain and thereby contribute towards economic growth of the country.

ADB's Country Operation and Business Plan for Bangladesh emphasizes the scaling up of its ongoing support for agriculture, infrastructure and irrigation with the aim of boosting agriculture productivity and domestic food production. It also calls for mainstreaming concerns about disasters and climate change into all development projects through mitigation and cost effective adaptation measures.

The TA will design the Second Crop Diversification Project with the aim of supporting enhanced rural incomes through increased productivity and employment in the crop sector and thus reduce poverty. It will support small farmers through technology demonstration and dissemination from supportive extension services, the formation of farmers' groups, the provision of production credit and the promotion of market linkages. It will contribute to reducing poverty in Bangladesh by: raising farm family incomes, generating new employment possibilities in rural areas through forward and backward linkages, increasing returns to crop outputs by ensuring access to market through various linkages and marketing credit; and providing an insurance policy against climate change by increasing the range of crops available to farmers for both food and cash income.

During implementation, the TA will assess the poverty and situation, identify issues and ways to address them and eventually suggest a project design that will have the best potential and effective mechanism for sustained poverty reduction through farmers' organizations in crop sector.

B. Targeting Classification

Select the targeting classification of the project:

- General Intervention Individual or Household (TI-H); Geographic (TI-G); Non-Income MDGs (TI-M1, M2,

etc.)

2. Explain the basis for the targeting classification:

The Project will cover the Northwest and Southwest region of the country but actual support will be provided in selected districts and upazillas with a focus on key areas with a high potential for high value crop production. These would include areas which had ready access to markets, areas with particularly high potential for high value crop production because of soil or climatic factors and areas where high value crops can be fitted into the existing staple crop rotation to provide additional food production and farmer income.

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed? Not applicable
2. What resources are allocated in the PPTA/due diligence?

If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

The Project will contribute to economic growth and food security as well as directly benefit the poor by creating employment opportunities in the crop production sector. Besides, substantive amount of employment opportunities will be created in post harvest, processing and ancillary activities such as market, transportation etc. in the project areas. Poor and marginal farmers will be supported for production and marketing. The landless poor will benefit as agricultural laborers due to creation of additional employment opportunities in agriculture and its ancillary industries. The TA will prepare a design to maximize the benefits for the poor within the project framework and available resources.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

Initially the project will improve agricultural crop production through participatory and sustainable technology and extension services to the small and marginal farmers of the project areas. The farmers will have higher income for consumption and marketing from the increased crop productivity and increased agricultural coverage as a result of technology and financial support. The landless poor and vulnerable men and women will benefit from direct employment opportunities created in the crop sector as laborer in production as well as pre and post harvest agricultural activities giving them additional income. Besides, employment opportunities will also be created in ancillary activities within the agricultural value chain. All of these will create higher purchasing power for them, which is essential for food security. An empowerment process will also begin through the farmers' organization which will help them participate in the decision making process of the sector.

2. What are the potential needs of beneficiaries in relation to the proposed project?

The beneficiaries of various areas have limited knowledge of appropriate technology related to crop production and processing. They also lack knowledge about climate change and crop planning considering the climatic conditions. Many areas suffer from water logging, flooding, drought or lack of irrigation opportunities. The crop intensity is low and often crops are damaged. The beneficiaries need information how to make the best use of their land for production, pest control and support for marketing. Timely availability of capital, seed and fertilizer are also needs of the beneficiaries. Besides, the landless people of the area need employment opportunities and livelihood support.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

The Department of Agricultural Extension (DAE) is providing support to the farmers and implementing the Northwest Crop Diversification Project (NCDP) which has developed a model for technology dissemination and marketing support to farmer groups, along with the provision of credit by NGOs. The Project will support scaling up the services, facilitate access to capital, improve market channels and also develop the potential for adaptation of climate sensitive crop technology. The capacity of the executing agency in managing participatory process will also be enhanced through provision of technical assistance. Linkages will be strengthened with the NGOs to ensure beneficiaries access to capital, training, and marketing support. Technical assistance will be given to strengthen the capacity of DAE in facilitating and managing participatory processes in the crop sector.

B. Consultation and Participation

1. Indicate the potential initial stakeholders.

- The main stakeholders in the project will be the Government of Bangladesh (through DAE), participating NGOs, participating small and marginal farmers, landless people likely to be employed as a result of the project and merchants, traders and transport haulers engaged in the marketing of the high value crops being promoted
- The TA will identify and confirm the mechanism of participation of various stakeholders.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of non-government organizations and community-based organizations, etc.)?

Different types of consultation and participation will be required at different levels. During the TA, extensive consultation will take place at the beneficiary level to identify their needs and ways to address them. Consultation and workshops will be required for social, gender and environmental assessments and for developing action plans and strategies. The TA will review the existing participation methods in NCDP and suggest ways for effective farmers' mobilization and provision of support services to be followed during the implementation phase.

3. What level of participation is envisaged for project design?

- Information sharing Consultation Collaborative decision making Empowerment

4. Will a C&P plan be prepared? Yes No Please explain.

ADB's guidelines on consultation and participation will be followed. Stakeholders' workshops will be arranged to solicit their inputs for the design of the project using different participatory techniques. The TA will examine the lessons from the ongoing operational aspects of NCDP, and have participation of various stakeholders. Means to strengthen the linkages and cooperation with the private and public sector service providing agencies will be pursued to ensure that the benefits from the project intervention are maximized.

C. Gender and Development

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?

- In Bangladesh women's control over land and other resources is limited. Women mostly don't own agricultural land and are not active in staple crop production, but they play a significant role in the household agriculture especially post harvest and horticulture. Women's involvement both in off and on-farm activities is increasing but the contribution of and benefits for women from this sector are not well understood and their access to crop related technology is limited. Men often receive the technology but women often supervise the on-farm activities. So, their need for technology is increasing.
- The female headed households and women from landless families are the poorest and crop diversification is a facilitating factor for their livelihood and household food security.
- While women are often the main channel for receiving credit, their decision making power is limited so that there is a disconnection between the recipient and the user. This situation needs to be addressed.
- Women's access to markets is limited. They need support in accessing markets.

2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No Please explain.

The Project has high potential to promote women's empowerment by involving them in the farmer groups and by facilitating their access to crop production technology, crop planning, capital, markets and such other resources as was done under the NCDP. This will create opportunities for them to address household food security and improve their status in the family and community. It will also increase women's mobility and contribute towards their empowerment. The TA will assess the model used for integration of gender aspects in the ongoing NCDP and develop a plan to maximize the impact of crop diversification in promoting women's participation and gender equality. As the project will benefit the agricultural land holders, the project will specifically target women as beneficiaries and users of agricultural land. Women's participation will be ensured throughout the project cycle and they will be supported for marketing through the marketing credit line. The TA will suggest means to increase women's share in the labor opportunities arising from the project. It will also suggest ways to increase employment and income earning opportunities for poor women in the potential ancillary activities. A realistic gender action plan with adequate resource provisions will be prepared during the TA.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?

- Yes No Please explain.

| III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS ¹¹ | | | |
|---|---|--|--|
| Issue | Nature of Social Issue | Significant/Limited/ No Impact/Not Known | Plan or Other Action Required |
| <u>Involuntary Resettlement</u> | Very limited resettlement impacts are anticipated. The project will work with farmers working on their own or leased land. Limited construction may take place, which mostly will be on the government land, existing rights of way or lands owned by the beneficiaries themselves. The project will set up criteria for excluding subprojects having major resettlement impacts, in consultation with the EA. The TA Team will prepare a resettlement framework for use by the Project where resettlement impacts arise. | Limited | <input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain |
| <u>Indigenous Peoples</u> | Indigenous people (IP) live in some of the districts especially in districts of the Northwestern region bordering with India. No major adverse impacts on them are envisaged. The TA will investigate and prepare an IP framework, if necessary based on assessments in the proposed project area and existence of IPs in the selected <i>upazillas</i> . | Not Known | <input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input checked="" type="checkbox"/> Uncertain |
| Labor <input checked="" type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards ⁷ | The project will significantly increase employment opportunities for the poor directly through on-farm, post harvest and ancillary activities. The TA team will quantify the benefits. Core labor standard will be followed during construction activities undertaken by the Project. | Promising | <input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain |
| Affordability | No issue about affordability is anticipated. The TA will assess and suggest means to ensure beneficiaries' access to capital, inputs, technology, marketing and other services. | No Impact | <input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain |
| Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input checked="" type="checkbox"/> Others (Climate change, natural calamities) | Climate change and natural calamities like flooding and river erosion can affect the expected outcome of the Project. The Project will ensure extension services and introduce technology considering climate change factors. The TA team will review options and prepare project interventions with these factors in mind. | Not Known | <input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain |
| IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT | | | |
| <p>1. Does the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p> <p>Consultants' TORs prepared</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p> <p>Resources allocated for consultants, studies and consultations.</p> | | | |