

Report No. 66

**Promoting Rural Non–Farm Economy:
Is Bangladesh Doing Enough?**

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*In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of the CPD include **The Independent Review of Bangladesh's Development (IRBD), Trade Policy Analysis and Multilateral Trading System (TPA), Governance and Policy Reforms, Regional Cooperation and Integration, Investment Promotion and Enterprise Development, Agriculture and Rural Development, Ecosystems, Environmental Studies and Social Sectors and Youth Development Programme.** The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns.*

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue on **Promoting Rural Non-Farm Economy: Is Bangladesh Doing Enough?** organised as part of its ongoing agricultural policy research and advocacy activities. The dialogue was held at **BRAC Centre INN Auditorium, Dhaka on September 08, 2003.***

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Dialogue on

**PROMOTING RURAL NON-FARM ECONOMY:
IS BANGLADESH DOING ENOUGH?**

Introduction

Over the last couple of decades, Bangladesh economy witnessed remarkable economic growth thanks largely to sustained expansion of its rural economy. During the 1990s both the crop and non-crop sub-sectors within agriculture have experienced faster growth, contributing directly to the rise of rural employment and income. Still, there are doubts about the sustainability of this growth. Critics opine unless the country has a robust rural non-farm (RNF) sector, whose growth of late became an important area of interest for both the policy makers and the economists, there is no way this growth could be sustained. Alongside the crop sector, the economists now recognise the importance of RNF as a potential source of income, employment and poverty reduction. They also see it as one of the most emerging clogs in the wheel of the country's economy.

It was amid this backdrop that the Centre for Policy Dialogue (CPD) held a dialogue on "Promoting Rural Non-Farm Economy: Is Bangladesh Doing Enough?" The aim is to know the present state of this sector and how much the government is doing for its uplift and what should be done to maintain the tempo. MK Anwar, minister for industries, was the chief guest in the dialogue. Former Agriculture Minister Motia Chowdhury was present as special guest.

Two eminent agro economists, Professor Sattar Mandal and Professor Mahabub Hussain made two keynote presentations in the dialogue outlining the present states of the RNF in the country. Professor Sattar Mandal is a former Member of the Planning Commission. He made the first presentation on the overview of the "Rural Non-Farm Economy in Bangladesh". The paper depicts a brief yet comprehensive picture of the rural non-farm sector in the country. Prof. Mandal prepared the paper in association with Dr M. Asaduzzaman, Research Director of Bangladesh Institute of Development Studies (BIDS).

Dr Mahabub Hossain, Head, Social Sciences Division of IRRI and a former Director General of the Bangladesh Institute of Development Studies (BIDS), made the second presentation on Rural Non-Farm Economy in Bangladesh: Insight from the field. The paper deals with some of the ground realities of the rural non-farm (RNF) sector and tries to find out the reason behind their sudden emergence.

Professor Rehman Sobhan, Chairman, CPD was the moderator of the dialogue. It was participated by policy makers, high ranking government officials, rural development specialists, representatives from the public sector research and development institutions, NGOs, farmers' representatives, development journalists and leaders of civil society groups and members of the donor agencies.

The following report documents the dialogue including a summary of the keynote papers and highlights major issues raised in subsequent discussions.

Introductory Remarks by the Chairperson

In his brief introductory speech, Professor Rehman Sobhan, the CPD Chairman, said despite the potentials, rural non-farm sector has been a neglected area in the country since its independence. The last few years, however, saw a change in the right direction as statistics show considerable investment and significant employment generation in the sector, the CPD chairman said, observing that the government patronisation is still not worthy of mention. The chairman hoped that the presentations would invoke a constructive dialogue, which would then provide inputs for an appropriate package of policy support required to realize full opportunities from the sector.

Presentation by Professor M. A. Sattar Mandal

A former member of the Planning Commission, Professor Mandal classified rural economy of Bangladesh into two distinct components: farm economy and non-farm economy. First, he gave a brief picture the of distribution of farm and non-farm households in the country. Quoting the 1983-84 and 1996 agricultural censuses, he pointed out that over the last couple of decades the growth of non-farm households have outpaced that of farm households. It was five per cent for the non-farm households against 1.5 per cent for the farm households. Still, their number is not that big as according to 1996-97 survey, the total non-farm households in the country were 0.6 million whereas farm households were 11.8 million.

Quoting statistics from the surveys, Professor Mandal said non-farm activities in the country have a remarkable diversity and it varies across regions. Till the last count, it is highest in Chittagong division and lowest in Barisal division. Generally, there was a decreasing trend of agricultural households and farm households providing wage labour without affecting crop output, he said.

RNF on the rise, agri on the wane

The former Planning Commission member said between the two surveys the country experienced significant changes in farm structure and land tenure system. Agriculture has lost more than one million hectare of land and average farm size declined from 0.81 hectare to 0.61 hectare. Number of small farms increased by 2.8 per cent while medium and large farms decreased by 3.3 per cent annually. Interestingly, he pointed out, though the average farm size decreased significantly during the period, average homestead land increased from 0.08 acre to 0.09 acre. It increased the impetus of home based production system in crop and non-crop sector and created opportunity for other non-farm activities.

Despite the fall in farmland, Professor Mandal mentioned, huge production of food-grain is ensured largely by the use of High Yield Variety (HYV) crops across breadth and width of the country, modern irrigation system and mechanisation of tillage system. The resulting growth of crop sector, mainly foodgrain sector, led to a rapid and sustainable growth in non-crop sector, especially poultry, small-scale dairy and pond fishery, plant nurseries and horticulture, etc in the country, Professor Mandal observed.

RNF has two dimensions

According to Professor Mandal, Rural Non-Farm (RNF) sector encompasses all non-crop activities in rural, semi-urban and peri-urban areas. They have two dimensions. These are:

- Farm-oriented non-farm activities linked to crop and non-crop enterprises.
- Other activities: trade, shop-keeping, construction, manufacturing, transport, retail work, etc.

Mandal said farm-oriented RNF activities are mainly driven by crop and non-crop sectors. In crop sector, the farm-oriented RNF activities are driven by: (a) Farm implements and machinery manufacturing and trade, (b) Irrigation equipment and power tiller spare parts manufacturing, and (c) Input-output trade.

The RNF activities in the non-crop sector are driven by poultry farming, fish farming, livestock farming, etc. Some of these RNF activities are:

- Crop processing and marketing
- Equipment repair workshop
- Rural industry and construction
- Rural transport services
- Shop keeping
- Cottage industries, like pottery, bamboo and cane made products, food processing, etc.

Growth of RNF Economy owes to growth of agriculture

Sattar noted that the growth in agriculture is primarily responsible for the emergence of a vibrant RNF sector. It is reinforced by injection of significant amount micro-credit and remittances and the government-led uplift in physical infrastructure. The RNF activities are quite diverse, engaging both skilled and unskilled labour, male and female and most of the segments are residual and dynamic in nature, he said.

He added that in 1996-97 the growth of RNF sector was 6.8 per cent, which was over two percentage point higher than that of overall growth of GDP during the period. At present, Professor Mandal claimed RNF sector provides 42-45 per cent of rural employment and growth rate is about 5 per cent.

Participation in Rural Non-Farm Activities

Citing the findings of a recent Labour Force Survey, Professor Mandal observed 68 per cent of adult non-farm labour are engaged on the basis of wage payment. General notion, however, is that the RNF sector are mostly residual and self-employment in nature. Little above 25 per cent of non-farm labour are self-employed, which is dominated by trade and transportation. Interestingly, he said, RNF labour came from both mixed-farm and non-farm households and the number of pure non-farm households is relatively fewer than the number of mixed households.

Here in Bangladesh, Mandal went on, pure non-farm households have lowest land and working hand. People who have access to land and education are taking up RNF activities, especially manufacturing, carpeting, saw milling, rice milling, transportation, etc. The female-headed households have the tendency to participate more in RNF activities, he observed, quoting the findings of the survey.

Key Drivers of the Growth of Rural Non-Farm Economy

According to Professor Mandal, the growth of Rural Non Farm Economy owes both to macro economic and sectoral factors. He stated that large-scale liberalisation of market and trade, which has been one of the main features of the Bangladesh economy over the last decade, had a direct bearing on the rural economy. Reduction of tariff and non-tariff barriers to trade, privatisation of agriculture including input distribution and grain trade are the notable macro economic contributors. In sectoral level, rapid spread of irrigation technologies for rice production is the biggest contributor to this spectacular growth.

Increased mechanisation of tillage system also proved to be a key factor as the survey reveals that on an average the country imported 15,000 power tillers and 200 tractors annually during the last decade, Mandal mentioned. Thousands of these imported agri tools spawned hundreds of equipment manufacturing and repairing workshops across the countryside. Together, these support services for farm equipment have employed 1.7 million workshop owners and managers, 0.78 million operators of manual irrigation devices and 0.16 million rural mechanics. In all, these services created 11,000 full man-years of employment, which is astonishing by a third world country standard.

Elaborating, he continued, another job that saw huge growth is increased trade of agricultural inputs. The country has more than 4,000 fertilizer dealers and numerous retail traders spread nook and corner. Increased cereal production propelled creation of jobs in grain storing, trading, rice parboiling and milling, etc. Besides, increased production also diversifies jobs in rural areas as there have been significant growth of poultry, fishery, plant nurseries in the countryside. Increased government spending in rural infrastructure and rural electrification coupled with rise of household income induced demand for jobs in house building, sanitation, carpentry, rural services, etc. In this regard, remittances from outside the rural sector also played a big and vital role, he claimed.

Rural Non-Farm Activities and Poverty Reduction

Professor Mandal observed that the rapid growth of rural non-farm sector had much to do with massive reduction of rural poverty in the 1990s. Though exactly how much the RNF has contributed is yet to be ascertained, Mandal continued, increased non farm activities at least ensured regular income flows for the hardcore poor. He suggested the government initiate some safety-net programmes for the rural people who are engaged in residual type of RNF activities.

Key Constraints of Rural Non-Farm Sector

Shedding light on the key constraints to RNF activities, Professor Mandal said there are four important obstacles. All these constraints have to be removed if the RNF is to play significant role in reducing rural poverty further. These constraints are: market related constraints, physical constraints, policy and institutional constraints. He highlighted the policy constraints and said that inadequate credit, irrational tax structure, bias against rural industrialisation are dominant factors here. Institutional constraints are also important, he said, adding that absence of business advisory services for RNF sector enterprises and lack of institutional set-up for RNF sector are the main constraints here.

Ways to Go Forward for Rural Non-Farm Sector

Wrapping up his speech, Professor Mandal recommended four broad areas to work on intensively for the future growth of RNF sector. These are:

Mainstreaming RNF Sector

Mandal suggested that government should provide proper space and focus to bring RNF sector in the policy mainstream. Already the RNF has found some space in the Interim-Poverty Reduction Strategy Paper (I-PRSP), but a lot should be done to promote this sector as it is very integral to country's overall economic growth. Rural non-farm activities have been a regular neglect in the government-initiated rural development programme, he noted, stressing that the government and its bureaucracy should change this mindset. The government has to have an institutional arrangement under one ministry to ensure that the RNF activities are promoted equally and aggressively, the ex-Planning Commission member proposed.

Strengthening Key Drivers of RNF Growth

The government and the private sectors should ensure sustainable agricultural growth and productivity, as these are the key drivers of the non-farm growth in the rural areas, Professor Mandal underscored. Unless and until a country has a vibrant agriculture it cannot expect a vibrant RNF either. Building on the growing urban and export market demand is very important, he said, emphasising favorable environment for channeling remittance to productive work and investment in rural areas. Besides, he stressed new engines of growth like information technology should be introduced in the rural areas, which would boost up growth of both farm and non-farm activities.

Strengthening Rural-Urban Linkages

Mandal stressed that there should be stimulus for RNF products to meet the demand of the urban consumers. Fostering strategic linkages between large urban enterprises and small rural and peri-urban firms has proved to very productive and effective tool in spurring growth of rural economy elsewhere in the world. He suggested that for the sake of continuity of the policies on RNF, rural planners and administrators should be retained in their respective job for a certain amount of time. Chops and changes in government offices make the job of policy making difficult.

Making Better Market Function

Describing smooth marketing facility as the heart of rural uplift, Professor Mandal suggested the government facilitate better market functioning in the rural areas by removing a number of key obstacles. Infrastructure and rural electrification are still not up to the standard and the government should pump in more money to these sectors.

He further suggested that the government take up sustainable programmes for skill formation and training for the people engaged in RNF activities. Education is a key impediment despite the fact that literacy rate has increased substantially in the villages. Better communication network is a prime requisite for ensuring better price of agri products, he said.

Mandal stressed adequate financial services in the rural areas though there are worries that the closure of loss-making national commercial bank branches would only hinder thousands of villagers from accessing these essential services at their doorsteps. And lastly, there is a need for advisory and development services for RNF activities, he said, adding that NGOs have already started to work on these issues but itâ€™s not adequate to the huge need of the rural people.

Presentation by Dr Mahabub Hossain

At the beginning of his presentation on, "Rural Non-Farm Economy in Bangladesh: Insight from the Field", Dr Mahabub Hossain, a former director general of BIDS and Head of Social Science Division of IRRI, identified a set of issues, which are important for the growth of rural economy. He analysed RNFE in micro economic perspective and used a survey report to discuss the changes that have taken place in the rural non-farm sector.

Methodologically, it was a random multi-stage survey conducted in 1987-88 and 2000-01, covering 64 districts of Bangladesh. From every district, a union is selected and from every union a village is selected by using random sampling table. From each village, 20 households were selected in 1987-88 and 30 households selected in 2000-01 through stratified random sampling method. In 2000-01, the stratification made on the basis of wealth ranking but in 1987-88, land got the priority. The 2000-01 survey covered all the households that had been surveyed in 1987-88.

The IRRI Social Science chief termed RNF activities as non-agricultural activities and to illustrate this point he classified the work into three groups. Manual labour-based activities are the first of its kind and they include household system-oriented transport operation, construction work, wage labour in rural enterprises, etc., Human capital-based activities fall in the second category. They cover a number of public sector services including teachers, imams, doctors, midwives, different kinds of personal services, such as barbers, and various judicial and financial services. Physical and capital based activities are in the third group, which demands some basic education and numeric skills in order to carry out these functions. These activities include rural industrial work, peddling, shop keeping, petty trading, large trade, contracting, etc.

RNF becoming a full time profession

Dr Hossain observed that RNF activities are increasingly becoming a full time occupation than a part time one, as had been the case a few years ago. In 1987-88, 39 per cent respondents took RNF activities as their primary occupation or primary source of livelihood. In 2000-01 the figure rose to 56 per cent. At the same time, in 1987-88 persons who were directly engaged in agriculture and took up RNF activities as part time jobs made up 14 per cent of the respondents. In 2000-2001, the figure shrank marginally to 11 per cent.

Elaborating the survey findings, the former BIDS DG said that there is an increasing trend in non-farm household income, which is important for the growth of non-farm sector. In 1987-88, about 36 per cent of rural income originated from non-farm sector. The figure rose to 52 per cent in 2000-01. At this point, human capital-based non-farm activities were growing more than 7 per cent a year during the period between the two surveys. As a result, income of these households grew at a rate of 3.3 per cent annually.

The share of crop sector declined from 46 per cent to 31 per cent during the same period. The service sector income grew from 16 per cent in 1987-88 to 22 per cent in 2000-01 and trade and business sector income increased from 15 per cent to 21 per cent. In capital accumulation, non-land fixed asset in RNF activities, which basically comprise industries and transport sectors, also had high growth.

Dr Hossain mentioned that agriculture grew at a dismal rate of 1.4 per cent and non-farm sector grew at an impressive rate of 6.8 per cent between 1987 and 2001. In agriculture, there was little growth in crop sector, owing largely to low price of rice. In contrast, non-crop agriculture, which includes livestock, fisheries, forestry, etc., grew at a modest 3.8 per cent annually. Income from agriculture wage has declined in absolute terms at about 3.8 per cent a year, forcing the day-labourers to move from agricultural labour market to other non-firm activities, he added. About 40 per cent of the rural workforce were involved in crop cultivation in 1987-88. It declined to 34 per cent in 2000-01. The total percentage of decline is about 16 per cent.

Labour deserting agriculture

Revealing the most interesting aspect of the survey, Dr Hussain said the biggest decline in workforce took place in agricultural labour. Around 21 per cent of the rural workers were engaged in agricultural labour market in 1987-88, when the first survey was carried out. Thirteen years later when the second survey was conducted, the rate declined by half. In services, trade and shop keeping activities related households, it increased by 60 per cent over that period.

The IRRI expert claimed that rural mechanics saw the fastest change as between the two surveys its use grew by five times. With expansion of rural road network, the number of people involved in van pulling increased from two per cent in 1987-88 to 4.65 per cent in 2000-01. Throughout the 1990s tremendous progress has been made in rural road network, creating expansion of market surplus. It also induced increased demand of non-agricultural goods and services, also due to the growth of agricultural productivity.

According to Hossain, the workforce that left agriculture mostly switched to non-agricultural labour, basically, manual based activities in RNF sector including transport operation, construction activities, cottage industry, etc. In trade and service sector, which is at the low productivity end, petty trade and low capital induced services have seen a marginal increase in employment.

Large land holders too embracing RNF activities

Dr Hossain stated that even the large land holding households are these days engaged in non-farm activities and many of them have non-farm as primary occupation, not as secondary occupation. So, it would be a gross mistake if non-farm activities are defined only on the basis of land holding, he said. His argument is in sharp contrast to Professor Mandal's observation though. The IRRI expert said the incidence of tenancy had increased substantially during the period. Besides, non-farm activities have now been treated as higher productivity generating work. It saw improvement in human capital-based activities, in the context of rural labour force.

Dr Hossain said education is the main driver of occupational mobility. There has been substantial improvement in education, not only in school enrolment rate but also in other

areas in rural Bangladesh. Quoting the survey findings, he said about 47 per cent of the working members of the household did not have any formal schooling in 1987-88. The figure came down to 30 per cent in 2000-01. The members of the households who have secondary level education comprised 37 per cent in 1987-88 and it rose to 55 per cent in 2000-2001.

He continued those who had no formal schooling were equally employed in cultivation and agricultural wage labour market. There were also some workers who were engaged in non-agricultural activities in 1987-88. But their involvement in cultivation remained constant although they reduced their dependency on agricultural labour market and were moving to transport sector, especially rickshaw pulling which has become an important source of employment.

Interestingly, Dr Hossain observed, the members of the household, who had secondary education, took cultivation as the major source of employment and services as second or third. At the same time, though, they had reduced their dependency on cultivation. They are engaged in farm occupation in spite of declining land base, and increased their participation in services from 17 per cent to 93 per cent and in trading from 11 per cent to 16 per cent during the survey period. The IRRI official pointed out that for the members of the household, who had passed SSC, services were major source of occupation and they were increasing their dependence on services and training by reducing their dependency on cultivation.

RNF more productive than agriculture

Conversely, Dr Hossain said a general notion about residual employment is that it generates low productivity and is not treated as a dynamic source. But statistics revealed that the opposite is true, especially in case of functionally landless households whose members are engaged in cottage industry and van pulling, he said. These jobs have about 20-30 per cent higher productivity than that of agricultural labour market. Those, who were engaged in business, trade and services in the rural areas could double their productivity than that of agriculture.

Hussain went on: Medium land-owners were also moving to business and other services and their productivity is 2-2.5 times higher than agricultural labour. The members of a household who have two-acre or more land were basically engaged in business, trade and services and they were not engaged in low productive sector. Their income is about 4-5 dollars a day, compared to one dollar in agricultural labour market, he added.

Input traders hold a sizeable pie in RNFE

Dr Hossain pointed out that agricultural input based trade and businesses provide 20 per cent employment in overall rural economy and they generate nearly 50 per cent of the total income in the RNF sector. These trades are: irrigation pumps, fertilisers, spare parts, power tillers, agricultural implements, pesticides, thrashing machines, etc. Crop products also have spawned direct businesses like paddy store, vegetable shop, seasonal business of paddy and jute, fruit stall, battle leaf and nut, rice and wheat stall, oilseeds and spices, etc. There are also regular businesses for livestock and fisheries products. These activities are basically dependent on agriculture and encompass 50 per cent of rural enterprises and another six per cent of agro-processing activities.

These are not the dominant RNF activities, he mentioned, adding that non-agriculture-based non-farm activities, like garments, clothing, grocery stores, etc. roughly cover about 20-25 per cent of the total enterprises. Some of these enterprises require huge amount of money as the 2000-01 survey revealed that garment and clothing enterprises need around Tk two lakh per enterprise even in the rural areas. Transport business is relatively a large enterprise, requiring huge seed money and so are the businesses of photocopiers, electronic goods, etc. In contrast, agriculture based activities employ relatively less amount of money, eh said.

Sources of Finance in Rural Non-Farm Economy

Dr Hossain observed that major sources of finance in RNF sector are personal savings. Basically, when agriculture generates surplus productivity, people find some money in their hand and usually they invest the amount in RNF activities. According to the 2000-01 survey, formal sources of finances like banks and NGOs make up only 14 per cent of initial capital of the total investment in RNF sector. It is a fraction of the total capital accumulation, he mentioned.

Policies and Strategies on Rural Non-Farm Economy

Dr Hossain mentioned that there is hardly any dearth of proper policies and strategies for the uplift of RNF sector. In the Second Plan of the country, there were a lot of initiatives for developing rural growth centers. He recalled Professor Yusuf Zai, the then member of Planning Commission, who developed the idea of growth center for propelling economic development in rural areas. The idea was to concentrate transport facilities, post-harvest industries, sales of agricultural machinery and equipment, handloom equipment, around a growth center so that the economies of the adjacent villages could revolve round that center. Professor Yusuf Zai also proposed huge public investment for promoting industries in the growth centers, Hossain mentioned.

In the Third Five-year Plan, there was a provision for generating employment and resources at the Upazilla level with training facilities for promoting entrepreneurship, technology development, extension works, particularly done by government agencies like BSCIC, Sericulture Board, etc. There was also a talk about setting up of a National Coordination Council for checking oversight, Dr Hossain said.

He continued: In the Fourth Plan, there were a lot of talks about new policies, especially macro-policies reform of tariff and exchange rate, restructuring of licensing system, identification of entrepreneurs, integrating credit with technology, extension programs, coordination of the operation of BSCIC, coordination and integration of NGO activities with public sector programs, etc. Dr Hossain said the country has enough of such policies and strategies and it does not need to develop any more. All that the country now needs is to implement properly the plans and programmes, which were taken before.

Institutional Home for Rural Non-Farm Sector

Dr Hossain observed that there was nothing consciously in these plans to promote trade, transport and service activities of RNF sector. He thinks that normal development programmes have the capability of promoting these activities indirectly. Expansion of rural electrification and coverage of secondary education have expanded rapidly

throughout the 1990s and the credit support of the NGOs also increased significantly and all these programmes played major roles for the development of RNF sector.

The former BIDS DG, however, proposed that an institutional set-up has become essential for promoting RNF activities. Since different kinds of activities comprise RNF sector and different ministries are involved in various development programs separately, the government must decide which ministry or agency is responsible for coordinating the whole RNF activities from one platform.

Emphasis be on Growth Center, new technologies

Dr Hossain pointed out that rural growth center was a very good idea for promoting small-and medium enterprises, employment generation, technological development and expansion of trade and businesses at the local level. He laid the stress on specific allocation in order to promote rural economy as a whole, especially for the expansion of secondary education. The quality of secondary education, particularly, skill-based vocational education also needs promotion. Extensive vocational training programmes are also essential especially for the secondary school dropouts with a view to imparting them training on how to operate and maintain agricultural machinery and other equipment.

In future, fisheries, livestock, vegetables and fruits would be treated as major elements of agricultural growth, the IRRI expert said. But, as a stimulus for the production of perishable products, the government should come forward in creating processing and storage facilities, he added. Modern transport equipment with refrigeration facilities has become essential in this context. Further expansion of road network across the countryside and expansion of rural electrification to every village could be a big catalyst for growth of RNF sector.

New areas, like telecommunication, information technology, etc. have slowly made their presence in the rural areas, he stated. Though they require enormous investment, these modern technologies could change the face of rural Bangladesh as they already did elsewhere in the world. Since the private sector is yet to be visible in making heavy investments in introducing these technologies in rural areas, the government should restructure BADC to take up these new challenges and to make it relevant to present need.

Floor Discussion

Growth and Development of Rural Non-Farm Economy

Professor Momtaz Uddin Ahmed, Member of General Economics Division, Planning Commission, observed that importance of the development of RNF activities hardly needs any more elaboration. The government is now preparing an Interim Poverty Reduction Strategy Policy (I-PRSP), which identifies rural non-farm sector as a priority area. The government has emphasised development of agro-based industries, rural small cottage industries, etc, which constitute broad spectrum of RNF activities.

Dr Sajjad Zohir, Senior Research Fellow BIDS, echoed with Professor Mandal and Dr Hossain saying that the growth of RNF sector depends largely on the growth of agriculture. He mentioned that remittance worth millions of dollars too plays an important role in promoting RNF activities. Referring to a BIDS study, he mentioned that there is a

strong relationship among agriculture, RNF activities and remittance. Remittance creates the space for RNF activities, as the arrival of billions of Taka led to massive consumer spending in rural areas. When agriculture performs well, remittance is spent on other goods, thus creating new space for RNF activities.

Dr Abul Quasem, Senior Research Fellow of BIDS, agreed with his colleague, Dr Sajjad Zohir, saying that despite the impressive growth of RNF sector over the last few years, there still are some serious constraints that could jeopardise its prospect and potentials. Pointing the finger at the absence of processing plants across the countryside, the BIDS Fellow said the government must come forward in promoting processing and packaging industries in rural areas so that these enterprise could add substantial value to the goods and services produced there.

Sharing his field experience with the dialogue participants, Md Ahsanuzzaman, General Manager of Aftab Bahumukhi Farm Ltd., said that RNF activities increased significantly with the mechanisation and overall development of both crop and non-crop sectors. Crop related activities like repairing of power tiller and irrigation equipment also increased tremendously. In future, he said Bangladesh could export both crop and poultry products by using modern processing technology.

S. M. Al-Husainy, former Secretary of Ministry of Energy and Mineral Resources, emphasised de-urbanisation in policy formulation and building world class infrastructural development, including construction of roads, rural electrification, telecommunication, information technology for the growth of RNF sector. Social issues, like education, especially basic education, skill development, health services, etc. also require immediate government impetus for ensuring their quality and coverage, he suggested.

Government did a good job in building rural infrastructure!

M Syeduzzaman, Member of CPD Board of Trustees and Chairman of Bank Asia, observed that the government has so far done a good job in rural infrastructure development, rural electrification and deregulation of agriculture, especially sale of irrigation equipment and fertilizer and distribution of pesticides etc. Diversification of agriculture sector, expansion of NGOs role, etc. were not natural transformation, but took place due to conscious public intervention, he said. These issues are highly important for RNF sector, he added. In future programs for the growth of RNF activities, Saiduzzaman pointed out four areas where attention should be given and public action be geared up. These are:

- Reducing special disparity
- Review of the productivity of rural infrastructure, reduction of wastage and corruption-free environment
- Restoring effective local government institutions, and
- Ensuring 5-6 per cent steady growth of GDP in a sustained basis.

Abdul Mueyed Chowdhury, Executive Director of Bangladesh Rural Advancement Committee (BRAC), said alongside his organisation, the largest NGO in the country, Palli-Karma Shahayak Foundation (PKSF) is also playing an important role for promoting RNF activities. Thanks to intervention by the NGOs, investment in education, particularly education of girls, has definitely shown some improvements in rural areas, he said.

The BRAC ED suggested promotion of hybrid seed, as it could inject new momentum in agriculture and help spur the growth of RNF activities. National Board of Revenue (NBR) also can contribute directly to the uplift of RNF sector as it did in 1998 when it allowed duty-free import of power tillers after the devastating flood that year. Telecommunication and privatisation of state-owned enterprises have the ability to accelerate growth of RNF sector and both the government and private sector should take initiative in this regard, he suggested.

Four-prong strategy to promote agriculture ,RNF

Al-Amin Chowdhury, Industries Secretary, said that government has a four-prong initiative to promote agriculture with specific focus on RNF sector. First, the government is allocating highest amount in its annual development programme to build physical, economic and social infrastructure for farm, non-farm and industrial sectors. Secondly, thirteen government ministries are involved in one way or another in the uplift of RNF sector. Thirdly, banks are trying to promote RNF sector by adopting specific projects and credit programmes across the country. Fourthly, every year government provides funds to NGOs for increasing the coverage area of micro-credit.

Comprehensive study needed on RNF economy

Professor Momtaz Uddin Ahmed of Planning Commission observed that though both the keynote speakers made informative, insightful and instructive presentations, the information they put forward is not adequate or updated to make any conclusive judgment. He suggested conducting a nationwide full-fledged study to know the trend, scope and potential of RNF sector.

Dr Abul Quasem of BIDS agreed with the observation and findings of both the authors. He, however, preferred Dr Hossains definition of RNF activities. He pointed out that Professor Mandal was right in ascertaining the micro-economic features of RNF sector but failed to clearly analyse their dimensions.

Dr Toufiq-E-Elahi Chowdhury, Former Secretary of the Government, observed that the classification of RNFE being presented in the dialogue by both keynote speakers is not supported by the classification of economy, like economic statistics or accounting of national income. The former secretary further stated that the absence of an aggregate model, which would solely focus on RNFE, could lead to a lot of spurious conclusions. He suggested applying a holistic model to understand the transformation now taking place in rural Bangladesh. He suggested the discussion should be on cause-effect relationship for strengthening support to RNF sector.

For getting true and complete picture of RNF sector, S. M. Al-Husainy, thought a serious discussion should be needed. He pointed out that one has to relate economical factors with social factors for the analysis of RNFE. Data about changes and development in various aspects, like education, urbanization, occupation, etc. are needed to make a comparative study on rural non-farm economy.

Institutional home

Dr Toufiq-E-Elahi Chowdhury opined that a separate institution would not be a satisfactory arrangement to take forward RNF activities. He added that the growth centre

is pursued by the Local Government and Rural Development Ministry, not in detailed form, but for the development of infrastructure and promoting rural growth. It still remains an important element of public sector intervention.

Dr Sajjad Zohir of BIDS, however, mentioned that setting up of an institution exclusively for RNF sector without distinguishing between dynamic and non-dynamic RNF activities is not a right suggestion.

S. M. Al-Husainy thinks that Ministry of Local Government and Rural Development could be the ideal and exclusive government agency or home for rural economy that the authors spoke about. Its performance is satisfactory. But the whole arrangement should be concentrated to village level development, he proposed.

Al-Amin Chowdhury, however, pointed out that RNF sector has many homes. A home is needed for the homeless, not for RNF sector, whose activities are associated with a number of ministries and agencies. In all, thirteen ministries are working from the government side for providing various facilities and taking up hundreds of development programmes. The NGOs are also doing their jobs through a separate arrangement, he said.

Md Asaduzzaman, the RD of BIDS, noted that RNF activities are diverse in nature. They are dynamic, residual and manual. Some are technologically sophisticated while some are its direct opposite. These activities are now beset with supply-demand constraints that could not be explained or solved easily, he observed. There can not be any magic bullet in terms of policy for solving all these constraints although a lot of people think otherwise.

Working with a generic policy is not a problem, but specific operational policy for one type of activity is somewhat different from another type of activity, he observed. Presently, thirteen homes have thirteen types of practices and all of them work towards the same goal and doing the same job albeit in a different way. In policy formulation for RNF sector, consistency is always an important element, which should be ensured from one home only, he suggested.

Explaining his concept of the home, Dr Mahabub Hossain admitted that the RNF sector needs the support of different ministries as most of them are involved in this sector one way or another. So, when one develops a programme or project, a particular ministry is responsible for carrying it out. And in most cases it has to work in association with other ministries. Ministry of LGRD could not conduct this coordinating job alone as it is focused on different kinds of activities, a better part of which do not deal with rural non-farm sector development. "That is why, I called for a different institutional setup for RNF sector," Dr Hossain explained.

Financing in RNF economy

According to Professor Momtaz Uddin Ahmed, since the personal savings is the main source of capital for RNF activities, as pointed out by both keynote speakers, it would not be able to sustain a long-term RNF growth in a dynamic fashion. In the context of globalisation, this development proves that poor transformation has taken place in the entire sector. He suggested increasing supply of institutional credit to accelerate and sustain the growth of RNF activities.

Refuting the argument of Professor Mandal that closure of loss-making branches in rural areas would have negative impact, the Planning Commission member said since these branches hardly had any credit flow, their closure would have minimum impact. Quoting statistics from Dr Hossain's paper, he said data showed that commercial banks have not invested much in RNF sector.

Professor A. M. Muazzam Husain, Director of Research Division of BRAC, differed with both the keynote presenters and mentioned that NGOs are one of the key drivers in transforming rural economy. In the last decade, banking sector has virtually been squeezed out of the rural areas. NGOs and other institutions filled up the void and diverted higher level of resources to agriculture and RNF activities. He also emphasised Government-NGO coordination for providing financial services to RNF activities.

S. M. Al-Husainy, however, echoed with Professor Mandal saying that the closure of loss-making commercial bank branches might be detrimental to the growth of RNF sector. Nor could it serve the governments purpose to clean up the mess in the banking sector, he opined. The former secretary suggested building up of a structure for credit without collateral and cover the risk factors with prudent monitoring policies.

Abdul Mueyed Chowdhury, the BRAC ED and a former secretary of the government, said that it is an established fact that the NGOs have performed a tremendous job for financing the RNF sector. It is the government that took the backseat, he mentioned, recommending that the government should increase its support considering the importance of RNF sector in creating jobs.

The BRAC ED informed the audience that NGOs are financing more than fifteen thousand crore Taka in the rural areas. Bulk of the amount actually feed the RNF activities. He mentioned that recently BRAC has started a programme called Micro Enterprise Lending Assistance (MELA) for promoting small and medium enterprises in the countryside. It has also set up BRAC bank to support these enterprises across the country.

Al-Amin Chowdhury differed with Dr Hossain mentioning that alongside the NGOs government has been providing small size credit to non-farm activities. The government has been providing credit to the RNF sector through PKSF and specialised banks. Indirectly, these institutions are also providing credits to the small business in non-farm sector.

Referring to his study, Dr Hossain claimed the NGOs have expanded their credit programme almost everywhere in the country. But they give very small amount of credit. The enterprises, which require Tk 20,000 to Tk200,000 capital, are not supported much by NGOs, nor they are rescued by the government. In the changing rural scenario, the NGOs should fine-tune their credit policy and go for bigger size of loan, he suggested.

Marketing of RNF activity

Professor Momtaz Uddin Ahmed opined that in a liberalised economy, the RNF sector is going to face stiffer competition not only on domestic front but also in the national level. RNF sector now needs more attention. Particularly, they need regular and uninterrupted flow of working capital in a bid to modernise themselves technologically and find out

new markets. For survival, not only they need to stave off competition at the domestic front but also they should explore export market to sustain their growth, he added.

For exploring market of RNF products, Al-Husainy emphasised increasing linkages of various socio-economic groups in different sectors, within and outside the villages. External linkages of the RNF sectors are more important in view of total village development.

Abdur Rob, Manager of Intermediate Technology Development Group, said marketing is the biggest problem confronting the rural non-farm enterprises. He suggested designing a support system and initiating projects for promoting RNF activities. He also suggested that government allocate available resources in this connection.

To make RNF sector vibrant and an engine of countrys growth, Muyeed Chowdhury suggested expansion of agricultural export market. He further said that at present Biman does not have any airfreight services. An airfreight is needed exclusively for vegetable and fruits export to ethnic Bangladeshi markets abroad. He also opined that port services too need further up-gradation.

Policy Intervention

Professor Momtaz Uddin Ahmed of Planning Commission observed that though the country has formulated several five-year development plans, adequate planned effort was not made for RNF sector. He felt the necessity of institutional and special support for the rural non-farm economy without destroying the tempo of its recent growth.

Dr Sajjad Zohir of BIDS suggested that the demand aspects should be looked more seriously in formulating policy for rural development, particularly for the growth of RNF activities. "When we talk about agriculture or other fields, traditionally emphasis is on supply side variables. It is not a good practice," he pointed out. All the concerned ministries need to coordinate with more unified policy making for rural development strategy and RNF activities, the BIDS fellow proposed.

Dr Jahangir Alam, Member and Director of Agricultural Economic Division of Bangladesh Agriculture Research Council, identified RNF activities as very much within off-farm activities. As agriculture is moving towards commercialisation, it needs a separate Division, not a ministry, to promote RNF activities, he suggested.

SM Al-Husainy mentioned that present policy-planning is enough for RNF sector but serious attention is needed in the implementation side. "It is high time we do more for the development of rural economy."

Abdur Rob opined that government purchasing policy should have some provisions for buying the services of non-farm enterprises. It is needed for the short to medium term period before the RNF enterprises can stand on its own feet.

Referring to governments stand on RNF, Al-Amin Chowdhury said the present industrial policy of the government puts the stress on agro-processing sector. It is one of the thrust sectors of the government and already it has announced a number of sops for the entrepreneurs of this sector. The government is providing plots, lowered bank interest and offered duty and tax cuts to the entrepreneurs of this sector.

Dr M. Asaduzzaman stated that Bangladesh has already crossed that stage of development where a very broad strategy is needed. "We need specific strategies for each sector and we have to ensure efficient operational management."

Growth center and RNF economy

SM Al-Husainy stated that the governments policy should be such that every village could be transformed into a center of economic growth. He mentioned that hundreds of growth centers were identified and developed following the second and third five-year plans. "But, how far, we were able to utilise the money being pumped into this sector needs to reviewed," he said.

Dr Hossain Zillur Rahaman of Power and Participation Research Centre (PPRC) thinks that growth center is still the heart of rural farm and non-farm economy. It is the best idea to emerge in the history of country's rural development, he said. Referring to his study of **meso-economy**, he observed that the absence of regulatory framework in expanding road network and market development tends to show a fragmentation of growth impulse. He suggested strengthening support to growth center. The government should increase its institutional support to infrastructure, power, business advisory and land policy in the rural areas, he recommended.

Sharing his field experience on growth center, Dr M. Asaduzzaman said he visited one of the so-called growth centers in Faridpur recently. It was a very good jute trading area. Local government Engineering Division (LGED) has done most of the development and infrastructural work. But the road, which is connected to the market, was not in good shape. As a result, people in the area were not using it. Sometimes, LGED does not take the local expertise and local knowledge into account while designing the development work of a growth center. It breeds a host of management problems for the growth center, he added.

Local government and RNF economy

Dr Hossain Zillur Rahaman said local government plays vital role in promoting local economy. Local government covers small infrastructure development, taxes, implementation of projects, etc, which are very much interrelated with RNF sector.

Muyeed Chowdhury of BRAC, too, pointed out that there is a consensus for strong local government, but nothing has done in this regard. For promoting local government, he proposed decentralisation of the central government having four administrative provinces.

Potential areas of RNF economy

Muyeed Chowdhury observed that among the non-farm sectors poultry has tremendous potentials. The government and the private sector should come forward to develop backward and forward linkages of poultry sector. Handloom sector also has very good potential. To promote handloom sector, Value Added Tax (VAT) and excise should be withdrawn and there should be provision for duty free import of chemical used in the sector, he suggested.

Industries secretary Al-Amin Chowdhury too admitted that poultry sector is growing at a rapid speed at present. It should be organised in industrial fashion. Banks in the public

sector as well as the private sector are providing credits for poultry farms, which should be regarded as off-farm activities.

Infrastructure and other issues

Former Finance Minister M Syeduzzaman said infrastructure development is the key clog in the promotion of rural non-farm sector in the country. Recalling Dr Wahid Uddin Mahmud's recent observation that there is over-density of rural roads in certain areas in Bangladesh. This trend needs to be corrected, he said, adding adequate roads, transportation and communication facilities in some rural areas, however, have brought some diversity to RNF activities there.

Dr Hossain Zillur Rahaman emphasised spreading telecommunication and information technology in villages for accelerating growth of the RNF sector. Referring to Dr Sajjad Zohir comments, he mentioned that the government needs to think in a more holistic manner on building idea of demand and supply factors.

Remarks by the Special Guest

At the onset of her address as the Special Guest, Begum Matia Chowdhury, former Minister for Agriculture, agreed that rural economy in Bangladesh has expanded in a sustained way over the last few years. It is a continuous process and there is no ending line here. But in her opinion, now the real question is how much it has advanced compared to others. "The sorry aspect of this good story is that country's rural economy did not advance according to our demands and expectations. If we take this as a fact only then we will be able to identify our future deeds and responsibilities," she observed.

Quoting from Dr Hossain's presentation, she noted that the improvement that took place in agriculture created a number of demands. The rural Bangladesh is advancing from an economy of day-to-demand or subsistence to consumer-driven well-off economy. It is a big development considering the fact that for a long time the countrymen were not sure of even two full meals a day, the former minister pointed out. When one is able to eat two square meals a day, he can have the luxury to think about other demands and how to fulfill those.

Traditional RNF activities getting extinct

The former minister said it is true that some of the RNF activities are thriving in rural areas. But it is also true that some of them have already become extinct or on verge of extinction in villages. Pottery is dying fast, so is copper or brass-made household utensil industry. The art of transforming bamboo-cane into various household objects too is also on the verge of death. Like copper made utensils, it might also vanish into thin air pretty soon. Now cane furniture or cane-made utensils are only used by well-off urban people. The place of cane is taken over by plastic made utensils. Shortage of bamboo and wood makes way for RCC pillar, which is easily available and cost-effective, she added. These cottage industries are dying fast, she lamented. Good thing is that despite all the odds agriculture is thriving. Power tiller and power pumps are replacing traditional agri tools in every village, increasing productivity of the sector by manifold.

The former agriculture minister pointed out that blacksmith might have lost his job, but his work is replaced by electricity based ironwork. Electricity has changed the traditional

profession of the blacksmiths and a few others, whose workshop now repairs agri machinery, diesel engines and shallow pumps.

Drawing her attention to policy formulation, she observed that there is no dearth of good policy or planning. The question is not about policy formulation, rather action or implementation at the ground level. Implementation matters at the end of day, not tomes of policy, which usually gathers dust in the Planning Commission.

Power politics decide selection of growth center

Referring to the debate over growth center, Motia said the pathetic aspect of these growth centers is that in most cases, these are growing by the choice of influential people of those places. Generally, the power of politics and influence peddling seal the fate of a growth center. It does not matter whether the place is economically at a disadvantageous position. The LGRD ministry cannot ignore this power politics for the sake of political survival. In some places it is seen that growth centers are not developed in a proper manner because of the dispute going on between two poles of power wielders, she observed.

The selection of growth centers through political consideration is counter-productive, Motia claimed. Influential people can not change the economic fortune of a place overnight. A lot of overriding factors is associated with the economic fate of a place, she explained, suggesting that these influential people need to be tackled if the country is to accelerate its economic development. However, she admitted that some growth centers have been selected judiciously and they are contributing to the economic prosperity of a particular region.

The former agriculture minister opined that it would not be right to expect that in a densely populated country like Bangladesh, the government should concentrate all the economic activities to growth centres. Once upon a time people had to walk miles after miles to travel to a Hut, a traditional market place, which sits once or twice a week. But, nowadays people go for bazaar everyday. Even in remote this is now the case. To take tea, people go to bazaar, she observed.

Women's contribution in RNF missing in keynote papers

Praising both the papers, she said the authors, however, missed a vital point and that is the participation of women in RNF activities. She thinks this is a serious omission. She did not understand why they missed the gender issue while working in international forum. Women are integral part of rural farm and non-farm activities. Mechanisation of rural economy shifts the workload on post harvest management. It is here that the women play the most vital role. In gender issue, at present women who live in cities is asking about her working hour, but women who live in villages don't have the luxury to make such question.

The former minister stressed that the policymakers have to identify how much time and days a woman is engaged in post harvest management. She suggested that in future planning of rural economy adequate focus should be given to women's role and how to help her out.

Referring to other jobs of the rural women, Ms Chowdhury said BRAC has been providing a lot of employment for the girls who know embroidery work, which has a

value and is called technical hand-skill. A woman can do embroidery work four-five years or maximum six years. Her backbone would bend within this time. She would lose her eyesight if she fails to escape from this drudgery, Motia observed. "If we do not provide her another job, it would be impossible for her to continue embroidery with failing eyesight at the fag end of her life. Embroidery is done by girls only to make a living. But too much exploitation goes on here. In this type of job woman turns into a machine, but she does not get any support from any mechanism," she observed.

Transparency in PKSFs activities a must

Questioning the effectiveness of PKSF as the states micro credit arm, Motia Chowdhury said the activities, coverage, support system and other dimensions of its work need to be transparent. How much it is effective to deal with poverty and supporting the rural farm and non-farm economic activities in the country, she asked, adding that there is hardly any review or critical account of its work.

Speaking about capital flow and remittance, the former minister said there is no reason to think that this money is being used in villages only. Motia is also against closure of lose-making rural bank branches. Since some organisations in the rural areas charge 23-33 per cent interest rate, the government needs to set up more than one financial institution in the rural areas to rescue the credit hungry rural people. People also get low-interest loans from Youth Development Department, Woman Affairs Department etc. But the urban people gobbled up bulk of these departments loan. When people take initiatives in village, they don't get any support from these government departments. She hoped that the provision of collective-loan would be easy and flexible. This is essential to spur growth of RNF activities.

Motia Chowdhury also questioned authenticity of the statistics by Professor Mandal that RNF activities are increasing more than that of rural farm activities. If RNF activities are increasing at such a rate, why then the rural poor people migrate to Dhaka city, she questioned.

Reform at what cost

At the end of her speech, Motia Chowdhury blasted the government for its so-called reforms, which is meant to serve the purpose of the donors, not the majority of the countrymen. In the name of economic reforms, the government is closing down bank branches that lend credit to the people in the remotest corner of the country. It might get pat from the donors for such initiatives, but the pat is at the cost of rural development. Ms Chowdhury urged the government to get support from the donors for initiating development programme in the rural areas. The RNF sector needs massive support both from the government and the donors, she observed.

Remarks by the Chief Guest

Chief Guest MK Anwar, Minister for Industries, opened his speech saying that rural development has received enough mileage in the country's different development plan and policy papers. The Interim-Poverty Reduction Strategy Paper (I-PRSP), the most recent planning document of the government, has given the emphasis on poverty reduction through prudent and home-grown strategies. Promotion of rural non-farm economy is one of the thrust subjects of this paper. The keynote papers presented here

and the suggestions and recommendations that they have come up with would help the government design appropriate policies for RNF sector in the I-PRSP.

The Chief Guest noted that the rural economy plays an important role in Bangladesh's development. Farm and the non-farm sectors are two distinct branches of the economy. Since there is no scope for expansion of cultivable areas, non-farm sector steals all the focuses. The RNF activities are growing at a rapid speed and the growth in rural economy now depends to a large extent on the expansion and intensification of the non-farm sector.

According to Anwar, the RNF sector includes the rural industries, trade and marketing services, construction of transport infrastructure and various other services. These are widely recognised as potential source of generating employment and reducing poverty in our country, he observed.

Government committed to RNF uplift

The minister said the government is committed to creating a policy environment for the support of agriculture and rural non-farm sector, especially, for the development of small farms "We have to provide right incentives to these farms and their entrepreneurs so that they could employ new technologies in their enterprises. New technologies could attract higher investments in these farms and at the same time could help build socio-economic infrastructure in the rural areas," the minister said.

Government would take initiatives to enhance farm and non-farm income, the minister said. Echoing with Dr Hossain, he said that sustainable agricultural growth is a precondition to boosting rural non-farm development through product consumption and employment linkages. Access to non-farm activities has obviously raised household income and enhances the capacity of the farmers to invest in agriculture, he claimed.

I-PRSP gives due attention to RNF economy

Referring to the I-PRSP, the minister said though RNF activities played an important role in generating new source of employment in rural areas, productivity of the sector remained modest. Therefore, the I-PRSP puts the stress on improved technology and marketing support with government acting as the facilitator for accelerating rural non-farm growth. To strengthen backward linkages, the government needs to work in the areas of agricultural equipment and repair services, marketing of fertilizer, seed and other goods, he added. Forward linkages in agricultural activity, like processing and marketing of agricultural products, are crucial to the sustainable growth of RNF activities and thus there is need to facilitate these linkages, he said.

MK Anwar mentioned that the government has formulated National Rural Development Policy 2001 to ensure comprehensive development of rural areas. The aim is to build effective local government institutions as decentralized decision making framework. Increased literacy rate, improvement of road network, availability of electricity, etc. not only can reduce poverty and spur economic growth but also they are the critical elements for promoting private investment in the context of Bangladesh. Electricity has direct impact on poverty alleviation as it reduces cost of production, modernise rural industry by ensuring effective use of irrigation equipment, contributes longer working hours for commercial enterprises and spurs social development in rural areas.

In conclusion, the Minister said that promoting the RNF sector is a prime responsibility of the government. Already it has taken initiative to create supportive environment through expansion of digital telecommunication network up to Upazila level and spreading micro-finance reach. Building a telecom network well up to the rural growth centres should help in integrating the rural markets, increase the effectiveness of early warning system for preventing disaster and improve the system of governance. It is true that Bangladesh is not doing enough, but there is no lack of sincerity on the part of the government to take proper policy and programme. Already some of these programmes have started to produce result.

Concluding Remarks by the Chairperson

Wrapping up the dialogue, Professor Rehman Sobhan, Chairman of CPD, observed that the structuring of RNF activities were insufficiently desegregated. The chairman posed several important questions to the participants. He asked the keynote presenters about the underlying relationship between the growth of non-farm industries and the provision of intermediate input equipment and related services of the agricultural sector.

Impact of import liberalisation on RNF needs to be ascertained

Professor Sobhan confessed that the state of manufacturing sector in the rural areas have not been described adequately in the papers. He also said that the keynotes have also failed to explain how excessive import liberalisation and unregulated informal trade across the border have affected income generation in the rural economy. The CPD chairman underscored the necessity for secondary growth, as it would provide the dynamics for non-farm industrialisation in rural economy. The demand for forward linkages in rural economy could be met up by RNF activities, he said.

RNF financing needs mainstreaming

Dwelling on the issue of financing, the chairman said it is a disturbing development that 70 per cent financing of RNF activities came from personal savings. The data showed that the share of institutional financing that incorporate banks and NGOs had declined between 1995-96 and 2000-01. It is actually contrary to what one would have expected, the chairman said. It is a very serious setback in the response mechanism of the NGOs and the failure of the commercial banking system.

Referring to the success of the programs like MELA of BRAC, Prof. Sobhan said the rural enterprises have yet to reap its fruits. At least five years is needed to ascertain whether there is a significant shift in the share of financing of RNF sector, he said.

Stress must be on agro-processing

The CPD chairman opined that agro-processing sector would be the most crucial sector in RNF economy. Here again, the chairman said there is no concrete data as to how many people are engaged in agro-processing sector, which is recognized fast-growing industry by the minister and the government.

Prof. Sobhan said appropriate linkages not only could give RNF fast-growing industrial character but also it could sustain the small producers who are serving the bigger sector of the economy. However, some of these linkages remained blurry in the keynote papers.

+The CPD chairman said that BRAC has made a very important intervention through AARONG dairy farm, which is designed in line with the successful AMUL programme of India. Obviously, he said institutionalisation of the relationship between growers and credit receivers is a must to spur growth in the sector. Producers and workers are at the lowest end of the market scale where incentive structure remains unusually weak, the CPD chairman said, proposing it as an important area for policy intervention.

Institutional support is a necessity

The chairman stressed that policy formulation and institutional support should go hand in hand. Despite the fact that 13 ministries are catering to the demand of the rural non-far sector, the government lacks coordinated approach for RNF sector, the Prof. Sobhan said, suggesting reform both in public and administrative level.

He said much of the talk about patronising small and rural industries remain largely rhetorical slogans. Whatever changes have taken place in the countryside owe mostly to the market demand. But this is not sustainable. To tackle market failure, there should be some kind of mechanism for market intervention through an appropriate package.

The chairperson expressed his hope that the minister would take these suggestions into account when he would deal with the RNF sector. Regarding the RNF, he said there exists a big gap between micro and macro perspective. While there are some successes at the micro levels, macro perspective remained a wasted opportunity, he said. "Rural non-farm sector is showing some promises now. In no way we should nip it in the bud."

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Acronyms

BADC	Bangladesh Agricultural Development Council
BARC	Bangladesh Agriculture Research Council
BB	Bangladesh Biman
BIDS	Bangladesh Institute of Development Studies
BRAC	Bangladesh Rural Advancement Committee
CPD	Centre for Policy Dialogue
DTW	Deep Tube Well
GDP	Gross Domestic product
GO	Government Organization
GOB	Governments of Bangladesh
HYV	High Yielding Variety
I-PRSP	Interim-Poverty Reduction Strategy Paper
IRRI	International Rice Research Institute
ITG	Intermediate Technology Group
LGRD	Local Government and Rural Development
LLP	Low Lift Pump
MELA	Micro Enterprise Lending Assistance
NBR	National Board of Revenue
NCC	National Coordination Council
NGO	Non-Government Organization
PKSF	Palli-Karma Shahayak Foundation
PT	Power Tiller
RCC	Reinforced Cement Concrete
RNF	Rural Non-Farm
RNFE	Rural Non-Farm Economy
SSC	Secondary School Certificate
STW	Shallow Tube Well
VAT	Value Added Tax

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