

Rural Microenterprise Transformation Project (RMTP)

Project No. 2000002356
(IFAD Loan No. 20000003099, 2000003100 Grant no. 2000003098)

Yearly Progress Report

January –December 2020



Palli Karma-Sahayak Foundation (PKSF)

PKSF Bhaban

Plot: E-4/B, Agargaon Administrative Area
Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh



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1. Introduction:

Palli Karma-Sahayak Foundation (PKSF) was established by the Government of Bangladesh in 1990, as an apex organization for poverty alleviation through employment creation. Since its inception, PKSF has been implementing various programs and projects for poverty alleviation through its Partner Organizations (POs). In order to expedite poverty reduction through self and wage employment, PKSF launched its Microenterprise Programme (currently known as *Agrosor* Programme) in 2001. Since then, Microenterprise programme has been growing steadily. Under the Microenterprise Programme, PKSF is providing financial and non-financial services for the promotion of the sector. Besides its core programme, PKSF has been implementing development projects financed by different international development partners like the World Bank, ADB, DFID, IFAD etc. with outstanding performance.

PKSF has so far completed implementation of three projects financed by the International Fund for Agricultural Development (IFAD) successfully. These projects are: Microfinance and Technical Support (MFTS) Project (2003-2010), Microfinance for Marginal and Small Farmers (MFMSF) Project (2004-2010) and Finance for Enterprise Development and Employment Creation (FEDEC) Project (2007-2013). In line with the lessons from the completed projects PKSF is currently implementing two projects with the IFAD supports for promoting microenterprise sector in Bangladesh i) Promoting Agricultural Commercialization and Enterprises (PACE) Project-Additional financing (2015-2022) and ii) Rural Microenterprise Transformation Project (RMTP) (2020-2025). The main feature of all these projects are combining non-financial technical supports with the financial services to expedite the poverty reduction process.

Implementation of **Rural Microenterprise Transformation Project (RMTP)** was started in January 2020. The project is jointly financed by PKSF, IFAD and POs of PKSF. The financing agreement of the project was signed on 3rd December 2019 between the Government of Bangladesh and the IFAD. Subsequently, Subsidiary Loan and Grant Agreement (SLGA) was signed between PKSF and the Ministry of Finance on 2nd January 2020.

Like other programs and projects of PKSF, all activities under the RMTP project are being implemented across the country through the Partner Organizations (POs) of PKSF. Apart from providing financial services for microenterprises, the RMTP is making sub-sector based value chain interventions and giving technological support to various microenterprise activities. Certification like Global Good Agricultural Practices (GAP), Hazard Analysis Critical Control Point (HACCP), traceability, are the key features of this project. Internet of Things (IoT) technologies will be used to achieve the certification under the project.

RMTP project is supporting the ongoing microenterprise program of PKSF called *Agrosor* Program for the expansion of microenterprise lending and for the promotion of different potential economic subsectors and business clusters of microenterprises. Just after signing of the SLGA COVID-19 pandemic affected worldwide including Bangladesh. The Government of Bangladesh declared general vacation of 66 days to prevent the spread of COVID-19 from 26 March to 31 May 2019. At that time, recovery and disbursement of microfinance were also remained stopped. All the POs and PKSF remained closed in the vacation. So it was seriously

affected to initiate the project activities up to December 2020. Only component 2: Financial Services for microenterprises were in operation.

2. Project description:

2.1 Project Goal: The project goal is to sustainably increase the income, food security and nutrition of marginal and small farmers and micro-entrepreneurs across selected value chains.

2.2 Development Objective: The development objective is the sustainable growth of selected rural commodity value chains with comparative advantage, market demand, growth potential, and backward linkages to small farmers and micro-entrepreneurs. Multiple output and outcome related data will be developed in order to measure RMTP's progress towards attaining the goal and objective.

2.3 Project Components: The project has three complementary components as follows:

Component 1: Value Chain Enhancement: This component will enable 445,000 microenterprises to sustainably expand their activities through adoption of efficient production methods, compliance with internationally recognised food safety and traceability standards, and strong market linkages. It will contribute to creating an enabling environment that promotes the growth of micro and small enterprises, and strengthens their linkages with the agribusinesses and other value chain actors. It has five sub-components: (i) organisation of producers; (ii) provision of technical and business services (including GGAP compliance) to producers through private advisory services; (iii) integration of actors across selected value chains; (iv) strengthening of downstream agribusinesses (including GGAP and HACCP compliance as required); and (v) policy dialogue with Government.

Component 2: Financial Services: This component will provide sustainable financial services to micro-enterprises and to growing/larger enterprises and agribusinesses. It has three sub-components: (i) provision of financial services to micro-enterprises through partner organisations (microfinance institutions); (ii) provision of commercial finance to larger micro-enterprises as well as small/medium agribusiness companies, through Micro Finance institutions (MFIs); and (iii) optimal utilisation of remittances through training to the family members of overseas workers* (*This subcomponent will be implemented by the Ministry of Expatriates' Welfare and Overseas Employment (MoEWOE). PKSf does not have any responsibility regarding implementation and monitoring of this subcomponent).

Component 3: Institutional Strengthening and Project Management: This component aims to strengthen PKSf and PO capability as development organisations by leveraging trends in Information Communication Technology (ICT), financial services, commercial platforms and new technologies, and to ensure that the project is managed satisfactorily. It has three sub-components: (i) PKSf capacity building; (ii) POs capacity building; and (iii) project management (see organisation and management section).

2.4 Project Cost: The total project cost is USD 200 million. Component wise cost allocation is given below.

Sl no.	Components	Amount (USD million)
1.	Value Chain Interventions	35.21
2.	Financial Services	155.38
3.	Institutional Strengthening and Project Management	8.41
4.	*Capacity building of remittance earners. (grant) for proper use of remittances.	1
	Total	200

2.5 Project Financing: The project is jointly financed by IFAD, DANIDA, PKSF, POs of PKSF, NBFI, Private Sector Organizations and Microentrepreneurs. The breakdown of project financing is given below;

Partners	Amount (USD million)
IFAD	81.0
DANIDA	8.30
PKSF	12.97
POs of PKSF	82.21
NBFI/Big MFI	10.00
Private sector Organizations	4.65
Micro-entrepreneurs	0.87
Total	200.00

3. Component wise Progress of the Project Activities

Component 1: Value Chain Development

This component will enable 445,000 microenterprises to sustainably expand their activities through adoption of efficient production methods, compliance with internationally recognised food safety and traceability standards, and strong market linkages. It will contribute to creating an enabling environment that promotes the growth of micro and small enterprises, and strengthens their linkages with the agribusinesses and other value chain actors. It has five sub-components: (i) organisation of producers; (ii) provision of technical and business services (including GGAP compliance) to producers through private advisory services; (iii) integration of actors across selected value chains; (iv) strengthening of downstream agribusinesses (including GGAP and HACCP compliance as required); and (v) policy dialogue with Government.

Just after signing of the SLGA COVID-19 pandemic affected worldwide including Bangladesh. The Government of Bangladesh declared general vacation of 66 days to prevent the accelerating spread of COVID-19 from 26 March to 31 May 2019. At that time recovery and disbursement of microfinance were also remained stopped. All the POs and PKSF remained closed in the vacation. So it was seriously affected to initiate the project activities up to December 2020. Only component 2: Financial Services for microenterprises were in operation. So there was no progress under this component of the project.

Already a Value Chain Evaluation Committee composed of seven experts in respective fields has been formed to assess, guide and approve the VCD sub-project.

Since RMTP is making value chain interventions in the production and marketing of high value safe agricultural produces following good agricultural practices (GAP), PKSF trained its 20 officials from both core program and project on GGAP and HACCP in January 2020. This 5day training course was organized through renowned certification company SGS-Bangladesh. Due to COVID-19 pandemic, the project only did some preparatory works in 2020 to design value chain sub-projects. No value chain sub-project could be initiated in the field because of the pandemic. PMU of RMTP, with the support of IFAD mission developed basic strategies draft sub-project proposal for value chain intervention to be proposed by the partner organizations (POs). The project also developed draft project concepts of different sub-sectors of livestock & poultry and horticulture & crop sectors by exchanging views of the concerned POs officials through holding virtual discussion meeting. The project selected----potential subsectors of three major agricultural sectors for making value chain interventions. The draft concepts on some of the selected sub-sectors were developed for different selected geographical locations during second half of the year 2020. The first supervision mission of IFAD held in November 2020 provided valuable suggestion in developing value chain strategies under RMTP.

Component 2: Financial Services

This component will provide sustainable financial services to micro-enterprises and to growing/larger enterprises and agribusinesses. It has three sub-components: (i) provision of financial services to micro-enterprises through partner organisations (microfinance institutions); (ii) provision of commercial finance to larger micro-enterprises as well as

small/medium agribusiness companies, through non-banking financial institutions (NBFIs); and (iii) optimal utilisation of remittances through training to the family members of overseas workers. COVID-19 pandemic interrupted activities of the financial services during the March to June 2020, general holidays announced by the government. During the year 2020, PKSF disbursed BDT 8817.5 million (-----) to the POs under ME (*Agrossor*) Loan Programme. Net disbursement was BDT 641.26 million. On the other hand, POs disbursed BDT 112500 million (from Jan-Oct 2020, field information up to Dec 2020 not yet available) to the microentrepreneurs.

Component 3: Institutional Strengthening and Project Management:

The project Management Unit (PMU) headed by the Project Coordinator (PC) was established at PKSF to implement RMTP. PKSF appointed Dr. Akond Md. Rafiqul Islam, Senior General Manager as the Project Coordinator. Besides, PKSF -----project staff by the end of December 2020. The list of the current project staff is given below:

Sl no.	Name	Position in RMTP
1.	Dr.Akond Md. Rafiqul Islam Senior General Manager (Program), PKSF	Project Coordinator
2.	Mr. Md. Habibur Rahman Assistant General Manager (Program)	Deputy Project Coordinator (Technical)
3.	Mr. Musharraf Hossain Assistant General Manager (Program), PKSF	Deputy Project Coordinator (Financial Services)
4.	Mr. Md. Mohidul Islam	Financial Analyst
5.	Mr. S M NiazMahmud	Value Chain Sector Specialist (Livestock)
6.	Ms.Mahmuda Morshed Manager (Program), PKSF	Procurement Specialist
7.	Mr.Moznu Sarkar Deputy Manager(Program), PKSF	Value Chain Project Manager
8.	Mr.Kazi Abul Hasnat Deputy Manager(Program), PKSF	Value Chain Project Manager
9.	Mr.ShaikhNazrul Islam	Value Chain Project Manager
10.	Mr. Al-Imran	Value Chain Project Manager
11.	Mr. Md. Earfan Ali	Value Chain Project Manager
12.	Mr. H M Anowarul Islam	Accounts Officer

13.	Mr. Abu Saleh Mohammad Rajib	Accounts Officer
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It can be mentioned that RMTP has provision for recruiting 22 officials in its PMU. PKSF appointed 13 project officials. The procurement process for recruiting remaining project officials is in progress.

Financial Management:

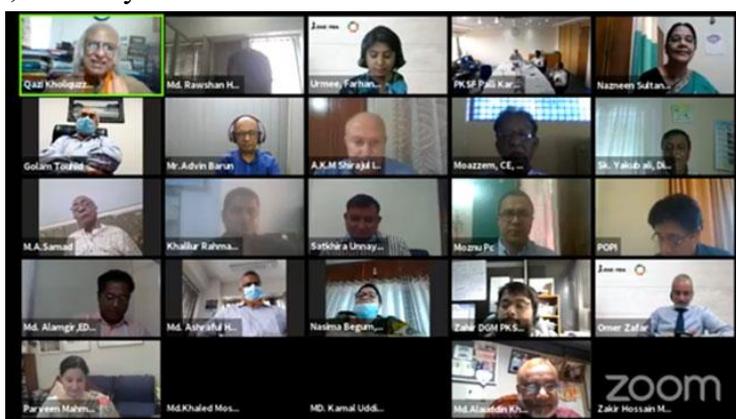
RMTP has got approval of its AWPB and PP (Procurement Plan) from IFAD for the first 18 months of the project from January 2020 to June 2021. The project utilized BDT 8.495 million by the end of 2020.

Component wise financial progress is given below:

Sl no.	Components	Amount Spent	
		(BDT million)	(USD million)
1.	Value Chain Enhancement	0	0
2.	Financial Services	641.263	7.63
3.	Institutional Strengthening and Project Management	8.495	0.10
	Total	649.758	7.735

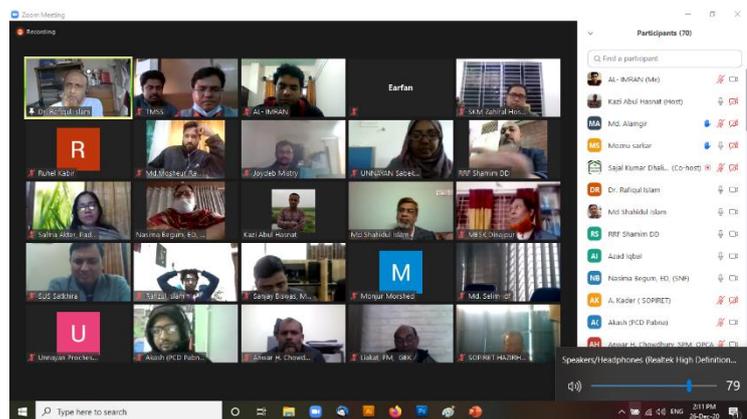
Formal Launching (Start-up Workshop) of the Project:

RMTP was formally launched on 23 August 2020. Mr. Md. Ashadul Islam, Senior Secretary of the Financial Institutions Division, Ministry of Finance was the Chief Guest at the RMTP's virtual launching ceremony presided over by PKSF Chairman Dr. Qazi Kholiquzzaman Ahmad. Mr. Mohammad Moinuddin Abdullah, the Managing Director of PKSF, delivered the welcome remarks, and Deputy Managing Director Mr. Md Fazlul Kader presented on the different aspects of the project. HE Ms Winnie Estrup Petersen, Ambassador of the Royal Danish Embassy to Bangladesh, and IFAD's Country Director Mr Omer Zafar attended the meeting as the Guests of Honor. Besides, members of PKSF's Governing Body and officials of PKSF and its Partner Organizations (POs) exchanged views at the event where they stressed on the need for proper implementation of the project for effective expansion of the country's microenterprise sector.



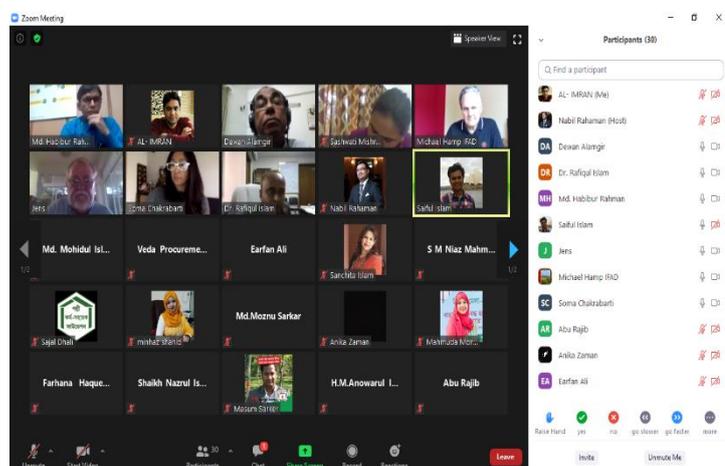
Training on ‘Value Chain Analysis and Value Chain Development Sub-project Preparation’

A training titled 'Value Chain Analysis and Value Chain Development Sub-Project Preparation' was held on 26 December 2020 under RMTP by using online platform (Zoom meeting cloud). through Jaganch Project through an online platform (Tardas Sabbaraham Pasarf). A total of 60 participants including 06 from PKSF and 01 from each of the 54 partner organizations participated in the training. The training entails various sessions on selection of potential sub-sectors in the livestock, poultry, fisheries, horticulture and crops; Concepts about value chain development, sector/sub-sector selection strategies;SWOT analysis; The existing challenges of the value chain and strategies for overcoming it; identifying project activities; budgeting; M&E; sustainability of project. It is mentionable that through the training, the trainees were provided a complete idea about the format of the value chain development project proposal approved by PKSF. The training is expected to be helpful in developing value chain project proposals for partner organization’s officials. During the training, skilled and efficient officials of RMTP project conducted sessions on relevant topics.



Supervision Mission of IFAD evaluated Progress of RMTP

IFAD Supervision Mission evaluates progress of “Rural Microenterprise Transformation Project (RMTP)” on a regular basis. A Supervision Mission evaluated progress of different activities of RMTP from 15-29 November 2020. It was the 1st Supervision Mission for the project. A six-member team led by Mr. Dewan A. H. Alamgir evaluated progress of the project including microenterprises and other activities. The wrap-up meeting of the mission was held on 29 November 2020 by



using online-based platform “Zoom”. The meeting was presided over by Mr. Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of Finance. Supervision Mission expressed satisfaction over the progress of RMTP implementation and provided important and effective advice regarding implementation of various activities conducted through the project. Dr. Akond Md. Rafiqul Islam, Senior General Manager (Programme) attended the meeting on behalf of PKSF.

Conclusion:

RMTP started its journey in January 2020. Soon after starting implementation of this project the country experienced an unexpected closure due to COVID-19 pandemic for which preparatory activities of the project delayed. The PMU designed implementation procedure by maintaining health precautions. A total of 15 COVID-19 protocols were designed covering all project activities. It is expected that the project will achieve its overall goal and targets within the stipulated time i.e. December 2025.