

**ASIAN DEVELOPMENT BANK**

**TAR:BAN 33224**

**TECHNICAL ASSISTANCE**  
(Financed by the Japan Special Fund)

**TO THE**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**FOR PREPARING THE**

**AGRIBUSINESS DEVELOPMENT PROJECT**

**July 2003**

## **CURRENCY EQUIVALENTS**

(as of 1 July 2003)

Currency Unit	–	taka (Tk)
Tk1.00	=	\$58.41
\$1.00	=	Tk0.0171

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
DAM	–	Department of Agricultural Marketing
MOA	–	Ministry of Agriculture
NGO	–	nongovernment organization
SEDF	–	South Asia Enterprise Development Facility
SME	–	small and medium enterprises
TA	–	technical assistance
TRIPS	–	Trade Related Intellectual Property Systems
WTO	–	World Trade Organization

## **NOTE**

In this report, "\$" refers to US dollars.

This report was prepared by Loh Ai Tee and A.K. Saha.

## I. INTRODUCTION

1. During the preparation of the North-West Crop Diversification Project,<sup>1</sup> the Government requested the Asian Development Bank (ADB) to fund an agribusiness development project. Accordingly, the Country Assistance Plan 2000 included a project preparatory technical assistance (TA) for agribusiness development for the year 2003.<sup>2</sup> This TA paper is based on the work of the Fact-Finding Mission that visited Bangladesh during 17 February—6 March 2003 and the understanding reached with the Government as set out in the aide-memoire dated 6 March 2003.

## II. ISSUES

2. Agriculture remains the mainstay of the Bangladesh economy, accounting for 19.2% of the gross domestic product, 23% of exports, and the livelihood of 62.3% of the population. Despite the large population of 130 million, scarce cultivable land, a very high person-land ratio, and the regular occurrence of natural calamities, Bangladesh's agriculture sector has performed well. Helped by increased productivity and successive bumper crops, the sector's value addition has grown 5% annually. As a result, the real prices of food have declined and the country is more or less self-sufficient in rice.

3. Developments in agriculture are increasingly giving rise to favorable opportunities for crop diversification and growth in agribusiness, which is defined as the chain of activities from input supply to production, processing, handling, and marketing. Agroclimatic conditions are suitable for a wide variety of crops. Bangladesh's geographic location, for example, enables the country to supply winter vegetables to the European market. The large population represents a sizable supply of low-cost labor as well as domestic market potential. The potential for agribusiness is demonstrated by the increase in area planted to horticultural and other high-value crops, and the rapidly growing dairy and poultry industries. For example, the domestic market for cut flowers and foliage is expanding at 10% per annum. The emerging middle class and the increasing participation of women in the labor force are increasing the demand for processed food products. At least two large supermarket chains have been established in the last few years to cater to this demand.

4. Despite the potential for agribusiness, growth has been slow. According to the latest Bangladesh Census of Manufacturing Industries in 1995-1996, the number of food processing firms grew by only 1% between 1988/99 and 1995/96. The number of medium and larger scale firms in the sector remains small. According to a recent estimate, less than 0.5% of total Bangladesh horticultural production is processed. Among the reasons for slow growth are (i) barriers to accessing bank financing; (ii) erratic supply and relatively high prices and variable quality of raw materials for processing; (iii) a dearth of information on new technology; (iv) poor infrastructure and communications; (v) lack of cold storage facilities and air cargo space; (vi) the small domestic market for most imported inputs, which limits the number of suppliers and gives rise to monopolies; (vii) the tariff structure for imported packaging material acting as a disincentive to agroprocessing; and (viii) the large number of small landholdings, making it difficult to organize the landholders. These constraints contribute to the perceived high risk and lack of competitiveness associated with agribusiness and make entrepreneurs reluctant to invest in the sector. The private sector cites political instability, law and order conditions, and

---

<sup>1</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Bangladesh for the North-West Crop Diversification Project*. Manila.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* on 24 March 2003.

corruption as root causes for the lack of investment. Some private sector representatives claim that private investment is being crowded out by nongovernment organizations (NGOs), which have access to aid funds and enjoy tax advantages.

5. Since Bangladesh is an agrarian country with a large rural population engaged in agricultural production on increasingly fragmented landholdings, agribusiness is considered as one of the primary means to reduce poverty. Currently, agribusiness is mainly on a small scale. Its development through small- and medium-scale enterprises will generate income and employment for the poor. A summary initial poverty and social analysis is given in Appendix 1. Women contribute significantly to agriculture production and cottage and small-scale agro-enterprises, and are commonly employed in agroprocessing enterprises. Agribusiness development will therefore have a considerable impact on employment opportunities and productivity improvement for women. Unless agribusiness becomes more competitive, Bangladesh will not be able to compete internationally when the World Trade Organization (WTO) trade regime comes into full effect in 2005. In recognition of these factors, the Government has categorized agribusiness as a "thrust sector." Agricultural reforms over the last 2 decades, including dismantling state interventions and liberalizing trade in inputs and outputs, have established a policy framework to conducive agribusiness development. The Government also has a stated policy of playing a facilitative and regulatory role while leaving business in the hands of the private sector. Government policies are generally appropriate, but many of them have yet to be implemented effectively due to lack of capacity, and others require refinements to be more effective. Despite the importance given to agribusiness, the Government has yet to develop a coherent strategy for the sector.

6. Extensive consultations with Government agencies, aid agencies, NGOs, the private sector, and other stakeholders were undertaken during TA formulation to learn from experience. The findings indicate that agribusiness is at a very low level in Bangladesh, and that its full potential is still unknown. Some aid agencies consider the development efforts in the sector to be in danger of becoming overfunded because of the large number of external initiatives. Other sources, however, believe there is ample scope for further agribusiness development, particularly for the small- to medium-scale agribusiness. In view of the large number of external initiatives, the need to avoid duplication and contradictory activities is recognized. The TA formulation takes into consideration ADB's past experience in Bangladesh where almost all projects suffered delays of 3 years on average because of slow decision making by the Government agencies concerned, lack of capacity in the relevant institutions, and delays in hiring consultants.<sup>3</sup> Experience also shows that, apart from thorough project formulation, agriculture and rural development projects need to consider the overall policy issues, as changes in policy have an impact not only on the viability of agribusiness but also on food prices and other social safeguards that affect the poor.

7. A number of external assistance programs are supporting the Government's small- and medium-scale enterprises (SMEs) and agribusiness initiatives. The World Bank's Agricultural Services and Innovation Reform Project and Bangladesh Export Diversification Project aim at export diversification. The International Finance Corporation's South Asia Enterprise Development Facility (SEDF) is a regional program whose interventions in Bangladesh are specifically aimed at increasing access to finance and business development support services as well as improving the business environment for SMEs. The SEDF includes a sector development strategy for agribusiness to address the lack of innovation in the sector and the need to provide information to farmers and agroprocessors through an enhanced role for

---

<sup>3</sup> ADB. 1997. *Country Synthesis of Postevaluation Findings in Bangladesh*. Manila.

middlemen and NGOs. The Agro-Based Industries and Technology and Development Project of the USAID is providing business support services to medium and large-scale enterprises. The Department for International Development, the Swiss Development Corporation, and other sources are jointly providing business development services to SMEs and larger enterprises. ADB is financing the North-West Crop Diversification Project, which includes a pilot for agribusiness development. ADB is formulating a Small- and Medium- Enterprise Development and Export Expansion program, which will have components that (i) create an enabling environment, (ii) give access to finance and financial services, (iii) provide business development and support services coordinated by external sources, and (iv) offer programs for women entrepreneurs and workers in the ready-made garments industry.

8. The ensuing agribusiness development project is envisaged to complement the existing aid agency and Government initiatives. Rather than having a large investment component, it will focus mainly on systemic problems affecting the agribusiness sector. The project will create an enabling environment for business formation and growth by (i) putting in place measures to improve transparency and accountability, (ii) addressing bureaucratic bottlenecks that increase the transaction cost of doing business, (iii) improving market information and marketing systems, (iv) helping the country acquire new technology, and (v) building capacity in the Government and the private sector. It is recognized that the impact of these issues on business in general is already being addressed by existing projects/programs. To avoid duplication, the ensuing project will focus on the issues affecting agribusiness specifically. The project will not be limited to specific subsectors or commodities, but will identify general constraints and opportunities for new investment that can be supported during the course of project implementation. The project will identify and exploit possible synergies with other ongoing projects to optimize investments by taking advantage of the existing infrastructure and production bases.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

9. The TA will help the Government design an agribusiness development project to address fundamental problems in the sector. The TA output is a feasibility study that will (i) evaluate in detail the constraints and impediments to the development of the agribusiness sector; (ii) propose strategies for addressing and overcoming the more significant constraints, including meeting WTO and other international trade requirements; (iii) identify the limiting factors in acquiring technology and the mechanisms for improving such acquisition; and (iv) formulate a project for further development of the agribusiness sector.

#### **B. Methodology and Key Activities**

10. The TA will be carried out in three stages. The first stage involves awareness-raising and collecting data. A series of participatory workshops and seminars will be conducted at the central, district, subdistrict, and village levels for the different categories of stakeholders, including Government agencies, private sector representatives, NGOs, and representatives of ethnic minorities to acquaint them with the concept and operation of modern agribusiness systems and requirements of WTO and consumer organizations. The seminars and participatory workshops will also serve as the forum for the stakeholders to give feedback on the factors limiting agribusiness development. This feedback will constitute initial data in identifying constraints in the system that will receive further study during the second stage. The initial stage is expected to take 2 months.

11. The second stage will study in detail and analyze institutional and systemic constraints to development of the agribusiness sector, and formulate recommendations for overcoming these constraints. The study is expected to address four general areas: (i) implications of government policies, rules, and regulations for agribusiness development; constraints in their implementation; and delineation of the roles of the public sector, private sector, and NGOs; (ii) assessment of the domestic and export marketing systems for agricultural products, identification of constraints, and analysis of the supply chain to highlight any distortions; (iii) assessment of the needs and constraints in identifying, sourcing, and applying appropriate production, harvest, postharvest, processing, and marketing technologies; and (iv) review and analysis of constraints in the delivery systems for production and processing inputs. The problems and constraints identified during the first stage will also be studied further. This stage is expected to take 2 months.

12. The final stage will involve formulation of an agribusiness development project based on the findings in the first two stages. It will explore mechanisms for implementing the recommendations in the second stage for simplifying business and credit procedures to gain greater transparency, improving market efficiency, acquiring technology, building capacity in the public and private sectors, and alternative means of product marketing and introduction of new technology for small-scale farmers and entrepreneurs. Recommendations will also be made for establishing a system to continuously provide market information and intelligence to enable producers and investors to identify niche opportunities. This stage will take 2 months.

13. The expertise of consultants and the outline terms of reference for consulting services are in Appendix 2. Close consultation with Government agencies, private sector stakeholders, stakeholder associations and organizations, NGOs, and other aid agencies will occur in all three stages.

### **C. Cost and Financing**

14. The total TA cost is estimated at \$815,000 equivalent, comprising \$448,000 in foreign exchange and \$367,000 equivalent in local currency. ADB will finance the entire foreign exchange cost and \$202,000 equivalent of the local currency cost for a total of \$650,000 equivalent. The TA will be financed on a grant basis from the Japan Special Fund, funded by the Government of Japan. The Government will finance the remaining local cost of \$165,000 equivalent for counterpart staff salaries, and office and other facilities. The detailed cost estimates and financing plan are in Appendix 3. The Government has been informed that TA approval does not commit ADB to finance an ensuing project.

### **D. Implementation Arrangements**

15. The Department of Agricultural Marketing (DAM) of the Ministry of Agriculture (MOA) is the Executing Agency for the TA. DAM is responsible for coordinating with the relevant departments and agencies as well as providing logistical support to the TA consultants. MOA will appoint a full-time counterpart to assist in the overall coordination and support to the ADB Mission and the consultants. The Mission requested that the counterpart staff continue in this capacity throughout the TA and project implementation. The Government assured ADB of the provisions of (i) requisite support staff in addition to the counterpart to support the TA consultants; (ii) appropriate transportation for the counterpart staff; (iii) office space, utilities, furnishings, and local communication facilities for the consultants and counterparts; and (iv) assistance in surveys and participatory stakeholder workshops. A steering committee, to be established to guide the TA consultants, will meet monthly or as required. The steering

committee will be chaired by the secretary of MOA and comprise representatives from the public and private sectors including the Ministry of Commerce, Ministry of Industry, Planning Commission, and trade and industry organizations.

16. A total of 46.5 person-months of consulting services, — 19.5 international and 27 domestic— will be required. The consultants will be specialists in agribusiness, agricultural marketing, business development, financial systems, economics, environment, sociology, and institutional and legal aspects. A consulting firm or consortium of firms will be selected in accordance with ADB's *Guidelines on the Use of Consultants*, using the quality- and cost-based selection method and other arrangements satisfactory to ADB for engaging domestic consultants. The simplified technical proposal procedure will be used to select the consulting firm.

17. The TA will begin in September 2003 and will be completed in March 2004. The consultants will be based in Dhaka and will travel extensively for consultation with the stakeholders. Workshops at the central level will be conducted at inception, and at the end of each stage to obtain feedback from the Government and private sector representatives and other stakeholders. The consultants will also conduct participatory workshops for farmers and entrepreneurs, local community groups, farmer's organizations, and NGOs to solicit their views. The consultants will submit (i) an inception report within 2 weeks of commencement, outlining the work program, methodology, and relevant preliminary findings; (ii) interim reports at the end of the first and second stages, reporting feedback from stakeholders, procedural constraints, impediments in business operations and marketing systems, and recommendations for addressing them; (iii) a draft final report containing the feasibility study for a proposed project within 5.5 months of commencement; and (iv) a final report within 0.5 month after the submission of the draft final report. Tripartite meetings involving the Government, ADB, and the TA consultants will be held after submission of the inception, interim, and draft final reports.

#### **IV. THE PRESIDENT'S DECISION**

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$650,000 on a grant basis to the Government of Bangladesh for Preparing the Agribusiness Development Project, and hereby reports this action to the Board.

## SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS (IPSA) REPORT FORM

### A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis? Yes	Sector identified as a national priority in country poverty partnership agreement? Yes
<p>Contribution of the sector to reduce poverty in Bangladesh:  Agriculture contributes 23.1% of the gross domestic product and plays a major role in the food security of the population. Growth in agriculture productivity has resulted in the country achieving self-sufficiency in rice and contributed to a decline in food prices, thus benefiting the poor. Agriculture also accounts for 58% of the employment; hence, higher growth in the sector is seen as a means of reducing poverty. The small- and medium-scale enterprise sector comprises 80% of the manufacturing establishments and accounts for 80% of the labor force and 50% of the output of the manufacturing sector. The development of the agribusiness sector is therefore expected to reduce poverty significantly.</p>	

### B. Poverty Analysis

### Economic Growth

<p>Despite gains made in reducing poverty, about half of the population of Bangladesh live below the poverty line. Poverty is extensive in the country and a high percentage of the poor are found in the rural areas. Data (1999) show that there has been a decline in poverty from 58.8% in 1991-1992 to 48.8% in 1999-2000 and suggests a slight improvement in income distribution. Nevertheless, income poverty has declined by about only one percentage point per annum despite remarkable progress in human development over the last decade. There are differences in the nature of poverty between the various categories of poor, and this observation has so far not received adequate attention in Government programs.</p> <p>The underlying factor for poverty is the large population, estimated at 129.2 million in 2001, and a population density of 876/km<sup>2</sup>. The arable land that produces the country's food is under constant pressure from population increase and urban expansion. Population pressure is manifested in unemployment and underemployment. Although the official estimate of unemployment is only 2.5%, this is considered a gross underestimate that overlooks the large number of underemployed. Some estimates of unemployment go as high as 25%. To compound the problem, an estimated 2 million people enter the labor force annually. Absorbing the growing labor force is a challenge. Often, the only avenue for the growing labor force is self-employment in the low-productivity segments of the nonformal sector. Arresting population growth is therefore a means of addressing poverty, and progress has been made in that direction. The annual population growth in 2001 was estimated at 1.48% compared with 2.17% in 1991.</p> <p>Another contributory factor to poverty is the regular occurrence of natural disasters -such as flooding- that cause large-scale damage to crops, livestock, and infrastructure. The frequent natural disasters give rise to income erosion, which is especially serious among the poor.</p>
---

### C. Participation Process

<p><b>Stakeholder analysis:</b> The TA will involve participation of stakeholders at different levels and from different sectors: Government, production input enterprises, farmers and producers, traders, processors, exporters, and various service providers. Farmers, women, and the rural poor will be active participants.</p> <p>During the first stage of data collection, a series of seminars and participatory workshops will be conducted to raise awareness of the stakeholders and to obtain feedback from them on the constraints to agribusiness development. Stakeholders will be involved in the second stage whereby detailed studies will be conducted on the chain of agribusiness activities from input supply to processing and marketing. The third stage of project formulation will be carried out in consultation with the stakeholders.</p>
<p><b>Participation strategy required.</b> Yes.  TA implementation will follow an integrated participatory approach. Involving stakeholders from various levels and sectors will ensure that the approach is adhered to. An important feature will be the participation of the target population in planning, project formulation, implementation, and monitoring.</p>

**D. Potential Issues**

<b>Issues</b>	<b>Significant/ Non Significant/ Uncertain/ None</b>	<b>Strategy to Address Issues</b>	<b>Plan Required</b>
Resettlement	None	No adverse issues are anticipated.	No
Gender	None	No adverse issues are anticipated. Improved market system with necessary mobilization and training will encourage the entry of women entrepreneurs in agribusiness. Increased access of women will require additional women staff to be inducted, which will have the beneficial impact of job creation for women and women empowerment.	No
Affordability	None	No adverse issues are anticipated.	No
Labor	None	No adverse issues are anticipated. Agribusiness development is expected to create employment opportunities. Small farmers, rural poor, rural labor, and women will benefit from it.	No
Indigenous People	None	No adverse issues are anticipated.	No
Other Risks/ Vulnerabilities	None	No other adverse issues are anticipated.	No

## OUTLINE TERMS OF REFERENCE

### **A. Agribusiness Specialist/Team Leader** (6 person-months international)

- (i) Review reports and aid agency initiatives in agribusiness, and small- and medium-enterprises (SMEs) development in the country to identify areas that have received external support, assess the success of the external programs and the extent to which they complement each other, and determine possible areas for Asian Development Bank (ADB) support.
- (ii) Conduct participatory workshops and seminars for representatives of the public sector, private sector, and nongovernment organization (NGOs) to enhance their awareness and understanding of agribusiness concepts, needs and opportunities including World Trade Organization (WTO) issues; and to obtain feedback on business procedures, access to credit, marketing system deficiencies, and other factors that cause market distortions.
- (iii) Using the feedback, carry out a rapid assessment of the agribusiness sector from input distribution to production, harvest, postharvest, processing, and marketing to identify significant constraints and potentials; and recommend measures to correct the constraints and to effectively exploit the potentials.
- (iv) Assess the readiness of farmers, processors, and marketers to adopt new technology, identify the constraints in introducing new technology, and recommend mechanisms for effective technology identification and transfer.
- (v) Assess the role played by NGOs in promoting agribusiness and determine if and how NGO initiatives are crowding out private investment.
- (vi) Assess opportunities, constraints, and requirements for achieving higher levels of domestic and foreign investment in private sector agribusiness enterprises and recommend measures to reduce risk and risk perception and determine the required capacity-building measures required to encourage such investment.
- (vii) Assess the factors influencing comparative and competitive advantage of selected commodities and recommend measures for enhancing competitiveness.
- (viii) Analyze existing and future needs for quality assurance systems to enable agro-products to comply with the hygienic, phytosanitary and social requirements imposed by WTO and consumer organizations.
- (ix) Carry out a comparative analysis of existing agricultural trading practices and future requirements to comply with the WTO agreement on trade-related intellectual protection systems (TRIPS) and establish the country's own rights in the context of TRIPS.
- (x) In conjunction with the other consultants formulate an agribusiness project to increase the efficiency and improve the competitiveness of Bangladesh agribusiness, including objectives, components, implementation arrangements, project cost estimates, and project benefits and impact.

- (xi) Prepare a detailed logical framework for the ensuing project and recommend project performance monitoring and evaluation arrangements, including quantifiable time-bound monitoring indicators and relevant baseline data.

**B. Agriculture Marketing Specialists** (3.5 person-months international, 6 domestic)

- (i) Review past and present initiatives in marketing of the various agricultural commodities and products in the country.
- (ii) Help conduct participatory workshops and seminars and guide discussions to obtain feedback on deficiencies in agricultural marketing systems that inhibit efficiency and profitability, including but not limited to marketing information and intelligence, transportation and postharvest infrastructure, packaging, informal payments standardization and grading, quality assurance and meeting the requirements of international buyers including the WTO and other trade initiatives.
- (iii) Using the feedback, carry out a detailed supply chain analysis in the marketing system for selected commodities and products to identify the primary inefficiencies, barriers to entry, and other underlying problems that increase transaction costs; taking into account the existing social and other conditions that may foster resistance to these changes, recommend measures for improvement, training, and capacity building.
- (iv) To recommend appropriate management techniques for rural market operations, assess the need for detailed commodity-oriented market studies or other studies, and procedures for conducting such studies.
- (v) Determine the need for market information and intelligence systems at Project and the grassroots levels, to help agribusiness enterprises identify domestic and international market opportunities, how and where these systems should be set up, and the capacity building required for operating the systems.
- (vi) Assess the potential for establishment of marketing cooperatives and recommend an institutional framework for accomplishing this.
- (vii) Examine the existing postharvest and storage facilities and recommend measures for instituting proper storage, handling and transportation of spices, fruits, vegetables and other perishable produce to improve the reputation of Bangladeshi produce.
- (viii) Examine the existing market systems for agricultural inputs including seeds, pesticides, fertilizers, and other inputs, and recommend strategies for improving availability.

**C. Business Development Specialists** (3 person-months each, international and domestic)

- (i) In consultation with private sector stakeholders, review the Government's development strategies, policy and regulatory framework, and their conduciveness to agribusiness; recommend changes in the legal and policy framework to improve the enabling environment for agribusiness.
- (ii) Help conduct the participatory workshops and seminars, and guide discussions to obtain feedback on legal, administrative, procedural, and other constraints, including informal payments, to start-up and profitable operation of agribusiness enterprises.

- (iii) Based on the feedback, study the planning, start-up, registration, and operation of small, medium, and larger agribusiness enterprises to identify the primary inefficiencies, barriers to entry, factors inhibiting profitability, and other underlying problems.
- (iv) Examine the status of the domestic seed industry and recommend measures for future expansion.
- (v) Recommend measures for rendering the legal, administrative, and procedural system more efficient and “enterprise friendly,” and measures to overcome resistance to changes; help determine the capacity building requirements.
- (vi) In consultation with the Government, determine the time-frame for implementing changes in the business procedures and set out the action plan and key milestones.

**D. Financial Systems Specialists** (2 person-months each, international and domestic)

- (i) Assess the banking policy, the public and private banking system and the operations of other financial system participants, including NGOs and the informal lending sector, as well as the initiatives recommended under the TA for Small- and Medium- Enterprise Development and Export Expansion.
- (ii) Identify and evaluate the various equity and credit funds established by government, aid agencies, and others to determine the reasons for nonuse by agribusiness enterprises and entrepreneurs; recommend measures to increase their use.
- (iii) Determine the degree to which barriers credit to inhibit the establishment and growth of agribusiness enterprises, and recommend measures for improving ease of access and fund availability.
- (iv) Determine the need for a credit component in the Project and, if so, the credit needs, implementation arrangements for a credit component, criteria for selecting subborrowers and subprojects, and terms and conditions of credit;
- (v) Determine the capacity building required in the public and private financial sector to facilitate agribusiness development.

**E. Economists** (3 person-months each, international and domestic)

- (i) In conjunction with the agribusiness and marketing specialists, analyze cost of production and returns for agricultural crops and agroproducts. Using economic rate of return, domestic resource cost, and effective protection rate or other appropriate approaches, conduct market analysis to assess the comparative advantage and competitiveness of the products in the domestic and international market.
- (ii) Analyze the marketing costs for crops and agroproducts and recommend measures to achieve greater profitability and competitiveness.
- (iii) Assess the implications on competitiveness of current policy and regulatory initiatives for the development and growth of the agribusiness sector by comparing the cost of services provided by the public and private sectors and NGOs; recommend measures for enhancing competitiveness of the agribusiness sector.

- (iv) Estimate the economic benefits from reductions in transaction costs resulting from simplifying the procedures for business start-ups, operations, access to credit, improvements in marketing systems, and other constraints to be addressed.
- (v) Estimate the cost of the components and the project in foreign exchange and local currency equivalent and prepare the financing plan.
- (vi) Carry out economic and financial analyses, including a least-cost analysis of alternative institutional arrangements, to determine the viability of the proposed Project and the distribution of the project benefits among stakeholders; carry out sensitivity and risk analyses.

**F. Environmental Specialist** (2 person-months, domestic)

- (i) Review the environmental impact of crop production systems and agroprocessing enterprises to identify practices detrimental to the environment.
- (ii) Evaluate the extent and impact of project activities, prepare an initial environmental examination in accordance with ADB's *Environmental Assessment Requirements and Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects*, and the country's guidelines for the environment; recommend mitigation measures and monitoring programs taking into account implementation capacity, and estimate their share in the total project cost.
- (iii) Specify the institutional arrangements, necessary capacity, and the process of environmental assessment of elements during project implementation; develop environmental guidelines and criteria to identify environmental implications of selected project elements.

**G. Sociologist** (3 person-months, domestic)

- (i) Review the mechanisms used in past and ongoing agriculture, agribusiness, and SME projects to reach the beneficiaries, particularly the small-scale farmers, women, and vulnerable groups; ascertain the impact on the beneficiaries' social welfare, lessons learned, and the reasons for success or failure.
- (ii) Conduct participatory workshops with farmers, agribusiness workers, and other stakeholders to gain an insight into how landholdings, land tenure, and farming systems affect the social conditions of the different segments of the farming community; their access to resources (financial and technical know-how) and market; and their representation in local groups and associations.
- (iii) Determine the role women and the poor play in agribusiness and recommend measures to create an enabling environment to enhance their participation and access to resources and technology.
- (iv) Examine the gender aspect of the ensuing project and recommend means to incorporate gender aspects in all components of the project.
- (v) Review the mechanisms through which NGOs reach small-scale farmers, pointing out the key features contributing to their success; assess the possibility of private entrepreneurs adopting these approaches for contract growing and other purposes, the

support needed by private entrepreneurs in adopting these and other approaches, and the capacity building needed at field level.

- (vi) Prepare a social assessment of the beneficiaries and stakeholders using the ADB *Guidelines on Poverty and Social Assessment*, identifying any special characteristics that may require attention; prepare a poverty impact assessment for the with- and without-project situation, including a distributional analysis of the impact.

#### **H. Institutional Specialists** (2 person-months international, 6 domestic)

- (i) Identify the public and private sector institutions that have the potential to play a greater role in agribusiness development, analyze their strengths and weaknesses, and recommend measures for improvement.
- (ii) Explore alternative mechanisms for research and development, including channeling funds through private sector organizations and cost-sharing with the private sector for demand-driven research.
- (iii) Recommend measures for further organizing the private agribusiness sector, with emphasis on participation of small-scale farmers, to help ensure product marketability, effective advocacy, and equitable representation for all segments of the industry.
- (iv) Assess the role of NGOs in facilitating smallholder participation in agribusiness and recommend alternative approaches for organizing farmers for marketing and introduction of technology.
- (v) Assess the performance of the Ministry of Agriculture as a key player in agribusiness development and executing agency for externally assisted projects to draw lessons learned.
- (vi) In consultation with stakeholders and the government, recommend implementation arrangements for the proposed project, including procurement arrangements; define the respective roles and responsibilities of the private and public sectors and NGOs.
- (vii) Determine training needs and design a project capacity-building component for field staff, farmers, small businesses, agroprocessing workers, village youth, women, and agribusiness support organizations.

#### **I. Legal Specialist** (2 person-months, domestic)

- (i) Review the laws, rules, and regulations governing private sector businesses and the financial sector in Bangladesh; identify those that serve as impediments to the establishment, expansion, and profitability of private sector agribusiness, either directly or as a result of faulty implementation.
- (ii) In conjunction with the business development specialist, determine how the recommended simplified business and banking procedures can be accommodated under existing laws and regulations.
- (iii) Determine the need to amend existing laws and regulations, where necessary, so that simplified procedures can be implemented.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	390	0	390
ii. Domestic Consultants	0	135	135
b. International and Local Travel	30	10	40
c. Reports and Communications	5	2	7
2. Equipment <sup>b</sup>	8	0	8
3. Workshops and Seminars	0	40	40
4. Studies and Surveys	0	5	5
5. Representative for Contract Negotiations	5	0	5
6. Contingency	10	10	20
<b>Subtotal (A)</b>	<b>448</b>	<b>202</b>	<b>650</b>
<b>B. Government Financing</b>			
1. Counterpart Staff	0	60	60
2. Office Accommodation and Facilities	0	60	60
3. Administrative and Other Expenses	0	45	45
<b>Subtotal (B)</b>	<b>0</b>	<b>165</b>	<b>165</b>
<b>Total</b>	<b>448</b>	<b>367</b>	<b>815</b>

<sup>a</sup> Financed by the Japan Special Fund

<sup>b</sup> Equipment will be procured through direct purchase in accordance with ADB's *Guidelines for Procurement*.  
Source: Asian Development Bank estimates.