

# **Inclusive Market Development in the Agriculture Sector of Bangladesh: Challenges and Opportunities**

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## **Executive Summary**

In Bangladesh, the main focus of national policies such as the Five-year Plan and Perspective Plan is to achieve sustainable growth and alleviate poverty. It is commonly perceived that poverty alleviation is the responsibility of the government. Poverty, especially extreme poverty, should be addressed by government measures, such as social safety net programmes. This conventional approach to poverty reduction also includes micro-entrepreneurship development mainly through the activities of various non-government organisations (NGOs). Although these programmes have been successful in reducing poverty to a certain level, these attempts have only partly managed to integrate poor producers with the market. As a result, they have now been able to become 'market agent' and move vertically up the ladder of economic development. In a market economy, development models which ensure better integration of the poor in the production network and supply chain can go a long way to alleviate poverty.

Private sector role in poverty reduction is mainly perceived in terms of their involvement in obtaining a supply of labour, collecting raw materials from poor (where applicable) and operating labour intensive distribution process. In addition, private sector activities under the banner of corporate social responsibility have also been linked to poverty reduction to some extent, alongside, in recent years, social business. While these private sector initiatives have been successful in creating employment for the poor, and in that connection in expressing the essence of inclusivity to a large extent, they have limitations in terms of making poor self-reliant and able to progress quickly and in a sustainable way. For the last couple years therefore, various international organisations and development partners have started to promote the IMD approach. This approach goes beyond above-mentioned traditional 'business as usual' models, aiming to make poor producers more integrated in the market so that they can attain sustainable economic development. The approach is mainly based on the notion of making markets work for the poor. According to Di Bella et al. (2013), the private sector can go beyond traditional business practices and engage itself in sustainable development by adopting and implementing inclusive business models, creating inclusive value chains, adopting and supporting the widespread adoption of responsible business practices, implementing human rights principles in business

operations including gender and child human rights frameworks, and improving accountability and transparency in business operations.

In a developing country like Bangladesh, the private sector is one of the leading agents in enhancing economic development. A significant portion of public investment should therefore be directed to build competitiveness of the private sector. Various national policies (including five-year plans, national social safety-net programmes, and annual budget documents) have emphasised the significance of the role of the private sector and the market in reducing poverty. According to the Sixth Five Year Plan (FY2011-2015) the Bangladesh government recognises the importance of the private sector and suggests that a ‘key focus of the plans will therefore be on strategies, policies and institutions to help guide the private sector in helping Bangladesh achieve the goals set in Vision 2021’. The Seventh Five-Year Plan (2016-20) also mentions in its foreword that “The Government recognizes that in a market economy like Bangladesh, where the bulk of the economy is privately owned and managed, the role of planning is essentially indicative and strategic in nature, aimed at stimulating the private sector”. These are testimonies to the government’s increased interest in supporting the private sector for economic growth and utilize their initiatives more for poverty alleviation and sustainable development. Increasingly, the government also recognises the potential for inclusive business as a mechanism for achieving development objectives.

This study aims to explore and understand various concepts of IMD, and to associate those concepts with various subsectors in agriculture to enable the development of a guideline for introducing and encouraging inclusive business in these sectors. The analysis in this report covers the basic principles of the IMD approach and its role in poverty reduction, its application in three sectors (fisheries, vegetable and agricultural inputs, namely seed and fertiliser), and the possibilities of promoting the IMD approach further in Bangladesh by making the policy environment more suitable for the private sector to practice this model. The study concludes by proposing a guideline to assist with facilitating IMD in different agriculture sectors of the economy.

## **Fisheries sector**

### *Capture fisheries*

- The main area in which government can intervene is that of empowering the poor, so that they can better participate in marketing fish.
- Government can also make the Jalmahal Policy<sup>1</sup> work for the really poor folk, who need financial support.

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<sup>1</sup>*Jalmahals* are large water bodies. In Bangladesh there are numerous government-owned *jalmahals* and a range of disputes concerning the right to fish in them. The government Jalmahal Management Policy (2009) is aimed at providing poor fishermen with government-owned ponds to bring in socio-economic development of the community.

- Public water bodies appropriate for fish farming should be leased out to entrepreneurs who have the knowledge and capital to make the most of this resource.
- The government needs to provide training facilities and awareness raising of, among others, modern fishing techniques, use of nets, and the negative impacts of illegal gear, to mitigate against, for example, the impacts of environmental degradation and destruction of rare fish species
- Awareness needs to be raised of the negative impact of capturing fish by pumping water as this technique destroys tiny fish.

### *Culture fisheries*

- Government could consider reproducing international techniques in user-friendly language and make them available through Upazila Information Centres.
- Quality of fish fries produced in privately-owned hatcheries needs to be regulated and monitored so that it improves.
- Monitoring the quality of fish feed supplied by private companies is essential to prevent adulteration (a common phenomenon).
- Activities of industrial fish feed producers also need to be monitored to ensure the feed is of good quality. Private sector feed producers need sporadic training.
- The government fund currently used to provide cash incentives to fish exporters could be better utilized by providing low cost loans to fish farmers to assist them to adopt new production technology. This would have long lasting impacts on the sector as a whole.
- Hatchery owners and fish feed producers need to be made aware of sanitary and phyto-sanitary concerns in regard to quality fish fries and fish feed and their distribution.
- Contract farming could be encouraged to increase the productivity of fish farms.
- Private companies in collaboration with mobile phone operators can come up with easy applications to supply regular price information to fishermen.
- More training programmes for fish farmers and hatchery owners could be offered by the government, particularly on pond management.
- Marine-based aquaculture could save agricultural land which is currently being used for culture fisheries.

### **Vegetable sector**

- A separate policy for the fruit, flower and vegetable sectors needs to be developed.

- Government can encourage private companies to establish standard cold storage and vegetable packaging industries at local level by providing policy support and developing incentives structure.
- To obtain better prices vegetable producers could form cooperatives and sell their produce through an auction market, such as the CDP auction market in Khulna.
- Government should also ensure a cargo plane and proper scaling facilities, cool chain, and also scanning facilities separated from the passenger luggage for vegetable exporter.

### **Fertiliser sector**

- Adequate warehousing facilities especially in the relatively remote areas are necessary for effective distribution of quality fertiliser.
- Government can provide a subsidy for organic fertiliser to reduce its price to below that of chemical fertiliser.
- To reduce shipment time and transportation cost, fertiliser supply to the dealers should be made, as far as possible, from the nearest buffer stocks.
- To ensure efficient and effective marketing of fertiliser, dealers' selection process needs to be taken out of the hands of the elite and powerful.
- To stop the adulteration of fertiliser, the monitoring network, especially at the field level, needs strengthening.

### **Seed sector**

- Government needs to create level playing field where the private sector will be strengthened in all possible ways to compete with the public sector.
- Quality Varietal Replacement Rate (VRR) or Varietal Turnover Rate (VTR) must be increased tremendously to empower poor farmers to use better quality seed.
- It is difficult for Seed Certification Agency (SCA) to monitor the huge marketing system of both public and private sector.