

ENHANCING RURAL MARKET SYSTEMS IN THE CHITTAGONG HILL TRACTS OF BANGLADESH

The experience of the collection centers in SIEERC Project - Social, Institutional & Economic Empowerment of Rural Communities



ENHANCING RURAL MARKET SYSTEMS IN THE CHITTAGONG HILL TRACTS OF BANGLADESH

The experience of the collection centers in SIEERC Project - Social, Institutional & Economic Empowerment of Rural Communities



Dr Noor Akter Naher
Alexa Mekonen

Photos
HELVETAS

Published by
SIEERC Project
HELVETAS Swiss Intercooperation Bangladesh

Bangladesh – December 2019

Copies available at
HELVETAS Swiss Intercooperation Bangladesh
House 13/A NE (K), Road 83
Gulshan 2, Dhaka 1212, Bangladesh

Tel.: +8802 88 29208, +8802 9849208
Email: infobd@helvetas.org
Web: www.bangladesh.helvetas.org

Table of Contents

1. Introduction	8
2. Rural market infrastructure in the Chittagong Hills Tracts: the case of the collection centers	9
3. Key elements of collection center/ market infrastructure	11
4. Success factors from the field	12
5. Key lessons from the collection centers	15
6. Way Forward	16

List of Abbreviations

BMC	Business Management Committee
BNKS	Bolipara Nari Kallyan Samity
CHT	Chittagong Hill Tracts
CSO	Civil Society Organization
DAE	Department of Agricultural Extension
GH	Green Hill
LEAN	Leadership to Ensure Adequate Nutrition
LGA	Local Government Authority
LSP	Local Service Provider
MSD	Market System Development
PDIGP	Pathways for Disability-Inclusive Graduation out of Poverty
PO	Producer Organization
PPI	Public-Private Initiative
SIEERC	Social, Institutional and Economic Empowerment of Rural Communities
SPA	Service Provider Association
SPCC	Strategic Partnership Convening and Convincing
UPZ	Upazila
UP	Union Parishad

Acknowledgments

We express our sincere appreciation and gratitude to the SIEERC project team particularly to our partners Green Hill (GH) in Rangamati Hill District and Balipara Nari Kallyan Samity (BNKS) in Bandarban Hill District for their tremendous support. A special thanks to project partners: Service Provider Associations/ Local Service Providers, Union Parishads, traditional leaders, private companies, Department of Agricultural Extension and producers for discussing openly and sharing their knowledge and experiences from the field.

Documenting the SIEERC project experiences on market infrastructure draws lessons for future interventions and is intended to disseminate good practices. The market system development approach showed the necessity to establish collection centres that paved the way for effective market system and increased opportunities for producers, traders and private companies.

Executive summary

The Social, Institutional & Economic Empowerment of Rural Communities (SIEERC) project was implemented from 2009 to 2019. It covered 185 villages in 14 Unions of 4 sub-districts of Rangamati and Bandarban in the Chittagong Hill Tracts (CHT), the minorities region of Bangladesh. The Project was funded by HELVETAS. The overall objective of SIEERC was to improve the economic conditions of disadvantaged women and men and to empower them so that they actively participate in inclusive and transparent local governance and service delivery. The project applied a market systems development approach focusing on systemic changes in specific value chains: banana, turmeric and medicinal plants. Collection centers were introduced in the CHT to facilitate the access to markets in rural areas of Bandarban Hill District (Bandarban Sadar and Alikadam Upazila) and Rangamati Hill district (Rangamati Sadar and Naniarchar Upazila).

A better access to market infrastructure had positive impacts on improving the quality of products and better prices, reducing production and transaction costs and increased the negotiation power of farmers. The community, traditional leader, local elite, producer and trader contributed to establish collection centers by providing land, labour, advance payments and credits. This showed a high degree of sustainability as it was co-financed by producers, traders and traditional leaders.

The centers were located close to producer's homestead thus improving women's mobility, particularly in remote areas. Women were able to sell their produces at the collection centers and increased their participation in the market. These infrastructure were successful if located in strategic location i.e. close to the roads so that as many producers as possible were covered.

SIEERC mainly focused on building business capacities of producers, producers' organizations and local service providers. Business management committee of collection centers were strengthened and relations between producers and traders fostered. The involvement of local service providers and traditional leaders was fundamental in establishing a successful market infrastructure.

1. Introduction

The SIEERC project is part of the Sustainable and Inclusive Economies Working Area of HELVETAS Swiss Intercooperation. The second phase of the project started in September 2015 and covered two districts: Rangamati and Bandarban in the CHT and targeting 6,500 poor and extreme poor households and involving them in banana, medicinal plant and turmeric value chain. The project aim to bring sustainable changes for poor and extreme poor.

The livelihood of producers depend mainly on agricultural activities. Despite the potential to sell their produces at the local, regional and national markets, poor and extreme poor producers face significant constraints to access markets. The reasons are manifold: lack of infrastructure, lack of post-harvest management practices and handling, lack of information. It is for these reasons that SIEERC replicated the collection centres approach developed by Samriddhi Project (in 2010), a private rural service provider system, where producers, buyers, retailers and traders would gather in one collection point.

In 2015, SIEERC made a comprehensive value chain assessment in the CHT which results showed how the poor and extreme poor face difficulties in accessing the market. To address the market constraints the project facilitated the establishment of collection centers with producers, traders, traditional leaders, Union Parishads (UP) and Local Service Providers (LSP). These centers serve as hubs for collecting and storing products, sorting, grading as well as it is used for meetings to discuss sales strategy among group members. During off-seasons for agricultural products the centers are used for various social gathering such as meeting and trainings.

The experience of SIEERC showed that collection centres have a positive impact: the quality of produces remain good, producers negotiate higher prices, reduction of post-harvest handling costs, creation of sales channel for products (in bulk). These changes are attractive for traders as this means transaction costs are reduced and volumes ensured, and producers have an easier access to markets and their sales are guaranteed. It is a win-win situation for traders and producers.

Objectives

This document provides concrete examples on how market system development was promoted and discusses SIEERC's experiences in facilitating market infrastructure for the poor and extreme poor producers. The specific objectives of this capitalization of experience are:

- To draw the knowledge and experiences, document best practices and challenges, and consolidate lessons learnt from facilitating inclusive and sustainable market infrastructure development by SIEERC;
- Based on the above, strategically position the experiences and knowledge for creating organisational knowledge in HELVETAS Swiss Intercooperation Bangladesh by spreading the key findings and learning process of the market infrastructures to a wide range of stakeholders.

2. Rural market infrastructure in the Chittagong Hill Tracts: the case of the collection centers

What is a collection centre in the Hill context?

Collection centers were introduced in the communities considering that local markets are often far and hard to reach for the communities in the Hill Tracts. In addition, traders are more interested to buy a good number of crops from one single point. The collection centre offers services for producers, traders and companies and ensures the collection and supply of products from distant villages and from a larger volume for buyers. The main objectives are:

- Forming and/or strengthening producers’ groups to increase production volume and fulfill requirements of traders/companies;
- Integrate the demand and supply side needs for an effective market system reaching the poor and extreme poor households

The collections centres are managed by a management committee and consists of 5-7 members (members from producers’ groups, LSP, traditional leader). The committee is elected by the local community and develops a marketing strategy for its members. The BMC is involved in financial transactions eg: advance or direct payment for products, collecting money from traders and distribution to producers, maintaining books of accounts and documentation of product flow. The Committee provides market information to producers, negotiate small-scale loans with traders – in cash or kind - and manage savings.

Mr Kaamini Ranjan Chakma, 53 years old, Producer and President of the BMC, sonaram kabari para collection centre, Naniarchar, Rangamati Hill District

“Our collection center is managed by the BMC with representatives of producer group, traditional leader and SPA. We use the collection center as a meeting point with traders where we discuss and ensure the volume and quality assurance of products. Producers also benefit from peer to peer exchanges and discuss new possible varieties of products to grow.”



Figure 1: The functioning of a collection center



Charubala Chakma helping trader to load banana branches

Charubala Chakma, 54 years old, banana producer, Naniarchar, Rangamati.

Charbala Chama is a member of the banana producer group involved with SIEERC since 2015. *“The community selected me to be vice-president of the producer group as I have good leadership and communication skills. In discussion with other banana producer group we established a collection centre and this increased the mobility of women producer, their capacity to bargain prices, save time and reduce transportation costs. The collection center is an important hub for information, technical and advisory services and trainings”.*

Jonaran Tripura, 37 years old, banana producer, Tinkupara village, Alikadam, Bandarban

“A few years back I cultivated banana as a mixed crop and sold it from the farmgate. I did not go to distant market as it was only for few branches. Transportation was expensive, I needed to pay a toll fee which is also time consuming and requires almost a day. Once I harvested 12 banana branches, hired a transport to go to the UPZ market and was offered a very low price from the trader. I sold these products but did not make any profit. At the end of 2015 with the support of BNKS, we formed a banana producer group, developed a business plan and established a collection center where we can sell our products 3 times per week. It saves our time, transaction cost and we earn more. About 5-7 traders are coming to the collection center to buy banana, turmeric, mango, pomelo etc”.



Jonaran Tripura in front of the collection center

3. Key elements of the collection center

The selection of value chains (banana, turmeric and medicinal plants) was developed in close partnership with private companies, traders, producers, SPA, traditional leader and LGA. The study showed different type of core support, actors, constraints, interventions designed (see table 1).

Table 1: Actors, major constraints and interventions

Actors	Major Constraints	Interventions
Private sectors (output market)	Outreach with low transaction; Market penetration	Engagement & capacity building of LSP and SPA to penetrate markets in remote area of the Hill Tracts to collect quality products at a lower cost.
Government Department	Outreach to the poor and extreme poor due to limited budget & human resource	Collaboration with line agency to train LSP & SPA to disseminate technologies.
Service Provider's Association (SPA)	Technical, business, financial skills	Capacity building of LSP and SPA through private and public sectors to increase their knowledge, skills and income.
Producers/ producers group	Technical knowledge; quality of product; organised production and marketing; access to market	Formation and strengthening producer's group to aggregate the product; capacity building of producer group on technical aspect and market linkage; establishment of collection centre.

The project built capacities of the supply and demand side i. e. sellers and producers. Producers were trained to develop business plans (production planned and estimated costs). The LSPs trained producers and linked them to market players as shown in the figure below:

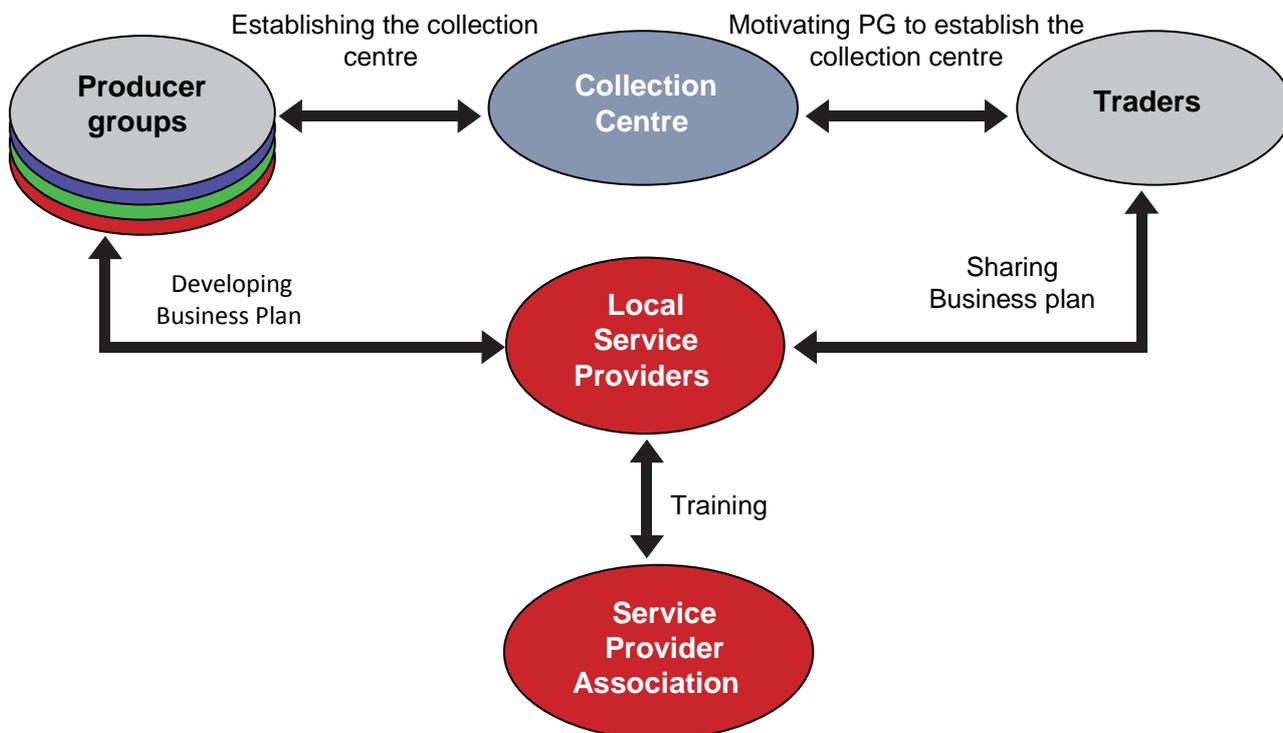


Figure 2: Stakeholders of the collection centres and their function

4. Success factors from the field

A total of 4,366 producers cultivated banana, turmeric, ginger and medicinal plants. Among them 2,900 households are linked to 14 collection centres and sold their produce (mango, papaya, pomelo, pineapple etc.) at a higher price. The banana value chain was the most profitable one for poverty reduction in the CHT. More than 100 LSPs from 4 SPAS are linked with private, public and research institute to build their capacity on technical knowhow and market linkage. The average yearly transaction of collection centers are: banana (7,000 branches), turmeric (6 metric tons), papaya (10.5 metric tons), ginger (6.0 metric tons), mango (90 metric tons), pomelo (3,500 pieces), pineapple (4,000 pieces) and other products of 100 metric tons for a total transaction value of Tk. 3,997,500. The table below indicate that producers increased their benefit of an additional Tk.4,255 and reduced transportation cost of Tk.4,633.

Table 2: Yearly sale volume average and additional benefit of collection centre

Product	Amount	Product value (BDT)	Transport cost reduced (BDT)	Additional price increased (BDT)
Banana (branch)	7,000	840,000	60,000	90,000
Turmeric (metric ton)	0	450,000	6,000	1,800
Papaya (metric ton)	10.50	100,000	10,000	10,000
Mango (metric ton)	90.00	1,350,000	90,000	90,000
Pineapple (pieces)	4,000	60,000	3,000	4,500
Pomello (pieces)	3,500	17,500	3,000	3,000
Zinger(metric ton)	6.00	180,000	6,000	6,000
Others (metric ton)	100.00	1,000,000	100,000	50,000
Total		3,997,500	278,000	255,300
Per producer		64,333	4,633	4,255



Chaya Rani selling farmer's produces and bargaining with traders

Chaya Rani, 34 years old, Suridas Village, Naniarchar, Rangamati

Chaya Rani started working as an LSP in 2016. She advised producer's group on turmeric and banana cultivation and gradually diversified her expertise in poultry rearing and medicinal plant cultivation. "I have formed 8 producer groups consisting of 200 producers and connected them with collection centers to sell banana, turmeric, pineapple, pomelo, mango and other produces. The collection centre helped me to disseminate technologies and information related to the market linkages fast. There are 12 traders from 5 distant markets, 3 fertilizers dealers and 3 private companies linked with the collection centre. Producers are now practising modern crop management and pest control technologies."

Key actors of the value chains benefited from using the collection centers in rural areas. The producers benefited from an enabling environment to sell their products. The LSP provided service packages to the poor and linked traders and producers. They increased their client's base with more producers and established trustworthy business relations with the private sector. An improved access to market infrastructure had positive impacts on improving quality and better price, reducing post-harvest loss and increasing the supply of products. These changes brought more engagements of private sector companies and traders, and increased incentives by producers as a result of lower transaction cost. To ensure a sustainable approach, the collection center were co-financed by producers, traders, LSP, traditional leader and private sector companies.

**Khamajo Tripura, 48 years old,
Producer, Alikadam, Bandarban**

"I was trained on banana fungal disease and learned about technical know-how of disease and pest management, as well as the market demand and selling point of banana. I was very happy to hear that the collection center is very close to producer's house. Last year I sold more banana branches at the collection center and increased my income. It contributes to my kid's education and healthcare. I also started saving money since I joined the Village and Savings Loans group."



Tamba para producer group during the selling process



Preparing a business plan through LSP

**Shafique, 42 years old, trader,
Ghilachari, Naniarchar, Rangamati**

"I work as a trader since 2010. Before the set-up of collection centers I used to go to individual house, at least 20 households to buy banana branches. This was time consuming and required labour and transportation cost. With the collection centre I stopped going to individual house and purchased about 130 banana branches at once."



Producer are ready to take their sweet gourd to the collection centre

5. Key lessons from the collection centers

The collection centres are a turning point for the market system actors in the Hill Tract with the private sector more engaged and interested. Key lessons are presented below. These non-exhaustive list of learnings are relevant for the further use and development of projects that address rural market infrastructure.

A realistic business case: The market provision system in the CHT is challenging in a context where the road connectivity remain weak. Scattered rural communities were not able to participate fully in economic activities. The project created new, demand-driven and responsive market linkages through the collection centres. The collection centres were a success and responded to the needs and growing interest of local rural entrepreneurs – SPAs, LSPs. Producers developed their business plans and strengthened their business relations with traders. Building trust and transparency between traders and producers were key.

Provision of Holistic Rural Services: The provision of rural services is fundamental in value chain development. LSP trained producers, linked them with market players and played a role of messengers to ensure quality assurance. Producers improve yield, sales and income if extension services are accessible and understood. Facilitating holistic package of services to producers has been a key achievement for SIEERC to leverage changes. More than 100 Local Service Providers are better skilled and competent in agricultural technologies and business management.

LSPs trained producers on core business management and financial skills as follows:

- Conducting cost-benefit analysis for potential investments;
- Establishing horizontal and vertical linkages with market actors;
- Developing negotiation skills to ensure access to input and output markets;
- Understanding alternative methods of sale and purchase eg. buying input as a group and making contract with output market;
- Establishing an effective market information platform and bargaining system;
- Developing awareness and negotiation skills on competitive interest rates.

Mobility of Women Producer: The establishment of collection centres were important to address women's mobility and participation in economic activities in the Hills Tracts. Most collection centres were located closer to producer's homestead and enhanced women participation in economic activities.

Collaboration with the Public Sector: The public sector – the Department of Agricultural Extension – recognised and acknowledged the idea and establishment of collection centres, supported and encouraged traders, producers and private companies.

Access to Finance: The access to finance was improved with the establishment of collection centres LSPs were training producers to participate in village savings loans practices, a form of micro credit scheme.

Deputy Director of DAE, Rangamati

“The collection centre in Naniarchar is innovative to get better price of produces for the CHT community. Producers had to pay a tax if they sell their products at the market. If they sell their goods at the collection center they don't pay taxes neither transportation cost. With the collection centers post-harvest loss is also reduced and the net production increased. It is a win-win situation for traders and producers”.

6. Way Forward: How to use the learnings?

The wealth of experience from SIEERC experience in MSD and creating linkages with key actors in the rural communities of the CHT is valuable. It should be used to inform approaches and strategies that aim to address market infrastructure and the provision of rural services in remote areas. Below are few ideas on how the learnings can be used:

- **Apply the collection center model in other MSD projects:** this model was adapted from the Samriddhi project in the plain land of Bangladesh to the CHT. This approach can particularly be transferred in the hard to reach areas as shown in the specific context of the CHT. Current projects that have a component on MSD and livelihood have applied the collection center model: SPCC and PDIGP in the northern part of Bangladesh, Panii Jibon in the southern coastal belt and LEAN in the CHT.
- **For LEAN (nutrition project):** utilize the existing collection centres in the CHT to disseminate nutrition relevant messaging and create a platform to raise awareness and sensitize the communities about the importance of a diversified diet.
- **Include medicinal plants sell/purchase in the collection centers:** medicinal herbs support the livelihoods of the communities in the CHT and private companies (pharmaceutical sector) are interested to outsource medicinal plants from domestic producers. In the plain land collection centers with producer groups selling medicinal herbs have been established through the Samriddhi project.
- **Scale-up of the collection center approach:** Through SPA, individual service providers and private companies who can replicate the collection center approach in other parts of Bangladesh.



HELVETAS Swiss Intercooperation Bangladesh
House 13/A NE (K), Road 83
Gulshan 2, Dhaka 1212
Bangladesh