

**THE ROLE OF RURAL NON-FARM SECTOR IN
EMPLOYMENT GENERATION AND POVERTY
ALLEVIATION IN BANGLADESH SINCE 1990s**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfilment of the requirements
for the award of the degree of*

MASTER OF PHILOSOPHY

BISWAJIT CHOUDHURY



**South Asian Studies Division
Centre for South, Central, South East Asian and
South West Pacific Studies
School of International Studies
JAWAHARLAL NEHRU UNIVERSITY
New Delhi-110067
INDIA
2008**



July 14, 2008

DECLARATION

I declare that the dissertation entitled "THE ROLE OF RURAL NON-FARM SECTOR IN EMPLOYMENT GENERATION AND POVERTY ALLEVIATION IN BANGLADESH SINCE 1990s", submitted by me for the award of the degree of MASTER OF PHILOSOPHY of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other University.

Biswajit Choudhury
BISWAJIT CHOUDHURY

CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

P. Sahadevan

Prof. P. Sahadevan

Chairperson, CSCSEASWPS...
Centre for South, Central, South East
Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi-110067

I N Mukherji

Prof. I N Mukherji

Supervisor
Centre for South, Central, South East
Asian and South West Pacific Studies
School of International Studies
Jawaharlal Nehru University
New Delhi-110067

*Dedicated to
the welfare of the poor...*

CONTENTS

<i>Acknowledgement</i>	<i>i-ii</i>
<i>List of Abbreviations</i>	<i>iii-v</i>
<i>List of Tables and Figures</i>	<i>vi</i>
<i>Preface</i>	<i>vii-ix</i>
Chapter I: Introduction: Key Issues and Concepts	1-20
1.1 Introduction	1
1.2 Conceptual understanding of the term Rural Non-Farm Sector	2
1.3 Meaning and Definition of the term RNFS	4
1.4 Characteristics of the term Rural Non-Farm Sector	7
1.5 Determinants of Access to the Rural Non-Farm Sector	8
1.6 Significance of RNFS in the context of Bangladesh	12
1.7 Limitations of RNFS	13
1.8 Evolution of RNFS in Bangladesh	18
1.9 Conclusion	20
Chapter II: Employment Generation through the RNFS in Bangladesh	21-38
2.1 Introduction	21
2.2 Meaning of the term Employment Generation	22
2.3 Problems of Unemployment and Underemployment	26
2.4 Employment Opportunities in the Rural Non-Farm Sector	30
2.5 The Rural Non-Farm Sector Activities in Bangladesh	33
2.6 Conclusion	37
Chapter III: Policies to Promote the Rural Non-Farm Sector in Bangladesh	39-61
3.1 Introduction	39
3.2 Policy Objectives and Selection Criteria	40
3.3 Composition of various Programmes	42
3.4 Initiatives of Bangladesh Government	45
3.5 Role of Private Sector	53
3.6 Conclusion	58
Chapter IV: Impact of the RNFS on Poverty Alleviation in Bangladesh	62-83
4.1 Introduction	62
4.2 Poverty Discourse in Bangladesh	64
4.3 Meaning of Poverty Alleviation for Bangladesh	67
4.4 Approaches towards Poverty Alleviation in Bangladesh	69
4.5 Linkages between the RNFS and Poverty Alleviation	75
4.6 Impact of the RNFS on Poverty Alleviation in Bangladesh	76
4.7 Participation of the Poor in the RNFS	78
4.8 Importance and Recent Trends	80
4.9 Conclusion	82
Chapter V: Conclusion: The Way Forward	84-93
References	94-102

Acknowledgements

It is the soaring time to acknowledge Prof. Indra Nath Mukherji for his inclusive guidance and enduring support towards the area of my research interest. It was 2005, when I opted his course work in M.A. level, since then I got tremendous inspirations from his deeds and amicable behaviour. Infact, this passion has compelled me to continue my research work under his supervision. His continuous encouragement, patience, understanding, clarity, painstaking correction and insightful discussions were invaluable and indispensable to the realisation of this work. Thank you sir, I will remain indebted you forever for the same.

Moreover, including Chairperson for his administrative support, I am really grateful to all the teaching and non-teaching staff members of my study centre who propelled me to be enlightened.

Each word will be less to say thanks to my beloved friendly parents Biren Choudhury and Bharati Choudhury, who have allowed me to pursue my study outside home state. I am grateful to Ranu Choudhury (only Ba) and her family as well as Hemanta Choudhury (only Da) for their fondness and all round support towards my career growth. I am thankful to Gobinda Choudhury (uncle), Dhiraj Choudhury (dada), Diganta and Bhaskar for their unquestioned love and care.

I am happy to acknowledge Navaneeta Deori for her best support, constant attention and favourable comments towards my research work.

I myself benefited from the interaction with Prof. Apurba Kumar Barua Prof. Partha S. Ghosh, Prof. V. Rodrigues, Prof. Pralay Kanungo, Prof. Gita Dharampal-Frick, Prof. Dietmar Rothermund, Prof. D. Gopal (IGNOU), Prof. Pushpesh Pant, Prof. Devanarayan Bandopaddhaya, Prof. Fiona Mckenzie, Dr. T Raghunandan, Gotabaya Dasanayaka (ILO), Dr. Sanjay Bharadwaj, Dr. N. K. Paswan, Uttam Bathari (ICHR-G), Baharul Ali (GAU, Dilip Gogoi) and the like..

I got overwhelming material support from the ILO-South Asian Sub-Regional Office Library, New Delhi. Besides this I had used library resources of Centre for Policy Research Library, Association of Indian Universities Office Library, UNDP Office Library, New Delhi, The World Bank Office Library, New Delhi, JNU-Central Library, JNU-Exim (Export and Import) Bank, JNU-CSLG Library, Nehru Memorial Museum and Library (Teen Murti Bhaban), South Asia Foundation, Documentation and Information Centre, New Delhi, SAARC Documentation Centre, New Delhi, Ministry of External Affairs Library, ISIL Library, ICWA Library, New Delhi, Indian Institute of Entrepreneurship Library, Guwahati, ICHR Library, New Delhi and Guwahati, IDSA Library and RIS, New Delhi. During my visit I got permission as well as help from the staffs of these libraries and now I disclose my deepest gratitude to them.

Regarding web resources, I have visited official site of Bangladesh Government, BBS, BIDS and CPD and RUDA sites.

Among friends and well wishers, I would like to thank Anjan., Amit, Arup Jyoti, Prasanta., Cirantan, Jeetendra, Nayanjyoti, Chunnu, Jaideep, Barsa, Sanghamitra, Mitali (ba) for their valuable suggestions, care and encouragements. Besides them I am also grateful to Chetan T., Chetan B. S., Mosses, Kunal, Rakesh, Bhim B. S., Pallabi M., Pravash, Amarjyoti, Nasreen, Bottovi, Munde, Baneshar, Partha Pratim, and JILLY for their unconditioned positive friendship ties, help and constant inspirations.

And finally, needless to add, the sole responsibility for mistakes and shortcomings will be vested in me.. Thanks to all once again.

July 14, 2008
JNU, New Delhi.

Biswajit Choudhury

Biswajit Choudhury

List of Abbreviations

ADB	:	Asian Development Bank
APT	:	Analysis of Poverty Trends
BADC	:	Bangladesh Agricultural development Corporation
BBS	:	Bangladesh Bureau of Statistics
BIDS	:	Bangladesh Institute of Development Studies
BMET	:	Bureau of Manpower, Employment and Training
BRAC	:	Bangladesh Rural Advancement Committee
BRDB	:	Bangladesh Rural Development Board
BSCIC	:	Bangladesh Small Cottage Industries Corporation
BSS	:	<i>Bittahin Samabay Samity</i>
CA	:	Community Approach
CE	:	Chief Executive
CFA	:	Comprehensive Family Approach
CPC	:	Chief Project Coordinator
CTA	:	Chief Technical Advisor
DG	:	Director General
EBRD	:	European Bank for Reconstruction and Development
EH	:	Executive Head
FAO	:	Food and Agricultural Organisation
FDI	:	Foreign Direct Investment
FFEP	:	Food for Education Programme
FFI	:	Formal Financial Institution
FFWP	:	Food for Work Programme
GB	:	<i>Grameen</i> Bank
GDP	:	Gross Domestic Product
GO	:	Government Organisation
GRCC	:	Gender Relations Coordination Cell
HDI	:	Human Development Index
HES	:	Household expenditure Survey
HH	:	House Hold

HIES	:	Household Income and Expenditure Survey
HQ	:	Head Quarter
IDPAA	:	Institute for Development Policy and Advocacy
IFAD	:	International Fund for Agricultural Development
ILO	:	International Labour Organisation
ITDG	:	Intermediate Technology Development Group
IMEC	:	Impact Monitoring and Evaluation Cell
IRDP	:	Integrated Rural Development Programme
JVs	:	Joint Ventures
KSS	:	<i>Krishak Samabay Samity</i>
LFS	:	Labour Force Survey
MSM	:	Micro, Small and Medium
NGO	:	Non-Governmental Organisation
PAP	:	Poverty Alleviation Projects
PD	:	Project Director
PKSF	:	<i>Palli Karma Sahayak Foundation</i>
PO	:	Partner Organisation
PPA	:	Participatory Poverty Assessment
PPP	:	Public Private Partnership
PPRC	:	Power and Participation Research Centre
PRSP	:	Poverty reduction Strategy Paper
RMP	:	Road Maintenance Programme
RNFE	:	Rural Non-Farm Economy
RNFS	:	Rural Non-Farm Sector
RPP	:	Rural Poor Projects
SAP	:	Structural Adjustment Programme
SAZ	:	Specialised Agricultural Zones
SRDP	:	Strategy for Rural Development Projects
TCCA	:	<i>Thana Central Cooperative Association</i>
TGA	:	Target Group Approach
TROSCA	:	Traditional Rotating Savings and Credit Association
UE	:	Unemployment Equivalent
UEP	:	Universal Education Programme
UNDP	:	United Nations Development Programme

UPDP : Urban Poor Development Programme
URDEP : *Uapazila* Resource Development and Employment Programme
VGDP : Vulnerable Group Development Programme
WB : World Bank

List of Tables

Tables 3.1 Number of Beneficiaries and Geographical coverage	50
--	----

List of Figures

Figures 2.1 Conceptual framework for Employment Generation	23
Figures 2.2 Employments for Poverty Reduction and Food Security	25

PREFACE

This work, as the title indicates, is about examining the role of rural non-farm sector in employment generation and poverty alleviation in Bangladesh since 1990s. The reason behind choosing the time period is that a new shift of growth process had started in the country since 1990s with democratic culture.

The capacity of the agricultural sector to employ additional labour is not high. Attempts should be made to generate employment in the rural non-farm sectors such as manufacturing, commercial activities, construction and services. The development of rural infrastructure such as roads, canals, tanks, culverts and electricity is important in that respect. Land, the dominant factor in agricultural production, is extremely scarce in Bangladesh. Access of rural households to land has been eroding due to continued growth of population and limited employment generation in the formal industrial and service sector activities. Rural households recognize these problems and have been trying to address them by utilizing the surplus generated by the technology-induced growth in agricultural productivity for undertaking rural non-farm activities. They are also investing on education of children, for facilitating occupational mobility from manual labour-based activities to human capital-based services. As a result, the rural non-farm sector has been expanding and has already become a major component of the rural economy.

The concept of rural non-farm employment (RNFE) is defined as employment in pursuits other than cultivation, livestock, forestry, fishing, hunting, plantations, orchards and allied activities. Broadly, it covers employment in mining and quarrying, manufacturing (manufacturing, processing, services and repairs in household industry and other than household industry), construction, trade and commerce, transport, storage and communications and other services. In the recent years, the rural non-farm sector employment acquired importance in the economic development. By providing gainful employment to the rural labour-force this sector is playing a positive role in the removal of poverty. It is a significant source of income to small and landless farmers during the slack season. It also facilitates structural transformation. There is a

close relationship between employment generation in rural non-farm activities and the spread of prosperity from agricultural growth.

The improvement in the livelihood of the resource-poor households and thereby poverty reduction could be better achieved through faster growth in non-crop agriculture than for the crop sector, because the latter is much more land intensive than the former, and the land is extremely limited and unequally distributed. The non-crop agriculture generates substantially higher value added in post-production (processing, storage and marketing) activities that can create opportunities for higher productive employment for the land-poor households. Exploitation of this potential will however require support from the public sector for developing rural infrastructure in the field of transport, power and communications, investment in secondary and technical education, as well as providing access to finance to the resource-poor households

Keeping in mind the following objectives I have examined this research work in a lucid manner:

- To review the characteristics of the rural non-farm sector,
- To assess the potential of the rural non-farm sector to generate sustainable livelihoods for a large number of people,
- To identify the factors which help or constrain the growth of the rural non farm sector, and
- To develop a strategy for policy related and institutional interventions to promote the healthy growth of the rural non-farm sector.

The area I have chosen is an outcome of fruitful discussion with my supervisor Prof. I N Mukherji who deals basically Political Economy Approach. I have tailored this in a systematic way from the very beginning and tried to explore the unexplored equipments. For example I found less literature on the key issues and concepts. The novel here is that one can easily get the basic information about the rural non-farm sector together. Moreover, I have tried to focus here is that, to create a linkage between production place to market place as well as the use of government waste land through self-help groups. L. Robins specified three facets of human needs like,

unlimited wants, limited means and alternative use, the last one I have tried to draw here.

This work has called for a move towards a new direction, a new paradigm of poverty reduction, both on the basis of available literature on the rural non-farm sector and from an analysis of the current poverty discourse.

I have limited the study in five chapters. In the first chapter I have included the key issues and concepts of the rural non-farm sector as a whole. Once one goes through it, he/she will be enriched, knowing more about the sector. Here I have explored the meaning, definition, characteristics, determinants, significance, limitations and evolution of the RNFS as a whole as well as within the domain of Bangladesh.

In the second chapter, I have examined the problems of unemployment and underemployment in Bangladesh. The capacity of employment generation in the rural non-farm sector is subsequently highlighted in this chapter. Moreover, I have tried to explore the growth and variations of the rural non-farm activities in Bangladesh since 1990's.

In the third chapter I have included public-private policies to promote the rural non-farm sector in Bangladesh since 1990's. The various policy compositions of Bangladesh Government and the Non-Governmental Organisations' regarding upgradation of the rural non-farm sector for creating more opportunities for the poor in Bangladesh are elaborately discussed here.

In the fourth chapter I have included the impact of the rural non-farm sector on poverty alleviation in Bangladesh. Moreover, the participation of the poor in various rural non-farm activities to enhance their livelihood process is focused here.

And in the last chapter, I have summarised the basic findings of the previous chapters. Besides summarising the points and testing the hypothesis, I have prepared some essential relevant policy options to improve the rural non-farm sector as a device for poverty alleviation in Bangladesh.

CHAPTER -I

INTRODUCTION: KEY ISSUES AND CONCEPTS

Chapter 1

INTRODUCTION: KEY ISSUES AND CONCEPTS

1.1 Introduction

The rural non-farm sector (RNFS), which now accounts for nearly half of rural employment in Bangladesh, is poised for a much bigger contribution to the country's economy and to a more rural-urban balance in development. The rural non-farm sector has the potential to help the country meeting many of the economic challenges that it faces. This study on '*the Role of Rural Non-Farm Sector in Employment Generation and Poverty Alleviation in Bangladesh since 1990s*' has great relevance in the context of socio-political and economic growth of Bangladesh.

The growth of rural population has caused a growing stream of new entrants into labour market each year resulting in a large number of unemployed labour forces in Bangladesh. The growing unemployment can adversely increase incidence of poverty, affect the minds of young generation, create unrest in the society and even frustrate the career of the employed people. Like other developing countries in Asia, employment opportunities in Rural Bangladesh are also becoming scare for the young people. Backwardness of the rural industries and non existence of diversification of rural economic structure have led to a vast reservoir of unemployed and underemployed labour force. The bulk of labour force, therefore have to look to agricultural sector for their livelihood. But this sector is already over crowded and beset with problems of unemployment, underemployment and low earnings.

Over the last couple of decades, Bangladesh economy has been witnessing remarkable economic growth and for that credit goes largely to sustained expansion of its rural economy. During 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 generation. Still there are doubts about the sustainability of this type of growth. Critics opine unless the country has a robust rural non-farm sector

whose growth of late has become an important area of interest for both the policy makers and the economists, there is no way this growth could be sustained in Bangladesh. Alongside the crop sector, the economists now recognise the importance of the rural non-farm sector as a potential source of income, employment generation and poverty alleviation. They also see it as one of the most emerging clogs in the wheel of Bangladesh's economy. According to Professor Mandal (2002), the rural non-farm sector encompasses all non-crop activities in rural, semi-urban and peri-urban areas. It has two dimensions such as:

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

In the past few decades, the problem of unemployment did not receive as much priority as it should have as a critical national problem in Bangladesh. The strategies for employment generation so far taken have failed to keep pace with wide spread unemployment and pushed a sizable number of the rural poor to urban slums and streets in Bangladesh. From the recent past, national planners, and development economists have shown great concern about unemployment problem accompanied by the growing frequency of poverty. The proximate causes of poverty are numerous, such as lack of adequate land, insufficient education, lack of vocational training and skill enhancement programmes etc. But these are all related with employment in one way or other.

1.2 Conceptual understanding of the term Rural Non-Farm Sector

The rural non-farm sector is a poorly understood component of the rural economy and people know relatively little about its role in the broader development process. There is no standard definition of rural non-farm sector, either internationally or within Bangladesh. The sector is too diverse in terms of activities, unit sizes and geographic dispersal to allow a neat classification. This is further emphasised by the fact that the sector is usually defined in negative terms as the rural non-farm or non agricultural sector. Positive terms such as rural enterprises or rural industries are inadequate: the former may include agricultural activities; the latter tends to exclude rural services, which in most countries generate more employment than does rural manufacturing.

The rural non-farm sector holds the key to faster economic development of Bangladesh in the contemporary period. It has the potentiality and also promise for generating employment and increased income in the rural areas of Bangladesh.

The rural non-farm sector encompasses all non-agricultural activities like mining and quarrying, household and non-household manufacturing, processing, repair, construction, trade and commerce, transport and other services in villages and rural towns undertaken by enterprises varying in size from household own-account enterprises to factories. The rural non-farm sector comprises diverse activities while sustained growth in the rural non-farm sector depends on a varied set of factors, depending on the kind of impetus, positive or negative, that these factors provide to the rural economy.

Education is a potentially important determinant of the rural non-farm sector employment. Education improves an individual's prospects for non-farm jobs as well as increases his or her ability to allocate time to work efficiently among income producing activities. However, in early development phases many rural non-farm activities require only low levels of schooling. There needs a positive relationship between modern non-farm occupations (like mechanical repairs of tractors, services, modern textiles, jute, ply-wood factory) and level of education, but a negative relationship between level of education and traditional non-farm occupations (like toddy tapers, rickshaw pullers, basket makers, barbers, clothes washing, shepherds, tailors, quarry workers, potters, carpenters, goldsmiths, gunny bag makers).

The rural non-farm sector is viewed as an integral part of a two dimensional continuum. One dimension of the continuum runs across spatially from villages to rural towns to cities and metropolises linking producers and consumers in each layer and across layers. Another dimension encompasses activities ranging from farm input producing units to traditional agriculture, to agro-processing, to the marketing and distribution of agricultural and the rural non-farm sector products to specialized urban manufacturing and urban services. The multitude of inter-linkages among sectors located in different geographical regions necessitates examining rural non-farm sector activities in a holistic manner. For instance, policies and institutions influencing investment climate and service delivery affect both dimensions of the continuum. On the other hand, agricultural supply chains linking farmers to consumers in urban

centres typically run across spatial dimension. The development of rural non-farm sector depends on the strength of inter-linkages across sectors and across locations (cities, towns and villages) and between activities and locations.

1.3 Meaning and Definition of the term Rural Non Farm Sector

As population pressure grows in the land-scarce developing countries of Asia, the growth in agricultural production cannot absorb the increasing rural labour force in agricultural employment. At the same time, the urban industrial sector cannot grow fast enough to absorb the surplus labour released from agriculture. This leaves the rural non-farm sector to absorb those released from agriculture but not absorbed in the urban industries. The rural non-farm sector emerges as a very important source of income and employment generation and consequently as a critical factor in rural poverty alleviation. Moreover, the non-farm employment is differentiated into casual and regular wage-employment, and self-employment.

The conceptual framework to address the issues in developing the rural non-farm sector is closely related to the question of what comes under the purview of the rural non-farm sector. The literature on the rural non-farm sector lacks a consensus on its definition. Much of the confusion about the coverage area of the rural non-farm sector stems from the fact that the definition of the rural-non farm sector involves two dimensions like the definition of rural versus urban areas and farm versus non-farm activities. Debate exists on both dimensions of the rural non-farm sector.

In many parts of the world, the number of poor people in rural areas exceeds the capacity of agriculture to provide sustainable livelihood opportunities. Even with a decline in fertility rates and a slowing of population growth, this situation will not change significantly. Out migration is not an option for everyone, and urban centres cannot (or should not, for economic, environmental or social reasons) be assumed capable of providing adequate livelihood opportunities for all those unable to make a living in agriculture. This puts the spotlight on the rural non-farm sector as a potential vehicle for poverty reduction in rural areas of Bangladesh. The rural non-farm sector may (Davis and Bezemer 2004):

- Absorb rural surplus labour,

- Foster rural growth,
- Help farm based households spread risks,
- Improve the overall quality of life, goods and services in rural areas,
- Offer more remunerative activities to replace agricultural income, and
- Provide a means to cope or survive when farming fail,

The development of rural non-farm sector is a leading source of employment and income in rural areas of Bangladesh. The sector defined to include every thing except primary agricultural production, now contributes nearly half of rural employment and its contribution to GDP has grown faster than that of agriculture itself. Agricultural growth will not be sufficient to generate the employment that Bangladesh needs. Nor will urban growth be enough to absorb such a large increment in the labour force. The rural non-farm sector must be the main source of employment generation in Bangladesh.

Further, poverty is closely associated with unemployment and occupational status. Poverty in Bangladesh has to be seen within the context of low economic growth and consequent slow expansion of employment opportunities. With the limited scope of employment in agricultural sector, the poor people are mostly involved in off-farm activities in the rural areas and in the informal sector in the urban areas. The poor diversify into the non-farm sector in order to:

- Improve their long-run income prospects (by acquiring skills or assets),
- Increase their incomes,
- Reduce risk (by spreading income risk across several activities), and
- Smoothen seasonal income and consumption patterns.

There are two definitions of the rural non-farm sector activities. According to the narrower definition, the rural non-farm sector activities include everything located in the rural areas except large scale manufacturing and agriculture where agricultural sector itself is defined broadly. According to this broad definition, agriculture consists of crop and non-crop activities such as livestock and poultry, fisheries and forestry as well as their input industries and post harvest transformation activities.

In most of the rural areas people are engaged in the rural non-farm sector as self employed (i.e. working for themselves on a wide variety of activities located in the household or elsewhere in the village), in casual and regular wage labour in micro enterprises employing not more than ten employees (including the owner-operator and family members), or in small enterprises employing more than ten employees. Thus, the rural non-farm sector enterprises are basically divided into three size categories as presented below:

1.3.1 Small-Scale or Household Enterprises

These enterprises vary widely in size, location, gender participation and sector of activity, but most are a single person, owner-operating unit, or small units engaging family members. They may be called survival-subsistence or livelihood enterprises as they provide employment opportunities in the absence of more profitable alternatives. They often constitute secondary sources of income, as they are intermittent, part-time and seasonal. They earn a small surplus which, due to the poverty of the workers/owners, is frequently not reinvested but spent on household expenditures. Since such enterprises require low levels of skill and capital, potential entrepreneurs face low barriers to entry. Subsequently, as too many enterprises cluster in one area, their potential for growth is diminished. A small number may continue to grow over time and start employing wage labour.

1.3.2 Micro Enterprises

The second category consists of non-farm sector enterprises that employ wage labour, relatives or child labour, and use a higher level of skill and capital intensity than household enterprises. Many have prospects for growth in scale as well as in capital intensity and market size over the long run.

1.3.3 Small Enterprises

The third category comprises structured, growth-oriented businesses that serve relatively larger markets, use more capital and skills, and are also likely to engage in subcontracting arrangements with producers in rural and semi-urban areas. The distinction between the second and third categories is not rigid, and in many cases, the two categories may overlap.

1.4 Characteristics of the Rural Non-Farm Sector

The rural non-farm sector is characterised by its heterogeneity, incorporating self employment, micro and small medium sized enterprises and trade activities. For most rural people in developing and transitional economies like Bangladesh, the rural non-farm activities are part of the total livelihood portfolio. Rural non farm activities can be defined in a number of different ways. One simple distinction is between wage and self employment. This is a functional distinction. In addition, activities may be classified according to sector (e.g. primary sector versus secondary sector). The rural non-farm sector includes only non agricultural activities. Such activities can be categorised as follows (Hossain 1994):

- *Human capital-based occupations*: such as salaried service in public and private sector institutions, teachers, religious leaders, lawyers, village doctors, and various types of personal services (*services*),
- *Manual labour-based activities*: such as mechanics, wage-employment in rural business enterprises, transport operations, and construction labour (*non-farm labour*), and
- *Operating service-based enterprises*: such as self-employment in cottage industries, agro-processing, shop keeping, peddling, petty trading, medium and large-scale trading, and contractor services (*business enterprises*).

The rural poor in Bangladesh derive important income shares from the rural non-farm activities. Human, social, financial, physical and natural capital endowments can be important determinants of motivation and ability to enter the rural non-farm sector. The rural non-farm sector plays a major role to generate employment, slow down rural urban migration, and to contribute to a more balanced pattern of development in Bangladesh.

Moreover, two distinct categories of rural non-farm sector employment are identified such as modern wage-employed as well as traditional wage-employed and modern self-employed as well as traditional self-employed. It may be inferred from the results that land holding size, years of workers education, per acre value of agricultural output, social background such as migration, seasonality, skills and

absence of poverty are important factors for the rural non-farm sector employment. It suggests that economic, environmental and social factors would also matter for the rural non-farm sector employment. Again the probability of participation on modern activity is higher among the self-employed and most of the traditional activities are associated with self-employment not with wage-employment.

1.5 Determinants of Access to the Rural Non-Farm Sector

There are several determinants of access to the rural non-farm sector activities in within and beyond the household level which affect the validity of the rural non-farm sector. The important factors which determine the access to the rural non-farm sector employment and income generation are discussed as below (Davis 2003):

- Education and Skills,
- Social Capital,
- Financial Capital,
- Physical Infrastructure and Information,
- Agricultural Development,
- Natural Resource Endowment,
- Level of Public Service,
- Rural Town Development, and
- Business Environment.

1.5.1 Education and Skills

Education becomes significant since the better-paid local jobs require formal schooling, usually to completion of secondary school or beyond. School education beyond primary level and the achievement of literacy and numeracy, provides skills that matter in the majority of the rural non-farm sector activities. There is a correlation between education and the rural non-farm sector towards business success. Moreover, there are intangible benefits of schooling that accrue, such as the ability to interact with public servants and others, the forming of social bonds at secondary school and training colleges later serve in business.

1.5.2 Social Capital

Social capital at the individual level, defined by Fafchamps and Minten (1998) as the degree of interaction with others in the context of social networks, can enable economic agents to reduce transaction costs and partially address access constraints arising from imperfect markets. Social capital can translate into access to relevant market information and buyers, wage-employment and business opportunities, formal and informal loans, cash advances, inputs on credit, skills, shared resources for production and marketing, and migration opportunities.

1.5.3 Financial Capital

The single most commonly reported obstacle to investment and entrepreneurship is inadequate access to capital. However, demand constraints may also be a factor underlying restricted access to credit. Prospective rural investors do not lack all access, but loan size and maturity are often limited. Given lack of access to formal credit, the main source of funds is often from the savings and assets of the household. Initiatives from NGOs and Government to promote micro-finance have in some cases made access better, but coverage is still incomplete and often still excludes the poor. Private sector loans remain important as does informal financial services because domestic savings capacity is often limited. However Foreign Direct Investment (FDI) also matters, for example agro-processing firms have utilised significant amounts of FDI in the transition countries via European Bank for Reconstruction and Development (EBRD) co-financing of Joint Ventures (JVs) and the like (Davis and Pearce 2001).

1.5.4 Physical Infrastructure and Information

Rural roads that allow reliable and regular motor vehicle access serve both the farm and the rural non-farm economy. Rural electrification is also mentioned, although less frequently. This is particularly important for manufacturing activities (including agro-processing) of some scale. Reliable and abundant supplies of (preferably clean) water can allow some of the rural non-farm activities to take place. Surprisingly little explicit mention appears of the value of technical know-how and market information. Assets have a degree of interdependence and fungibility, as suggested by the livelihoods framework (Ellis 2000a). First, the value of a specific asset often depends

on other, complementary assets, which may be owned by others than the household or be held in public ownership. Second, the importance of particular assets varies with the type of employment. For example, education and contacts are particularly important for accessing formal jobs in government or the private sector, whereas skills acquired outside the schooling system and access to finance and market networks play a significant role in the development of entrepreneurial activities. Third, the availability of a particular asset often influences the level of other assets. For instance, social capital may enhance access to financial resources; education tends to be positively correlated with social capital and access to formal credit; land availability can serve as collateral for bank loans; and so on. Finally, asset endowments are neither static nor necessarily cumulative over time.

1.5.5 Agricultural Development

The importance of agricultural development for creating an environment in which the rural non-farm sector can prosper is crucial. Demand dynamics arising from agricultural growth are usually very significant. Agriculture stands out as the most obvious activity with potential to increase rural incomes due to the sheer number of people directly involved in this activity and its production linkages. Increased produce supplies enable the growth of upstream and downstream activities. Agricultural development also generates increased saving surpluses, which can be channelled to the rural non-farm sector activities by farming households or the financial system.

1.5.6 Natural Resource Endowments

The development of the rural non-farm sector in a particular region is intimately dependent on its natural resource endowments. Apart from agriculture-linked activities, the rural non-farm sector comprises wood processing and trading, alcohol production, fish processing and trading, mining and quarrying, construction and tourism. Hence, in most contexts, favourable natural resource endowments are necessary, albeit not sufficient, condition for the development of the rural non-farm sector and the rural economy.

1.5.7 Levels of Public Service

The relative importance of the state for the development of the rural non-farm sector activity is likely to be greater in poor regions, which typically lacks other significant

sources of demand. For example, public investment in schools, training centres, health clinics, roads, irrigation systems etc., can provide a major boost to local construction and related activities. Moreover, the development of public administration and services generates salary, employment and income, which will partly be spent locally.

1.5.8 Rural Town Development

Rural towns' play multiple economic roles, some of which strengthen local inter-sector linkages and contribute to the development of the rural non-farm sector. Given the concentration of economic activity and population, rural towns may serve as important market outlets for manufactured goods produced within surrounding villages and as employment centres for villagers who commute on a regular basis in order to sell services or their labour. Because these towns tend to attract people from surrounding areas or in transit, they generally host a range of services catering for their needs, including car repair workshops, petrol stations, retail shops, hotels, restaurants and bars. In addition, rural towns usually offer better conditions than villages for the development of agro-processing industries and other manufacturing activities due to the availability of administrative and support services, a concentration of consumers, and better access to transport and public utility infrastructure. They also tend to host enterprises dedicated to the manufacturing of agricultural inputs and the provision of essential support services to agricultural and the rural non-farm activities located in the surrounding areas. Finally, rural towns can constitute important links between the rural hinterland and more distant markets, playing the role of intermediate marketing centres.

1.5.9 Business Environment

Private sector investment levels and enterprise development in the rural areas can be either facilitated or hindered by the business environment, depending on how the latter impacts upon investment risks, entry barriers (including start-up costs) to economic activity, and/or production and marketing costs. Important dimensions of the business environment include the macro-economic situation, degree of policy consistency and stability, direct and indirect taxation regimes, investment and licensing regulations, red-tape levels, labour laws, corruption levels, security situation, effectiveness of the judicial system, state of economic infrastructure, and availability and quality of enterprise support services. In some cases, public policy

restricts the rural non-farm activity by negatively affecting the business environment, such as restrictions on artisan fishing and shrimp capture, and regulations applying to the cooking and serving of food and drink.

1.6 Significance of the Rural Non-Farm Sector in the context of Bangladesh

The rural non-farm sector sources of income are important for the rural poor people of Bangladesh for two reasons. First, the direct agricultural income obtained by the poor is not enough to sustain their livelihoods, either because of landlessness or because the land they own or lease is insufficient. Second, wage employment in agriculture is highly seasonal. The rural non-farm sector activities are especially suitable for the poor households of Bangladesh because they require little capital and generate more employment per unit of capital than do farm sector activities.

The rural non-farm sector promotes equitable distribution of income by providing employment for women, unemployed or underemployed youths, small farmers, landless workers and poor people living in rural towns. Women engaged in non-farm activities not only provide the household with additional income but also gain respect and status by contributing to their families' welfare in Bangladesh. Moreover, they also gain the confidence needed to play a role in decision-making at the community level. This prevents out migration and the consequent loss of human capital, retaining potential entrepreneurs in rural areas of Bangladesh. Finally, given the declining land-person ratio in many countries and the number of households that remain landless, engagement in the rural non-farm sector seems to constitute one of the few employment generating sources.

The rural non-farm sector has considerable scope to complement farming because of the strong linkages with the farm sector and also the non-farm sector forges linkages between rural and urban areas. The rural non-farm sector is particularly important to the rural poor. Low investment manufacturing and services (including weaving, pottery, gathering, food preparation and processing, domestic and personal services, and unskilled non-farm wage labour) typically account for a greater share of the rural poor's income than that of the better-off. Non-farm income is also

important to the poor as a means to help stabilize household income in years of natural disasters, such as drought years.

Moreover, a rise in farm incomes stimulates the consumption of goods and services, many of which are produced by rural non-farm enterprises. With the growth in agricultural productivity either labour is released or wages rise. Surplus labour can be absorbed in the rural non-farm sector and surplus agricultural income and profit can support the growth of this sector. This growth, in turn reinforces agricultural production through lower input costs, technological change and the ploughing back of profit into farming.

Most of the studies indicated that rural non-farm sector growth stemming from interactions between successful farmers and providers of non-farm services (such as construction, trade and transport) can have a strong impact on reducing poverty. Most traditional rural non-farm sector participation is linked to poverty and reflects family skills, land shortage, or the need to diversify against seasonal employment or annual drought risk. The traditional rural non-farm sector should not be neglected where in Bangladesh shows that the modern, linkage-based rural non-farm sector is a more promising way out of poverty. Higher agricultural incomes and wages, and higher non-farm income per capita, were reported in villages with a majority of rice cropped in high-yielding varieties rather than in villages still dependent on traditional varieties. The higher non-farm income in prosperous villages results from a greater concentration of high-return non-farm activity (transport and services) and less low-wage cottage industry, construction and earth hauling activities (Islam 2002).

1.7 Limitations of the Rural Non-Farm Sector

Although the rural non-farm sector has tremendous potential of removing unemployment in villages, the government has never been serious to address the basic problems of this sector. Major bottlenecks in the holistic development of the rural non-farm sector are poor quality of employment and incomes, shortage of skilled manpower, unavailability of credit facilities, absence of marketing networks, poor transportation facilities, low public investment in villages, lack of basic amenities in rural areas, poor law and order scenario, erratic power supply and the like.

The farm and non-farm sectors are related through production and consumption linkages and through supply of labour and capital (such as expenditure and investment) linkages. Agricultural growth is the necessary precondition for the fostering of all linkages between the two sectors. Moreover, the rural areas of Asia and the Pacific region show that the rural non-farm sector activities follow agricultural growth and depend greatly on local and regional demand.

The rural non-farm sector has the potential to contribute to a reduction in rural poverty. The focus here is on the employment and income opportunities for the poorest. The six factors that affect in accessing to the rural non-farm sector employment opportunities are discussed as below:

- Health and Nutrition,
- Household Composition,
- Access to Finance,
- Infrastructure,
- Education, and
- Social Networks.

1.7.1 Health and Nutrition

Good health and nutrition clearly influence the ability to earn more income. Poor health indicators correlate strongly with low incomes and landlessness. Rural areas are typically less well served by health and sanitation services than urban areas. Effects on health and nutrition are compounded by lower levels of literacy and lower incomes. For women, the effect will be worse because of the burdens of child birth and child care, still lower levels of literacy and income, and local traditions which may further limit women's access to modern health care. Whilst rural primary health care needs are now given more prominence in health planning, most rural areas continue to have poorer access to health services. Moreover, cost recovery in health care may penalize the poor more than others with a disproportionate effect in rural areas, where most of the poor still reside. Key challenges are therefore like correcting for urban bias in the provision of health care and making sure that the services are accessible to, and appropriate for, the rural poor including women.

1.7.2 Household Composition

Household composition affects the types of employment its members enter into, as well as how or by whom decisions are taken. Important variables include:

- Dependency ratio such as numbers of children, elderly and sick,
- Family size and extent of surplus labour,
- Gender composition, and
- Whether female-headed.

The need to care for the sick or for children may limit scope for employment outside the home or farm – but a high dependency ratio may force children into employment. Where women cannot work outside the home, a household with a large number of women may have less access to sources of rural non-farm sector employment. How and by whom decisions are taken may influence education and employment outcomes.

1.7.3 Access to Finance

Access to finance affects participation in non-farm employment by funding investment (directly or through loans), making the payment of bribes possible and providing a buffer against risk. Access to finance is closely associated with many other factors which improve access to better paid non-farm employment (contacts and education in dealing with banks or other official institutions, risk-taking capacity). Rural financial services accessible by the poor are notoriously lacking, for example, because:

- Formal Financial Institutions (FFIs) rarely have a strong rural presence,
- Where FFIs exist, their procedures and requirements often exclude the poor (form filling, collateral, land-title, references, records, business plans),
- Credit programmes targeted to the poor have had a mixed record – proving unsustainable, poorly targeted or insufficient,

- Lending to the rural poor is inherently high cost because of poor information, small loan sizes and vulnerability increase the chances that loans will be consumed rather than invested,
- The poor therefore resort to high cost informal money-lenders - in times of dire need, finance is rarely available for longer term investment,
- Traditional Rotating Savings and Credit Associations (TROSCAs) can be tailored to needs but they exclude the poorest, who are unable to make regular contributions,
- The better-off may borrow from family or friends but the poor are often locked into networks of comparably poor people, and
- Women are doubly penalized because their access to finance is constrained by all these issues, plus additional legal constraints, and sometimes by traditions that limit their participation in the commercial and formal sectors.

Whilst there are examples of ways in which some of these obstacles can be overcome, for most poor people in rural areas, access to finance is a key constraint to income diversification. In rural areas access to finance is closely linked to ownership of land. Landlessness is more common in Asia than in Africa. But in both continents, customary land rights are common and do not confer title with the frequently associated impact on loan collateral.

1.7.4 Infrastructure

Infrastructure (particularly roads, telecommunications and electricity) affects both opportunities and access. It helps make an area attractive to investors, whilst also helping people access opportunities (by travelling to nearby towns, or facilitating access to self-employment in sectors dependent on electricity). Access to infrastructure is rarely equal among all income groups. Poor people often live in more remote areas, 'off-road', and may not be able to afford electricity in their homes. Current interest in private-sector provision and stronger cost recovery raises key questions for rural areas where the purchasing power is low, needs are high, and where the per capita costs of provision are also high (because of relatively low population density and remoteness). Infrastructure development does not always spur

local growth, it may facilitate an influx of goods produced in urban areas, which displace local industries or it may lead to an increase in out-migration.

1.7.5 Education

Numerous studies show that education contributes to the growth of the rural non-farm sector in villages and small rural towns. It is linked with higher productivity in trading, construction, service and manufacturing activities. Secondary education stimulates entrepreneurial capacity whilst primary education enhances work force productivity. Data from Bangladesh (Islam 1997) show progressively higher levels of education associated with rural industry workers (compared with the rural population as a whole) and proprietors in expanding industries (which require more aggressive leadership).

1.7.6 Social Networks

Social networks can play an important role in facilitating access to the rural non-farm sector employment by:

- Providing information and advice on the rural non-farm sector opportunities, including migration,
- Providing introductions or references (one can expect it through close ties or a close circle where within themselves share prospects),
- Providing accommodation in an unfamiliar place (there is no need to be afraid of in an unknown place, one can stay comfortable),
- Straddling different networks -- thus expanding networks, information and opportunities.

Some networks are more formal or visible (caste, ethnicity, shared training or apprenticeship, political affiliation). Some networks are inviolable, whilst others can be acquired. In rural areas kith and kin are usually very important. Several authors have noted the role of social networks in reducing transaction costs (improving information and reducing risk). Islam (1997) notes that enterprise development was initially constrained in rural Korea because managers of rural factories were recruited by the government, without regard to their work experience or business relations with the urban companies from which they were expected to gain sub contracts nor did

they have experience of the rural areas in which they worked. Former employees of urban industries can gain knowledge and trust, and as subsequent rural entrepreneurs, win subcontracts from their former employers.

1.8 Evolution of the Rural Non-Farm Sector in Bangladesh

Factors in the evolution of the contemporary rural non-farm sector are to be found in the sectoral pattern of absorption of a rapidly expanding labour force. The expansion of the rural non farm-sector has resulted from a sustained squeezing out of labour from the agricultural sector. Conceptualising in terms of supply push and demand pull factors, it is clear that the past evolution of a section of the rural non-farm sector has resulted generally from a push out of agriculture into the rural non-farm sector. The push factors in rural poverty were unemployment, seasonal unemployment, disguised unemployment and landlessness associated with increasing population pressure on land, declining land holdings, a stagnating effective irrigation ratio and a proliferation of marginal firms with their operators at risk of losing or having to relinquish what land they have:

- Issues in rural employment can not be separated out for treatment from issues in poverty as both concern the same rural working group, originate in the same causes and therefore need to come under the same focus with a view to being integrated in a multidimensional policy framework.
- Explicit recognition should be given to the rural non-farm sector as another and important dimension of rural development and its progress should be the subject of a conscious policy focus.
- Employment policies need to be formulated without relying wholly on agriculture and with a focus on the rural non-farm sector activities.
- Policies and strategies are needed to steer the rural non farm sector away from a possible path of ever increasing distress to a development oriented path.

The employment in rural non farm activities has become an important aspect of the lives of a large number of people in the rural areas of Bangladesh as in several other developing countries. While this is basically an economic phenomenon, it has an important social aspect because those affected are mostly the rural poor. For the growing number of these people who are not being absorbed enough in agriculture or in urban based industry and are actually obliged to leave the land partially or fully, non-farm activities are performed as a part of their personal survival strategies.

The issues in the growth and development of the rural non farm sector have already received considerable attention from the World Bank and major stakeholders in Bangladesh. The World Bank (1997) report titled “Bangladesh: The Non-Farm Sector in A Diversifying Rural Economy” dealt with many issues in developing the rural non-farm sector in Bangladesh. The main focus of the report was on producing a consensus in defining the coverage of the sector, discussing the main features such as composition and labour productivity in the sector, the role of micro-finance in promoting the rural non-farm sector activities and designing a strategy for promoting a virtuous circle of non-farm growth and poverty alleviation as well as employment generation. The study proposed a two-part strategy: a primary strategy of improving infrastructure, finance and agricultural performance, and a secondary strategy of creating (in partnership with NGOs and private sector¹) an enabling environment for private sector-led rural industrialization and for stronger linkages to agriculture.

This report uses the broader definition of rural areas. In literature two different definitions of the rural areas can be identified. In the narrower definition the rural areas consist of villages. For instance in the official statistics of Bangladesh, the semi-urban areas like *thana* headquarters, areas adjacent to municipalities, and other areas based on electricity consumption and population densities are often classified as urban. In practice, these areas may be predominantly rural in nature. Moreover, rural people often have access to employment opportunities in nearby towns and peri-urban areas. According to the broader definition, the term rural includes villages, rural towns and peri-urban areas. In this report, the broader definition of rural areas is used and whenever feasible detailed breakdown by different locations are presented.

¹ At present it is popularized as PPP (Public Private Partnership).

1.9 Conclusion

During 1990s, the rural non-farm sector activities have assumed an increasingly important role in the economic landscape of Bangladesh particularly in rural areas. During this period Bangladesh experienced accelerated and broad-based economic growth. Between 1991 and 2000 the real GDP rate in Bangladesh increased by 52 percent, averaging a growth rate of about 5 percent per year. Combined with the country's notable success in reducing population growth rate over the past two decades, this economic performance resulted in real per capita GDP rising by 36 percent over the decade. Productivity and profitability in the rural non-farm sector is generally higher than in the farm sector as are the average wages and working conditions that obtain in the rural non-farm sector (Fisher et al. 1998). A greater reliance on the rural non-farm sector would therefore provide a demand-pull to rural economy and also ensure welfare for rural workers.

Generating productive employment for the growing labour force remains a formidable challenge for the Bangladesh economy. The capacity to absorb the incremental rural labour force in agriculture is extremely limited because: (1) no scope for expansion of the land frontier, (2) the intensity of cropping has almost reached the limit, and (3) the growth of crop production now depends almost entirely on technological progress, resulting in low employment elasticity of output. Censuses and Labour Force Surveys (LFS) show a dramatic structural change in the composition of the rural labour force in favour of the rural non-farm sector activities in Bangladesh.

Exploitation of development potential of the rural non-farm sector will however require support from the public sector for creating an enabling environment, by developing rural infrastructures in the field of transport, power and communications, improving the quality and coverage of secondary and technical education, providing information on markets and facilities for training for entrepreneurship development as well as providing access to finance to the resource poor households.

CHAPTER - II

EMPLOYMENT GENERATION THROUGH THE RURAL NON-FARM SECTOR IN BANGLADESH

Chapter 2

EMPLOYMENT GENERATION THROUGH THE RURAL NON-FARM SECTOR IN BANGLADESH

2.1 Introduction

The role of Rural Non-Farm Sector in Employment Generation programmes in the developing countries has received considerable attention worldwide as regards to development strategies and policies. Many new employment opportunities in many developing countries are created in the non-farm sector whose rate of growth is higher than that of the farm sector. Despite continued rural to urban migration, a large number of population in many developing countries still lives in rural areas and are mainly poor with over 30 percent overall classified as poor (UNDP 2001). Hence, the rural population in Bangladesh accounts for over two-thirds of the population and the rural labour force is growing at about 3 percent annually (Lanjouw and Lanjouw 1995; Bangladesh's Fifth Five Year Plan 1997-2002). This increasing labour force in Bangladesh may not be absorbed productively in on-farm work given the limits to arable land and increases in agricultural labour productivity through technology that reduces demand for labour.

TH-15744

As employment is an important variable in making economic growth pro-poor, it is important to examine what has happened to employment as a result of growth. There can be two ways of looking at the issue. The first would be to ask how employment intensive growth has been possible. This question can be addressed by using the concept of employment elasticity with respect to output growth. And this concept can be applied to the economy as a whole and/or to its major sectors. The second approach (which can actually complement an analysis based on employment elasticity) would be to examine how the structure of employment has responded to economic growth. For growth to be able to contribute to poverty reduction, it must lead to a transformation of the structure of employment towards sectors characterized



by higher productivity and returns. For a country like Bangladesh, this would typically imply a shift towards manufacturing and other modern sectors.

Again employment opportunities in rural areas of Bangladesh may have to rely on strengthening the ability of non-farm agricultural (Agro-Processing, Post-Harvesting) activities to absorb the labour. Diversification into the rural non-farm activities constitutes an average about 45 percent of rural incomes in developing countries and the 'push and pull' factors driving this diversification are bound to persist (Barrett and Reardon 2000). Push factors include changes in technology in agriculture that require less labour, creating labour surpluses and reducing agricultural labour opportunities and pull factors include employment generation in semi-urban areas from industry that raises wage employment.

Further, the growing population puts pressure on the limited land resources for producing food and limits the capacity of the household. Due to inadequate investment in education and health care the human capital content of the population remains poor in Bangladesh. Instead of becoming a resource, the illiterate and unskilled population becomes a burden for the nation. The lack of physical capital and skills constrains the development of the industry and services sector and limits the generation of productive employment for the rising labour force. Unemployment and underemployment breed social ills like violence and terrorism that in turn hinders development.

2.2 Meaning of the term Employment Generation

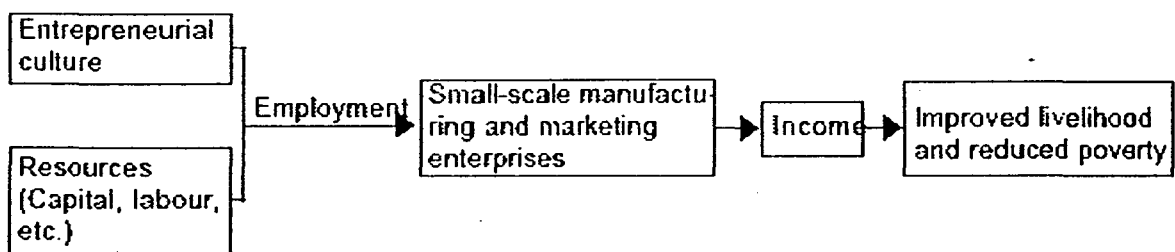
The use and value of employment in targeting poverty is neither new nor is it restricted to any one region. Historically, the Poor Employment Act of 1817 in Great Britain represented a major milestone in the development of economic policy to reduce poverty through employment and development (Braun 1995). That Act and similar public interventions in later years in various countries have been largely based on the recognition that small firms are important generators of employment (Hobbs 2000). Hughes (2000) in interpreting the job-generating role of the small enterprises emphasizes the extreme skewness and volatility of the individual small business growth patterns, the low quality and sustainability of many jobs created by the mass micro enterprises. He observed that a relatively few firms exhibiting rapid and

sustained growth account for the bulk of sustained job generation in small firms. This is especially so for the developing world where economic reforms are recent and hurried, and availability and access to market information is not uniform and assured. Those small enterprises that are better placed to access resources including information and technology thrive and offer sustained jobs while their disadvantaged contemporaries fizzle out.

The growth and development of small enterprises is pegged to the existence of some level of entrepreneurial climate or enterprise culture amongst the people (Figure 2.1). While entrepreneurial skills exist in all cultures it may vary in degree according to traditions, environment and history. Such skills and motivations should be supported by a well-defined institutional structure that is understood by the participants, and which includes formal rights and protections to physical and other property. Access to resources in the form of capital, labour and infrastructure will then lead to the development of small enterprises participating in marketing and/or processing of farm output. As Reardon *et al.* (2001) point out, household members will redirect their labour away from land-based activities with the existence of (i) pull factors such as higher incomes in the non-farm sector relative to the farm sector and (ii) push factors such as increase in agriculturally sourced risk (farming that cannot ensure year-round employment, income and consumption).

Figure 2.1

Conceptual framework for Employment Generation



Source: Barrett and Reardon (2000).

The main goal behind the enterprises is to generate income for the entrepreneurs and their families. In the case of marketing enterprises which require that goods have to be sourced, transported, transformed and marketed, the physical assets involved, need to be acquired, serviced and repaired. All these activities require

human labour fully or in part depending on the level of business sophistication and technology employed. Human labour has a price whether it is family labour (referred to as self-employment) or non-family labour (wage-employment). The remuneration received by family members is critical to a household's ability to access basic needs, improve livelihoods and create assets.

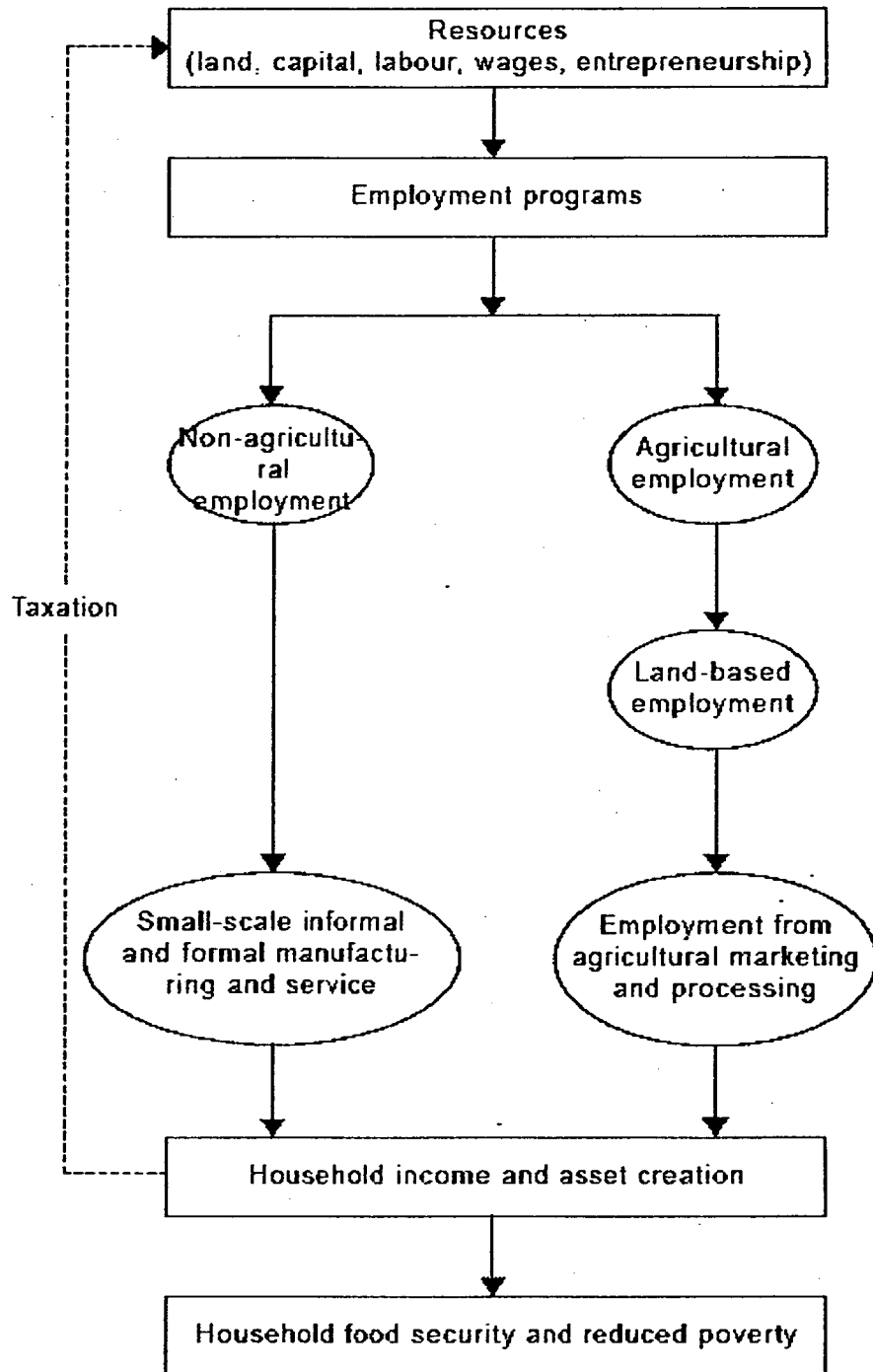
In fact, employment is categorized here in two broad categories such as Farm and Non-farm sector employment. Farm sector employment is mainly rural land based crop and livestock farming like fish culture etc. On the other hand the non-farm sector employment is considered as semi-town based largely encompassing service sub-sector employment, processing, manufacturing and small-scale enterprises. There is a close linkage between the two broad categories especially in developing countries where the non-farm activities play a major role in complementing the activities of agricultural marketing and processing enterprises (Figure 2.2).

Moreover, for the Bangladesh economy generating productive employment for the growing labour force remains a dreadful challenge. The capacity of absorbing the incremental rural labour force in agriculture is extremely limited because of (Hossain 1987):

- No scope of expansion of the land frontier,
- The intensity of cropping has almost reached the limit,
- The growth of crop production now depends almost entirely on technological progress resulting in low employment elasticity of output, and
- The need for increasing labour productivity and reducing unit cost through mechanization.

Figure 2.2

Employments for Poverty Reduction and Food Security



Source: Adapted from Braun Von J. (1995)

Moreover, employment generation is affected by the structure of the market particularly the distances in market channels and the types of products demanded by the consumers. Greater distances generally require more intermediaries and more

labour as to do additional processing and handling for derived products. Seasonality plays an important role in affecting the stability of employment through the year. Again the policy environment interacts with all of these factors and can either ameliorate or exaggerate the effects.

In fact, the employment and income generation programmes are of two types such as: (i) self-employment and (ii) wage-employment programmes. Self-employment programmes usually target the poor and assist them in undertaking income generating activities by providing them with micro-credit. In some cases credit is accompanied by assistance in skill training and marketing. The wage employment programmes create employment by using labour-intensive methods in constructing infrastructure.

Censuses and labour force surveys show a dramatic structural change in the composition of rural labour force in favour of non-farm activities in Bangladesh. Doubts however continue to persist about the employment generation and growth potentials of the rural non-farm sector due to lack of information on the types of activities, the nature of their operation and the constraints and opportunities. For Bangladesh a fairly comprehensive knowledge on the supply and demand factors operating in rural industries is available (BIDS 1981; Hossain 1987; Ahmed 1984). But rural industries are found to be a small component of the rural non-farm activities (Islam and Muqtada 1986; Hossain et al. 1994).

2.3 Problems of Unemployment and Underemployment in Bangladesh

The terms problems of unemployment refers to the imbalance between the size and growth of labour force on the one hand and the opportunities of the productive absorption of labour offered by the existing economic structure on the other. In defining employment for statistical purpose, Bangladesh follows the usual procedure of taking one week reference period (like other least developed countries) including even part time workers in the categories of employed and classifying as unemployed only those who did not work at all during the reference week and were actively seeking work. Thus to qualify as unemployed one would first have to fail the test of working by not working even a single day during a reference week and this in a poor

agrarian and predominantly rural society like of Bangladesh is a rather stringent test. Once one could be regarded as not working, one would then have to pass the test of 'seeking work' although this latter concept could be subject to a variety of interpretations.

In applying the concept of unemployment the importance of the underemployment problem also needs to be considered in the context of Bangladesh's economy. Like unemployment, underemployment also has different aspects and can be measured in various ways. The most widely used criteria in this are time and income, although productivity is also used in some senses. In the Labour Force Studies carried out in Bangladesh, refers to underemployment as a situation of underutilisation of labour time of persons of labour force leading to inadequate availability of employment and income. It is thus measured in relation to the number of hours worked and/or the size of income received by the employed persons during a given reference period.

The unemployment rate for Bangladesh is based on the usual definition and it can be seen that the unemployment rates are very low for both women and men, which suggests that the conventional definition is unsuitable for Bangladesh. Conceptual problems may be more complex for the female labour force. The underestimation of female unemployment may be higher as women often move out of the labour force when they become unemployed - becoming 'discouraged workers'. Moreover, the overwhelming majority of the Bangladeshi female labour force is made up of either the self-employed or unpaid family workers. These types of workers do not consider themselves unemployed even if they are without work (Myrdal 1966).

Also in the case of women employed in the informal economy, open unemployment is less likely to be revealed since women in such employment may not openly seek a job. In the rural labour market there is no formal job search process for such workers. Unemployed workers do not receive any unemployment benefit in Bangladesh and therefore do not have any incentive to reveal their unemployed status to interviewers. Since the productivity of labour in non-farm occupations is higher than the agricultural wage rate, even for the land-poor households, the mobility of rural workers from agriculture to the non-farm sector is contributing to an increase in the productivity and earnings of rural workers. The evidence thus supports the

proposition of the existence of pull factors that the higher productivity and wage earnings in most non-farm activities are luring labour from relatively low-productive, risky, and back-breaking farm activities. The average productivity in off-farm and non-farm occupations has increased from US\$1.43 per day in 1987 to \$2.28 in 2000-2001: an increase of 3.6 percent per year. The productivity growth was lower for the functionally landless groups (2.2 percent per year) and the highest for the middle land owning group (4.6 percent). The pull factor may be due the growth in agricultural productivity itself, which stimulates employment generation in the rural non-farm sector through linkage effects (Mellor 1976; Haggblade and Hazell 1989). Drawing on data from selected Asian countries, Rosegrant and Hazell (2001) observed a positive relationship between the level of agricultural income and the proportion of rural employment and income derived from non-farm activities. For each dollar increase in agricultural value added, an additional \$0.5 to \$1.0 income is generated in the non-farm sector.

The methods for measuring unemployment and underemployment are explained and suitable indicators for analysing underemployment in this context are put forward. Unemployment can be measured using two methods. The first chooses a norm for the standard hours of employment in a week and those who work less than this norm are identified as underemployed. The Labour Force Survey (LFS) of Bangladesh uses 35 hours as the norm for the standard hours worked in a week. Second, to take into account the extent of underemployment, the time criterion index of 'Unemployment Equivalent' (UE) can be used. The UE is calculated on the basis of the difference between a hypothetical norm of supply of days over a year and the actual days of employment of a worker (Krishna 1973; Khan et al. 1981; Rahman 1996).

Bangladesh's unemployed amounted to some 2.1 million people in 2006, according to a survey conducted by the Bangladesh Bureau of Statistics (BBS). The Labour Force Survey 2005-06 of the BBS defined those people 'unemployed' who do not work for even a single hour a day. The headcount of unemployed persons was 2 million in 2002-03. But economists have dismissed the data as 'incredible'. They say unemployment figures would be much higher if unemployment and underemployment rates were considered. They cited flaws in the concepts and method of measuring

unemployment. The economists said the LFS counts low figures of unemployment based on a concept and definition developed in the context of industrial economies. It is not suitable in a country like Bangladesh where the informal sector constitutes the bulk of employment. 'We count a person as employed if he/she was working one or more hours with or without pay during a reference period,' said a senior official of the BBS, who preferred not to be named.

Under this definition, total employed persons in the 2005-06 LFS stood at 47.4 million out of an economically active population of 49.5 million. In its provisional estimates, the LFS 2005-06 found unemployment and underemployment rates at 4.2 per cent and 24.5 percent, down from 4.3 percent and 37.6 percent in LFS 2002-03. The LFS defined an unemployed person also as 'one who was involuntarily out of gainful employment but actively looking for job'. 'In such an economy, a low unemployment rate reflects involvement in low productive self-employment and work sharing with family workers,' says Rushidan Islam Rahman, research director of the Bangladesh Institute of Development Studies. 'Some of the "discouraged workers" leave the labour force.' Rushidan observes that the definition of unemployment was 'inapplicable' in the context of the rural labour market because there was no formal job search process or unemployment benefit for such workers. 'Therefore, the unemployed workers have no incentive to reveal their unemployed status to the interviewers,' she says. Zaid Bakht, another research director at the BIDS, says the present definition of unemployment means nothing. 'The data on unemployed population and unemployment rates do not show the real picture of surplus labour unless the underemployment rate is considered. Developed economies count a person as unemployed if he works less than 20 hours a week,' he says. 'If we use the method, the unemployed population will be much higher,' Bakht says. Former finance adviser Akbar Ali Khan in his comments in a World Bank publication, 'Bangladesh: Strategy for Sustainable Growth', Volume 2, also points to the flaws in employment and unemployment data. 'The real clue to the inadequacies of unemployment statistics may be traced to employment data in Bangladesh,' he says, citing self-employed, unpaid family workers and day labourers. Of the total employed population of 47.4 million, 19.9 million were self-employed, 10.3 million unpaid family workers and 8.6 million people day labourers, according to the LFS 2005-06. The overwhelming majority of these nominally employed persons are in the Western sense discouraged

workers who have given up looking for work because jobs are not available. There is no justification for classifying the unpaid family workers in the category of employed persons, Khan says. He referred to higher unemployment rates during 2000-04 in the USA, the UK, France and Germany compared with Bangladesh's unemployment rate. 'We are all praying for such a happy moment when unemployment rate in Bangladesh will be lower than G-8 countries; unfortunately it is not around the corner as yet', they added.

2.4 Employment Opportunities in the Rural Non-Farm Sector in Bangladesh

It's not an easy task to provide food and employment for the additional people and the labour force. As the population has started declining, the proportion of population in the working age group will continue to grow for some time, putting additional challenge for policy makers for generating productive employment in Bangladesh. In as much as a sizable proportion of employment is available in the rural non-farm sector unlike the farm sector, it is sometimes treated as panacea for the growing twin problems of unemployment and poverty in policy discussions.

It is the expansion of the non-farm sector that has been contributing to the increase in incomes of the households who are poorly endowed with assets. Many landless households have migrated to rural towns and cities and found jobs as transport operators or construction labourers. The impressive development in the rural road network in the 1990s coupled with the increase in marketed surplus rice and vegetables and fruits have created employment opportunities in transport operation and petty trading. This is the main reason why the supply of agricultural labour has declined in recent years and farmers have been complaining regarding the scarcity of agricultural labour. The increase in the number of shallow tube wells, pumps, power tillers and rickshaw and rickshaw vans has created jobs as in the operation and repair and maintenance. Last but not the least, many marginal landowning households with some skills for utilizing capital have been able to generate self-employment in livestock and poultry raising, petty trading, and various kinds of personal services with the vast increase in micro-credit supplied by the NGOs.

The non-crop agriculture generates substantially higher value added in post-production (processing, storage and marketing) activities that can create opportunities

for higher productive employment for the land-poor households. Exploitation of this potential will however require support from the public sector for developing rural infrastructure in the field of transport, power and communications, investment in secondary and technical education as well as providing access to finance to the resource-poor households.

The movement of labour from low-productive agriculture to high-productive non-farm activities is a positive trend for poverty reduction and should not be an issue of concern. Farmers have started responding to the phenomenon by adopting mechanization. The government could facilitate the process by providing access to credit for financing mechanization and setting up small scale agro-processing enterprises, and removing policy distortions against small scale trading and business enterprises. Also, children from low-income households must be provided greater access to quality secondary education to facilitate their occupational mobility and to improve the distribution of income from the rural non-farm sector.

During 1990s there was a structural change in the rural non-farm sector that was especially favourable for poverty reduction through employment generation. During 1980s the rapidly increased labour absorption by the rural non-farm sector seems to have taken place in low-productivity activities to which the rural landless, pushed out of agriculture were drawn as self-employed workers. In contrast, during 1990s a less rapid shift of labour force into the rural non farm sector was pulled in by the growth of wage employment in larger and more productive rural non-farm sector activities. The rural poor therefore found an improved opportunity of more remunerative wage employment in the rural non-farm sector in 1990s as compared to moving into overcrowded, low-productivity rural non-farm sector activities in the previous decade². Moreover, in 2000-2001 Survey, that reported the various dimensions of employment opportunities in the rural non-farm sector in Bangladesh, are cited as below:

² The present reviewer finds this analysis a bold and plausible hypothesis which is based on rather fragile evidence.

- *Agricultural inputs related:* Irrigation pumps, fertilizers, spare parts, power tillers, small agricultural implements, threshing machines, and pesticides.
- *Agro-processing:* Gur (raw sugar) making, rice and flour mills, oil mills, cheera and muri making, saw mill, fish drying, handicrafts, salt making, goldsmith, furniture making.
- *Construction materials related:* Hardware shops, cement and rod, lathe machine, brick trading, stone and sands, brick field, lock and key business, bamboo fixtures, contractor for road and bridge construction, tin and iron trading.
- *Crop output related:* Paddy and jute stores, vegetable shops, fruit stalls, betel leaf and nut shops, rice and wheat stall, oilseeds and spices stores.
- *Fisheries related:* Fish trading, fish fingerlings trading.
- *Food services:* Tea stall, peddling tea, restaurants.
- *Forestry related:* Timber trading, fuel wood trading, bamboo and hogla leaves trading.
- *Livestock related:* Sweetmeat and curds, chicken & eggs, milk trading, butcher shop, cattle trading.
- *Transport operation related:* Vehicle renting, leasing ferry ghat, trawler renting, repairing rickshaw/van, transport business.
- *Others:* Cloth shops, readymade garments, tailoring, phone and fax machines, electronics, utensils, glass, cookeries.

Evidence from developing countries can be cited to suggest that the rural non-farm sector generates more employment opportunities even under a hostile policy environment which summarily denies access to institutional credit, tax rebates, input/output price support etc. secondly, it is argued that only a fraction of the capital is needed which creates an additional work place. Thirdly, the rural non-farm sector

generates demand for semi-skilled and unskilled workers whose supply is increasing both in relative and absolute terms. Fourthly, the rural non-farm sector plays an important role in recycling waste materials which in many cases provide basic commodities for the poor. Lastly, the rural non-farm sector is believed to generate a more equitable distribution of assets and earnings. The benefits of higher employments and earnings and an improved status and living standard for women is emphasised in this context. In other words the sector is positively geared towards the poor in two senses, it generates employment and earnings on the one hand and cheaper consumer goods on the other.

2.5 The Rural Non-Farm Sector Activities in Bangladesh

A large number of the rural poor in Asia are engaged in farm sector (including fishery and livestock) either as wage labourers or marginal farmers and self-employed. Interventions needed to alleviate their poverty should include policies and programmes to raise productivity in such activities on the one hand and labour market interventions (e.g., wage protection through legislation and increasing the negotiating power of the poor by promoting organization) on the other. However, it needs to be noted that a sustained reduction of rural poverty hinges critically on the growth of a productive and dynamic non-farm sector. Experience in Asia and elsewhere shows that rural non-farm activities can be of two broad types: (i) activities where the rural poor turn to as a desperate measure to eke out a living when there is very little alternative and (ii) activities (often with strong linkage with agriculture) where productivity and wages are no less than agriculture and which have a dynamic growth potential. It is through the promotion of the latter type of activities that one can make a significant contribution to the goal of poverty reduction. In formulating strategies for reducing rural poverty through the promotion of non-farm activities it is essential to take note of the two broad types mentioned above and identify the major constraints that hinder the growth of the relevant type. By now, a number of studies on this topic are available, indicating that while capital is an important constraint, infrastructure (e.g., roads, transport, electricity, education and skills of workers and access to markets - for inputs as well as outputs) are also critical. Policies and action to promote rural non-farm activities with the goal of poverty alleviation should take this into account. However, like in the case of urban informal sector, it would be

necessary to find means of action through which large-scale programs can be undertaken.

The growth of agricultural productivity has however promoted a healthy development in the rural non-farm sector by triggering what economists call 'backward and forward linkages'. Agricultural growth has generated opportunities for employment and income in the rural non-farm sector through its effects on: (a) the demand for irrigation equipment and chemical fertilizers produced and transacted in the non-farm sectors, (b) the demand for services for processing, storage and marketing of additional agricultural produce and (c) the demand for trade, transport, construction, education and health care services, as farm households spend a larger proportion of additional incomes for purchasing non-farm goods and services. Indeed, the official national income statistics in Bangladesh does not provide a rural-urban breakdown of employment and incomes. Therefore, it is difficult to draw a reliable comprehensive picture of the nature, composition and growth of the rural non-farm sector in Bangladesh.

The Rural Industries Study Project conducted by BIDS during the late 1970s noted a large number of rural industries that used traditional technology and employed mainly women from low-income households (BIDS 1981). The examples of such industries are rice processing by *dhenki* (*wooden husker*), cloth and *gamchha* making by pit looms, village pottery, mat and net making etc. The productivity of labour in these industries was very low (Hossain 1984); in most cases lower than the agricultural wage rate. Most of these low-productive industries have already disappeared under competition with improved technologies such as rice mill, semi-automatic and power looms; as higher remunerative alternative employment opportunities become available with large scale expansion of micro-credit provided by NGOs to low-income households (Hossain 1988a).

Along with its impressive dynamism, the rural non farm sector has been undergoing structural transformation with its productive segments becoming more prominent during the 1990s. Evidence from a large-scale enterprise survey shows that between 1990 and 2003, the number and employment of Micro, Small and Medium (MSM) enterprises with permanent establishments, which tend to be more productive, grew by 3 percent and 4.5 percent per year respectively, implying an increase in the

average size of the enterprises. In contrast, the number of less productive home-based enterprises grew at a much faster rate (6.3 percent per year) compared with employment growth (2.9 percent). In the manufacturing sector, the home-based industries actually experienced a decline in employment (about 1 percent), as well as decline in labour productivity.

Moreover, it is important to note that Bangladesh's economy underwent major structural transformation over the last two decades. While the garment sector has emerged as an important source of income, employment and export earnings and, in the rural areas, rural-non farm activities have grown in importance, both as a source of livelihood and income (World Bank 2004). In the same vein, another study (World Bank 2004) shows that the aggregate numbers hide important distributional effects across income levels and employment type. Indeed, the 1990s have seen an increased mobility of labour from farm to non-farm jobs and an improvement in rural agricultural wages (Hosseini 2003).

The followings are the various examples of the Rural Non-Farm Sector Activities that are still practiced in Bangladesh (IFAD 2003b):

2.5.1 Agriculture Based Micro and Small Enterprises

- Agricultural equipment manufacturing (carts, agricultural tools, etc.),
- Agricultural marketing enterprises (associations/groups),
- Fish processing and marketing (dried, smoked, salted),
- Input sales (chemicals and non-chemicals),
- Livestock processing and products (hides and skins, small artisanal tanneries, cheese making, etc.),
- Non-timber forest products, and
- Processing (milling, jams, pickles, syrups, honey, beer making and oil extraction).

2.5.2 Non-Agriculture Based Micro and Small Enterprises

- Batik, tie and dye,
- Blacksmiths and metalworkers,
- Brick making,

- Carpentry workshops,
- Charcoal making,
- Handicraft products (sewing, basket weaving, cloth making, etc.),
- Marketing transport,
- Public transport,
- Repair workshops (various items),
- Rural restaurants,
- Small rural shops (food and non-food),
- Small bakeries,
- Small business centres,
- Small lodges (ecotourism), and
- Tours and guides (eco-tourism).

Source: (IFAD 2003b).

Further, the employment growth in rural non-farm activities during the 1990s was fuelled by productivity growth (the pull factor) in the rural non-farm sector rather than the push of agriculture (farm sector). The rural non-farm activities are on average, quite productive and far from being residual-type activities that supplement agricultural income and employment. Evidence from the Household Income and Expenditure Survey (HIES 2000) suggests that employment for men in manufacturing or other non-agricultural occupations provides a 25-34 percent premium compared to daily wage work in agriculture, even after controlling for differences in education and other individual and locational characteristics. Labour productivity is highest in human and physical capital-intensive activities (e.g., business activities), followed by human capital-intensive activities (e.g., services). These two types of activities also experienced the highest growth in labour productivity. Even self-employment in the rural non farm sector activities are not part-time occupations or occupations of last resort. Most of the rural non-farm sector enterprises are operated year round (11 months per year and 27 days per month) and tend to have a long working day (11 hour/day) (HIES 2000).

The investment climate analyses indicate that smaller enterprises are concerned more with bare basic services and infrastructure. Among many different

constraints, enterprises predominantly identified electricity, road and transport, flood and natural disasters, finance and crime and theft as five major problems. The severity of the constraints is higher for rural firms which accounts for three quarters of all enterprises in non-farm sector. This ranking of the constraints stands in contrast with the ranking observed for larger firms located in two metropolitan cities (Dhaka and Chittagong); the Investment Climate Analysis Survey (ICAS) 2003 results suggested a much more damaging role of corruption and governance: Finance ranked well behind corruption and governance. The micro, small and medium enterprises in rural areas (and in towns and cities as well) are less concerned with governance issues partly because they remain 'informal' and outside the realm of regulatory and other governance institutions and partly because most lack access to minimum services and infrastructure. Indeed, lack of access to basic infrastructure and services seem to impose disproportionate cost on these enterprises particularly those in rural areas of Bangladesh.

2.6 Conclusion

The non-farm activities in Bangladesh have assumed a leading role in generating income and employment particularly in rural areas. The contribution of the rural non-farm sector to employment and income are estimated to be around 23 percent and 20 percent respectively. This compares rather impressively against agriculture which generates about 62 percent of total employment but only 20 percent of GDP. The detailed profile of the non-farm activities suggests that most enterprises are small, generate self-employment for their proprietors and are mostly engaged in trading activities. They have very limited access to basic factors of production and services. Yet, these enterprises are not so much low productive residual and last resort type activities in Bangladesh. In the context of traditional rural non-farm sector, though, to some extent some are having lower productive, most enterprises have full time engagement for their owners and employees. Indeed, age and size profiles of the enterprises suggest that non-farm activities provide rich breeding grounds for entrepreneurs in both urban and rural areas. The sector has shown strength over the last decade. Both employment and number of enterprises have grown strongly. Moreover, the desired structural transformation from home-based enterprises to enterprises with permanent structure has been underway. While average labour

productivity in this sector is higher than agricultural wage, there are large variations in labour productivity and total factor productivity implying existence of constraints in technological upgrading and large entry and exit costs.

The policy options for the future growth of the rural non-farm sector are clear. Bangladesh has to start from providing the very basic services and infrastructure to enterprises in the rural non-farm sector. These include electricity, communication, flood protection, road and improved transportation and perhaps more urgently access to finance for both investment and working capital. This represents rather daunting task but the pay-off from providing these basic infrastructures and services are significant.

Moreover, rural people need access to markets both as producers and consumers. The rural poor lack physical access to markets (such as rural roads linking villages to market areas) which increases transaction and communication costs between traders and customers. The poor also lack the market-related skills needed to survive in competitive markets. Micro enterprise development that is linked to a broader rural development strategy might prevent such difficulties from arising. In addition, the rural poor are usually less informed about markets and opportunities. For the rural poor in remote areas of Bangladesh, efforts are needed to disseminate market information through digital and non-digital means of communication (e.g. radio, television, newspapers, even the Internet) in order to increase their chances of identifying and undertaking profitable and sustainable activities.

CHAPTER - III

POLICIES TO PROMOTE THE RURAL NON-FARM SECTOR IN BANGLADESH

Chapter 3

POLICIES TO PROMOTE THE RURAL NON-FARM SECTOR IN BANGLADESH

3.1 Introduction

Bangladesh has become a model for organisations across the developing world seeking to develop credit services for the poor. The remarkable expansion of micro credit delivery systems over the past two decades has allowed many amongst the rural and urban poor to engage in non-farm income earning activities. Despite these achievements, the fact that micro-loans have been used mostly in low paid and often casual activities with very low entry and exit barriers and that relatively few amongst the beneficiaries have managed to graduate to more remunerative self-employment, must be borne in mind. The development of micro-credit systems in Bangladesh has certainly played an important role in enabling the poor to develop diversified income portfolios and has enhanced their resilience to natural and social shocks. But while it has contributed to reduce the extent of extreme deprivation, on its own it has failed to lift the majority of beneficiaries out of poverty. Furthermore, while much attention has been paid in Bangladesh to micro-credit services, the financial needs of other economic agents, namely small farmers and small-scale businesses, have been somewhat neglected. The rural non-farm sector employment and income are the part of the solution to at least three major problems in rural Bangladesh such as poverty, modernisation of the farming sector and transformation of the rural environment.

A strategy for promoting the rural non-farm sector cannot take the form of a 'one size fits all' set of recommendations. For similar reasons, it is not possible to propose a detailed policy blueprint. While promoting the rural non-farm sector in general is pro-poor, promoting certain types of rural non-farm sector activities will affect poverty directly: while the influence of others will be at best indirect. Promoting the rural non-farm sector activities will likely affect the distribution of income in rural areas, but the direction of change is ambiguous. Activist policy

intervention to promote non-farm activities must be anchored to evidence that markets are failing to produce socially desirable outcomes. A key element in a strategy is infrastructure. Social infrastructure, particularly education, is also critical. Rural public works offer a means to directly involve the extremely poor in non-farm employment while at the same time strengthening infrastructure. A key instrument for promoting private sector clearly is to improve delivery of financial services to rural areas. Caution is warranted in developing intervention aimed especially at the rural non-farm sector economy. Finally, a strategy for non-farm development must recognize the links between non-farm activities and agriculture.

At the workshop on 'Promoting the Rural Non-Farm Sector in Bangladesh', Wallich (2003), in his keynote address highlighted the following important points to promote the rural non-farm sector in Bangladesh: First, the rural non-farm sector growth cannot happen without continued growth in the agriculture sector. Second, a favourable business environment for both the farm and non-farm sector alike must be in place. This means that government policy, tariffs on machinery, equipment and other inputs, taxes, price policies, and government regulations, licensing procedures, transport policies, etc. must not discriminate against small enterprises or the rural sector. Third, Government is the only entity which can ensure a good enabling environment. Fourth, the lack of financial services for the 'missing middle' must be addressed. Fifth, critical shortfalls in rural infrastructure need to be addressed, particularly in regard to maintenance of rural roads and access to and reliability of rural electricity. Electrification in Bangladesh, at 30 percent, is the lowest in South Asia, and in rural areas it is much less than this. Rural prosperity depends critically on electrification, off grid or on. Finally, the catastrophic impact of frequent natural disaster, mainly floods and hurricanes, has been frequently identified as a major constraint to the rural economy.

3.2 Policy Objectives and Selection Criteria

The programmes of the Government Organisations and the Non- Governmental Organisations can be divided into two broad categories. One set of programme aims at higher quality of life for the beneficiaries and for the other set has the more specific objectives of employment and income generation. The forum is a multi sectoral

approach which includes education, health, credit and technology while the later includes a limited range of inputs, mainly credit and training. As a policy, government organisations expand their progress over a period of time starting with those areas where poverty and unemployment are more acute. Other consideration for understanding government programmes include balanced regional development and upliftment of backward areas. *Upazila*, union and villages within a district are selected on similar considerations. Depending on the success of the programmes and the availability of resources, the government programme may spread from one development plan to another. The NGOs on the other hand, concentrate in areas which are disaster prone, backward and poverty stricken.

For the selection of the beneficiaries, approaches and criteria may vary depending on the programme objectives. Generally speaking there are three approaches (ILO 1991):

- Target Group Approach (TGA),
- Community Approach (CA), and
- Comprehensive Family Approach (CFA).

Among these, the Target Group Approach is adopted by most of the organisation although there may be difference in matter of details. For instance, the women entrepreneurship development programme of Bangladesh Small Cottage Industries Corporation (BSCIC) follows this approach. The Community Approach concentrates its efforts on the entire community rather than the selected group. Its aim is to community development through a wide range of activities such as functional education, rural health, social forestry, emergency relief and rehabilitation work and development support communication. Finally, in the Comprehensive Family Approach, as the case with *Upazila* Resource Development and Employment Programme (URDEP), the family is considered as the centrepiece of development activities. Members of the same family are designated as the leaders of the group. This approach is considered as an opposite of the Target Group Approach, the latter according to some, creates polarisation in the society (ILO 1991). The target group or beneficiaries common to most of the programmes are landless, the marginal and small farmers and the poor as a whole. Some programmes include special groups namely

skilled craft men, youth and rural women. The target groups are identified mostly through baseline socio-economic surveys of the project areas conducted by the respective organisations.

3.3 Composition of Various Programmes

The programmes of the Government Organisations (GO) and Non- Governmental organisations (NGO) comprise all or some of the following (ILO 1991):

- Institution Building,
- Motivation and Awareness Raising,
- Selection of Economic Activities,
- Technology Transfer,
- Training which includes both Human Development and Skill Development,
- Credit, and
- Other Inputs.

3.3.1 Institution Building

It constitutes the frontline activity of the organisations. Identified beneficiaries of a given area are organised into small groups of five, ten or twenty members each. Group members are encouraged to solve individual problems on the strength of group solidarity and to develop the spirit of mutual cooperation and collective responsibility. Field workers organise human development training in series of group meetings to consolidate the process of group formation. In the weekly meetings the group members are encouraged to discuss their problems and become gradually self-reliant through this process.

3.3.2 Motivation and Awareness Raising

Motivational programmes initially concentrate on institution building, group solidarity and self reliance, and later on income enhancement and attainment of better quality of life. Likewise awareness programmes at the beginning emphasise on creating group and individual awareness about the socio economic problems faced by the beneficiaries and the ways and means of tackling these problems. As the group

formation process takes firm root, each group's awareness is gradually enhanced by exposure to a range of economic opportunities available for income generation and self employment. Motivational and awareness programmes are closely inter-related and both focus on change of attitude and behaviour. Motivational programmes are organised by the field workers of an organisation in weekly or monthly group meetings where interpersonal communication is occasionally supplemented.

Further, the motivational programmes emphasise the need for group savings as a means to achieving self reliance by generating internal resources. Each organisation has worked out a detailed mechanism for group savings and related procedures which are explained to the beneficiaries in group meetings. The group leader maintains the records of and operates the group fund. Each member is expected to contribute a small sum to the group fund in the weekly meetings. In some cases, a small percentage of loan granted to an individual is placed in the group fund or an additional instalment of loan is collected as a contribution to the group fund. The group savings are used as an emergency fund to meet unforeseen requirements or to provide loans to group members in special circumstances.

3.3.3 Selection of Economic Activities

During the process of awareness building, the group members acquaint themselves with various income generating activities, which may be classified into the following broad groups:

- Agriculture and Forestry,
- Livestock and Fishery,
- Processing and Manufacturing, and
- Services - Trading, Peddling and Shop Keeping etc.

Usually, the choice of business or trade is left to the individual. Some organisation provides guidance on the choice of a business and the method of operating it.

3.3.4 Technology Transfer

Development of appropriate technologies and their diffusion to rural areas are important although little progress has so far been achieved in this field. Recently, a few organisations have identified and started the process of experimenting with new low cost technologies. Among these RDRS have achieved some degree of success so innovations such as treadle pump, hand and silk reeling machines. Also it has developed the Fibre Re-inforced Cement roofing sheet (FRC), a low cost roofing material. BRAC promotes entrepreneurship along with innovative activities like catfish culture with *nilotika*, poly culture of several varieties of fish in the same pond etc., other organisations promote new technologies as and when found relevant to their programmes. For instance, BSCIC develops new prototypes for cottage industry products.

3.3.5 Training

Training to the staff members and field workers constitutes an important activity of the self employment programmes. Training is also provided to the beneficiaries (at union and village level) which include three broad areas such as human development, skill development, and business and financial management. Human Development training includes topics like leadership, organisational development, consciousness raising, communication method, group dynamics, health, functional education and project management. Skill development training includes enhancement of knowledge and skills of trainees in selected trades. Business and financial management training includes financial management, management of small business, and certain elements of forward and backward linkages such as procurement of raw materials and marketing of products. BRDB, Proshika, Grameen Bank and BRAC have a network of training centres at village, union or *upazila* levels. Moreover, programmes promoters, village organisers and group leaders receive various types of training organised round the years in these centres. Training methods include visits to other programme areas to enable participants to see and learn for themselves the actual operation of the successful programmes. To cite an example, a group of beneficiaries may visit a place where a new technology has been introduced through local level initiatives. Training of functionaries is considered an important activity by all the organisations. BRDB, Grameen Bank, Development of Social Services, Department

of Youth, Proshika, BRAC and RDRS have their own central training institutes. The organisations who do not have their own training facilities, arrange training in other suitable training establishments.

3.3.6 Credit

The self-employment programmes of Bangladesh have become well known outside the country mainly due to the innovative credit operation oriented towards the rural poor. The main characteristics of the leading mechanism are easy access to credit for the poor, extension to banking service to rural areas, lending without collateral and group responsibility in repayment of loans. Credit is extended in the following ways,

- Credit with or without interest,
- Credit with or without training,
- Credit with or without matching investment and
- Credit from the organisations' own sources or from the Commercial Banks.

3.3.7 Other Inputs

Other inputs and services rendered by the organisations include marketing of the produce, storage facility, supply of raw materials, product design and prototype development. However not all organisations can provide the whole range of inputs. Assistance in marketing the produce is rendered by linking with other suppliers, cooperative marketing facilities, identification of buyers, and providing sales outlet. Some organisations have created storage facilities where the products could be stored during lean period. Raw materials are purchased in bulk and supplied to the beneficiaries at no extra cost.

3.4 Initiatives of the Bangladesh Government

As a strategy for the development of rural non-farm sector activities, the Second Five Year Plan of Bangladesh had proposed the development of rural growth centres in important market places as catalytic agents for rural development. The Plan had proposed to establish a large variety of rural industries, in and around the growth centres. Manufacturing of rural transport equipment, agricultural machinery, agro-processing and equipments for handlooms were identified as the key industries to be

promoted. The Plan had proposed to establish some basic facilities such as foundries and repair shops at the growth centres. The Plan had also proposed that 200 workshops would be established under public sector sponsorship as pioneering ventures to overcome the inertia of the private sector at the initial stage. After successful completion and operation of the workshops, those would be disinvested to interested private entrepreneurs.

The Government of Bangladesh also recognized the importance of rural non-farm activities, particularly for generating productive employment. The Second Five Year Plan (1980-85) of Bangladesh noted, 'As employment and income cannot be adequately generated in the farm sector to sustain agricultural development in spite of the fact that modern agricultural technology is quite labour intensive, non-farm employment opportunities should be created. The dispersal of industries and the emphasis of rural industries will help attain this goal'.

The policy statements in Plan documents, however, remained mostly as pious intentions. The growth centre concept was promulgated by the then Minister of Planning and was forgotten after he left the government, The National Coordination Council proposed in the Third Plan also remained on paper. Every development plan presented institutional and policy support for rural non-farm enterprises as 'old wines in new bottles' without explaining why the policies of the previous plan were not implemented. Thus, institutions, strategies and policies needed for the promotion of the rural industrial activities have already been identified. What is lacking is political will and financial support for implementing them.

The Third Five Year Plan (1985-90) had proposed to set up Employment and Resource Centres at the *thana* level for the promotion of rural non-farm employment. The Centres would have training and demonstration units for the development of local crafts and new product lines. The planners had also proposed to strengthen the technology development and extension work of the Bangladesh Small and Cottage Industries Corporation, the Handloom Board, the Sericulture Board and the Institute of Appropriate Technology. The Plan had proposed to establish a National Coordination Council to formulate policies, coordinate the activities of various agencies engaged in the promotion and financing of rural non-farm enterprises and to review performance and achievements of such agencies.

The Fourth Five-Year Plan (1990-95) had focused more on appropriate policies than on institutional development for promotion of the rural non-farm sector. The policies proposed in the Fourth Plan includes: (a) appropriate reform in exchange rates and tariff policies to remove the bias against rural industries, (b) restructuring of the licensing system so that small scale and cottage enterprises can benefit from the system, (c) developing mechanism for identification of real entrepreneurs and establishment of a system of supervised credit without collateral security, (d) integrating credit with training and technology extension programme and (e) consolidating the operation of BSCIC so that limited financial and managerial resources are not spread thinly over too many projects. The Fourth Five Year Plan had also recognized the role of the public sector organizations in the development of skills of the poor and other disadvantaged groups through motivation and training. It also proposed to encourage, coordinate and integrate NGO activities with public sector programmes.

However, the needs of the rural trade, transport and other service activities have never been explicitly assessed in planning documents. These are more important components of the rural non-farm sector than rural industries. However, two public sector programmes which have indirectly helped expansion of the non-farm activities are: (a) the development of the rural road network since the mid-1980s, (b) the expansion of rural electrification and c) improvement in functional literacy. Progress in the first two areas has been highly respectable during the 1990s due to expanded activities of the Local Government Engineering Department and the Rural Electrification Board.

As the Crown of rural non-farm economy, the sector accounts for a large proportion of rural employment and incomes and grows faster than agriculture with the development of the overall economy. As Rosegrant and Hazell (2000) observes, 'from relatively a minor sector, often largely part-time and subsistence-oriented at the early stages of development, the rural non-farm sector develops to become a major motor of economic growth in its own right not only for the countryside but for the economy as a whole. Its growth also has important implications for the welfare of women and poor households, sometimes helping to offset inequities that can arise within the agricultural sector.'

The Bangladesh Agricultural Development Corporation (BADC) may also be reorganized for providing training on the operation and maintenance of agricultural and non-farm machinery particularly for rural youth who dropped out from secondary schools. BADC may also establish storage and processing facilities for perishable products and invest in developing a fleet of modern transport with refrigeration facilities, the services of which may be rented out to rural traders and entrepreneurs.

In Bangladesh, the 'Food for Work' programme has been going on for many years now. And recently, it has been transformed into a multi-sectoral rural development programme with the basic objective of poverty alleviation. While the 'Food for Work' programme had no reputation for success in targeting, not much is known about the performance of its new version. Another wage employment programme is the 'Vulnerable Group Development Programme' which targets destitute women. This programme is known for its success in reaching the target group. Another successful programme is the 'Road Maintenance Programme' which also targets the poor women (Masum 1996). In the wake of the Asian economic crisis and its adverse effects on employment, almost all the crisis-affected countries implemented public works programmes as a means of employment generation and safety net provision to the poor. And one common problem faced by most of them was that of targeting. The mechanism of self-targeting could not work in most cases because wages were set at too high a level compared to that needed for self-targeting to work.

3.4.1 Programmes on Self-Employment

Government programmes on self-employment consists of three main components:

- To select, motivate and organise the rural population in small production group,
- To equip the rural population with necessary skills technology and identified vocations, credit and guidance to solve problems as they arise, and
- To provide appropriate services such as training, technology and information on investment possibilities in different areas.

Since employment generation - be it self-employment or wage-employment - is not an end in itself, all programmes on employment generation in the context of Bangladesh socio-economic conditions, have the ultimate objective of poverty alleviation. So, the self-employment programmes in which the government places considerable importance are intended to serve this broader goal of alleviation of poverty, government has classified its anti poverty programmes into (ILO 1991):

- Income Generation and Relief, and
- Human Resource Development.

Moreover, within the programme of income generation, the Bangladesh Government seeks to promote self-employment in the following manner:

- Opportunities for self-employment are being created through formation and provision of a range of inputs such as skill training, credit, technology, marketing and extension services with the sole objective of employment generation in both rural and urban areas.
- Programmes are being implemented to help the informal sector, micro enterprises which remain mostly outside the reach of institutional support. At present the extent government's assistance to the informal sector is only marginal since the number of enterprises and their countryside dispersal make it very difficult to bring them within the reach of the relevant government agencies.
- Lastly the Bangladesh Government is continuously strengthening its institutional capacity to provide support to the various self-employment activities both ongoing and potential ones. This will ensure the continuity and sustainability of the various programmes.

The number of beneficiaries carried by the organisation and the number of districts in which they operate are given in the following table, (Table 3.1):

Table 3.1
Number of Beneficiaries and Geographical Coverage

Name of the Organisations			
	Government Organisations	No. of Beneficiaries	No. of Districts
1.	Department of Social Services	1503140	64
2.	Bangladesh Rural Development Board (BRDB)	581800	17
3.	Department of Youth Development	21496	41
4.	Bureau of Manpower, Employment and Training (BMET)	16000	26
5.	Bangladesh Small and Cottage Industries Corporation (BSCIC)	11156	15
NGOs			
1.	Grameen Bank	517922	30
2.	Swanirvar Bangladesh	473669	29
3.	BRAC	165000	16
4.	Proshika	103145	22
5.	Rangpur Dinapur Social Service	22596	5

Source: (ILO 1991)

There are mainly seven government organisations promoting self-employment either directly or through a multi sectoral approach with primary focus on self reliance and higher quality of life in Bangladesh. Programmes of these organisations include a wide range of services to the targeted sub-sector or population like youth in the case of department of youth, distressed women in the case of department of social services and cottage industries in the case of Bangladesh Small and Cottage Industries Corporation (BSCIC). Self-employment and income generation have become a means for achieving respective organisational objectives.

3.4.2 Organisational Structure

The government organisations usually have their head quarters (HQ) located at the capital city Dhaka and field offices located at division, district and sub-district levels depending on the size and programme of each organisation. Moreover, among the above mentioned five government agencies, four are headed by Director General (DG). The remaining one namely BSCIC is headed by a Chairperson who has more autonomy, freedom of decision making compared to the other farm agencies. Each government department or agency at its headquarters is divided into several sub departments. Each of the sub departments is headed by a Director, an official of

similar rank and is assigned the task of executing, the projects of that particular department. Depending on the size of operation of government department and the number of development projects they implement, the numbers of sub departments as well as the number of regional and field offices vary from time to time. At the field level the government departments maintain their field offices at regional, districts and sub district levels. Those organisations which cannot maintain offices at each district or sub-district usually cover the project areas from the existing field offices.

3.4.3 Social Safety-Nets:

The first objective of the safety net programme is to reach the poorest during the lean season. The second objective is to reach the poorest in the poor areas. The four main public sector programmes are:

- Food for Work Programme (FFWP),
- Vulnerable Group Development Programme (VGDP),
- Road Maintenance Programme (RMP), and
- Food for Education Programme (FFEP).

The largest public food distribution channel targeting the poor is FFWP which in 1994-95 delivered food to about 3 million seasonal workers in return for construction and reconstruction work on rural infrastructure. It created about 110 million days of work, costing about half a million tons of cereals, mostly wheat. FFWP has helped to enhance the nutritional status of the recipients, although it allegedly suffers from a relatively high level of system leakage amounting to almost a third of total allocation. The total cost of transferring Tk 1 through the programme to a poor household is estimated to be at least Tk 1.80. VGDP is predominantly a relief operation. Its design is simple: it is a feeding programme. Its clientele are destitute women who are identified by the local union *parishads* for entitlement to VGDP resources. That design as an intermediary agency is its strength because the union *parishads*, being elected local government bodies, are representative in character. More recently, the VGDP feeding programme for destitute women has been trying to move away from its role of relief provider into a much larger development role. It has been providing agriculture and health-care training to women beneficiaries.

Destitute women are employed in RMP, which pays cash from a counterpart fund generated through the sale of food aid. The programme operates in all seasons and assists the beneficiaries in acquiring sufficient skills and savings and in finding or creating their own employment opportunities. At Tk 28 per day of work, it covered about 60,000 beneficiaries in 1995/96. It also ensured 72,000 km of rural roads were passable all year round through regular maintenance. FFEP is a novel programme which was launched by the government in 1995 as a step towards achieving the goals of education for all. Its prime objective is to encourage distressed families to keep their children in primary school. During 1994/95, about 186,000 tons of wheat were distributed through the programme. Some case studies carried out in a very few primary schools showed that enrollment had reached 96 per cent, while the attendance rate had risen to 80 per cent (World Summit for Social Development 1995: Bangladesh country paper).

3.4.4 Performance of Government Programmes.

Of all the programmes undertaken by the government, the Bangladesh Rural Development Board (BRDB) is regarded as the most prominent government organization with the greatest potential for achieving poverty alleviation. The Integrated Rural Development Programme (IRDP) of the 1970s was transformed into BRDB in 1982 with two functions: (a) the development of cooperatives; and (b) the implementation of rural development programmes. Working on the basis of two-tier co-operatives, the initial focus of BRDB was on the formation of primary *Krishak Samabaya Samities* (Farmer's Cooperative Societies) at the village level, federated into the *Thana* Central Cooperative Association (TCCA). It soon became clear that the *Krishak Samabaya Samities*, basically cooperatives of owner-farmers, provided only limited access for the marginal farmers and the landless groups. To correct this, BRDB embarked on promoting two additional types of cooperative: *Bittahin Samabaya Samities* (Assetless Cooperative Societies) and *Mahila Bittahin Samabaya Samities* (Assetless Women's Cooperative Society). A total of 15,531 *Bittahin Samabaya Samities* has a membership of 428,000 and 17,395 of *Mahila Bittahin Samabaya Samities* has a membership of 454,223 (World Summit for Social Development 1995: Bangladesh country paper).

3.5 Role of Private Sector

According to the Department of Social Services, 89 foreign and 210 national NGOs are registered as voluntary organisations in Bangladesh receiving foreign donations till 1991. Many organisations are engaged in education, health and relief women and child welfare programmes. Others adopt comprehensive rural development programmes with an integrated multi sectoral approach, income and employment generation being one of the components of the programmes. Only a limited number of NGOs are engaged entirely in self employment or income generation activities. Besides the registered agencies, a much larger number of unregistered small NGOs are rendering services in various sectors. However, no authentic record of their actual number and the type of activities in which they are engaged is readily available.

NGOs have also similar HQs structure as that of government departments, but the field structure between the two varies considerably. The size of HQ staff of an NGO is determined by the nature and size of the programmes. The CE of the NGO is designated as the Director General or Executive Director. Generally the policies and programmes are determined by an independent entity known as governing body or board. The EH is a member or member secretary of such a board. Some organisations have separate units for planning and implementation of the programmes, training of officials and beneficiaries and development.

At the field level NGOs do not usually follow the government organisational pattern. The field offices are set up in project areas where a number of projects exist and also a supervisory office is established at appropriate level. A project office comprises one or more field workers who provide extension services in the project area. For instance, the extension services of BRAC's health programmes are provided to the beneficiaries by *sebikas*³ and monitoring of the programme is carried out by the programme organisers. However, it should be classified that the working procedures, rules and regulations and several other aspects between the NGOs and the government departments may vary considerably.

³ It refers the female volunteers in Bangladesh, it's a *Bangla* word.

3.5.1 Performance of NGO Programmes

The NGOs in Bangladesh are mainly divided into two categories: (a) foreign NGOs and (b) foreign aided local NGOs. Of more than 1,000 NGOs have registered with the NGO Affairs Bureau in March 1997, 20 per cent are foreign NGOs. The donors supported NGOs on the grounds that given the existing 'inefficiency' of the government delivery system in reaching the poor, NGOs could play a more creative role in overcoming the gap. During 1995-96, the NGO Affairs Bureau showed a sanctioned amount of Tk 14,670 million against the amount of Tk 10,370 million released for 702 projects by registered NGOs. It should be noted that in 1995-96 the total development programme amount was Tk 104,470 million, of which the sanctioned amount for NGOs was about 14 per cent. Among the NGOs, a few large ones dominate the scene. They get the bulk of the foreign funding. Among the relatively large NGOs are BRAC, Service Civil International, CARITAS, CARE-International, World Vision, the Family Planning Association of Bangladesh, CONCERN, RDRS, *Gono Shasthya Kendra*, *Gono Sahajya Sangstha* and OXFAM-Bangladesh. The major activities performed by these NGOs are included as rural physical infrastructure building, agricultural development, non-agricultural activities for promoting employment, health, population control and family welfare as well as training and education.

3.5.2 Grameen Bank

The *Grameen*⁴ Bank was set up in 1983 to organize the landless and poor women through a group-based credit programme. This was done with the hope that if some funding could be made available to the landless poor on reasonable terms and conditions they could engage in productive self-employment, thereby alleviating poverty. The *Grameen* Bank provides loans without collateral for the following broad categories of poverty alleviation activities such as services, trading, peddling, livestock and fisheries, collective enterprises, agriculture and forestry, shop keeping, as well as processing and manufacturing. The main focus of the *Grameen* Bank is to help disadvantaged rural people such as families having no land or less than 0.50 acres of arable land, with women being granted priority. The *Grameen* Bank had disbursed loans totalling Tk 72.49 billion as of February 1997. Of the total amount,

⁴ The word *Grameen* refers rural in *Bangla*.

general and collective loans amounted to Tk 66.86 billion, while loans for housing totalled Tk 5.58 billion. However, information on all loans disbursed showed that about 35 per cent had been used by the borrowers for investment in livestock and fisheries, 21 percent for agriculture and forestry, 20 per cent for processing and manufacturing, 16 per cent for trading and 4 per cent for shop keeping, only 1 percent of the total loans was utilized for each of the service and peddling categories. The *Grameen* Bank provided loans for housing to *Grameen* Bank members who had no shelter or who had lost their homes during the devastating floods of 1987 and 1988 and the cyclone of 1991. The total number of houses built so far with *Grameen* Bank loans is 312,144. As of 11 March 1997, the total number of beneficiaries of the *Grameen* Bank was 2,066,706. The *Grameen* Bank started its operations as a project in November 1979, with two branches located in villages adjacent to the city of Chittagong. As of January 1997, 1,079 branches were in operation in 36,551 villages, covering almost one third of rural Bangladesh. The number of landless women members in the credit groups had increased from only 9,400 in 1981 to 1,947,588 by the end of January 1997. (*Grameen* Bank 2000)

3.5.3 Proshika

Proshika is one of the largest national NGOs in Bangladesh working with the landless and poor farmers. The organization's strategy for human development is structured around organizing its clients into groups and providing them with training, technical assistance, credit, input supply and marketing support. Nearly half the population of Bangladesh is women. They are considered a disadvantaged group as the majority of them are illiterate and have low social status because of many social and religious taboos. Due to the lack of employment opportunities in this male-dominated society, women have no source of income and often suffer from malnutrition. Because of this, women were given special attention for development through Proshika's programmes. The very word 'PROSHIKA' is an acronym of three Bangla words (for training, education and action) and this encapsulates the organization's development ethos.

Proshika has introduced a number of employment and income generating activities which aim to improve the socio-economic conditions of the poor through various approaches. Of the various activities that Proshika promotes, the fisheries development programme has been one of the most important income and employment

generating programmes since its inception. Proshika has been working with the poor people in 11,530 villages, 832 slums, 1,124 unions and 173 *thanas* in 50 districts (June 1998 data). Of 81,627 primary groups, 47,109 are female groups and 34,518 are male groups. Total membership of these groups is 1,570,759 and of this number 848,587 are females and 722,272 are males. There are 877 fishers groups with a membership of 19,295. Proshika's goal is to create a Bangladesh society which is economically productive, equitable, socially just, environmentally sound and genuinely democratic. In order to achieve this goal, Proshika has formulated certain strategies which are implemented through the following programmes (Rahman 1998):

- Development of Education (Human and Skill Development),
- Disaster Management Programme,
- Employment and Income Generation Activities: Fisheries, Livestock, Apiculture, Sericulture, Irrigation etc.,
- Environmental Protection and Regeneration,
- Gender Relations Coordination Cell (GRCC),
- Health Education and Infrastructure Building Programme,
- Housing and Sanitation,
- Impact Monitoring and Evaluation Cell (IMEC),
- Institute for Development Policy and Advocacy (IDPAA),
- Organization Building Among the Poor,
- Universal Education Programme (UEP), and
- Urban Poor Development Programme (UPDP).

With the reform of state institutions a number of national and international level NGOs have directly involved in the rural non-farm sector. They provide poor people with a variety of services mainly focused on non-agricultural sector including small-scale trade and handicrafts. It provides loans for cottage and small agro-industries and to artisans engaged in rural arts, crafts, horticulture, growing cash crops and rearing pigs. The activities for which loans are provided are like:

- Agriculture such as livestock rearing, bee keeping, horticulture and cereal production,

- Crafts such as embroidery, pottery, basket making, spinning, weaving, carpentry and metal work, especially for agricultural implements, and
- Small-scale trade such as buying and selling at open markets, retailing, hairdressing, tailoring and preparing local food and drugs.

3.5.4 The Intermediate Technology Development Group

The Intermediate Technology Development Group (ITDG) promotes food processing to help the rural poor in developing countries to secure sustainable livelihoods. This is part of ITDG's goal to build the technical skills of poor people in developing countries to improve their lives.

ITDG began operating in Bangladesh in the early 1980s, but the ITDG-Bangladesh (ITDG-B) programme was not formally established until 1990. ITDG-B provides technical assistance to small producers and local organizations, including training, product research and development, disseminating information, networking and policy advocacy.

The main type of training is in food processing, conducted as a 15-day fieldworker training course and as short courses on specific food products. The 15-day training course is now held annually, although from 1990 to 1996 it was held twice a year. It includes ten days of technology training in food products and five days of business management training. Trainees learn how to process *channa chur*, *murally* (a sweetened dry bread stick), doughnuts, pickles (made from green chilli, garlic, *brinjal*), chutney, pulses, *muri* (puffed rice), jams and jellies, banana chips, vermicelli, milk toffee, tomato ketchup, cheese, coconut balls and dried fish. Food topics chosen depend on what the participants' request.

ITDG-B has produced illustrated booklets for fieldworkers and beneficiaries, written in Bangla and detailing how to prepare a specific product. These booklets are sold at cost to NGOs. Eighteen booklets have been published on different processed foods. The 18 booklets cover making the following products:

- *Amra* (hog-plum chutney),

- Banana Chips,
- *Channa Chur* (Bombay mix),
- Cheese,
- Coconut Balls (*Laru*),
- Garlic Pickle,
- Green Chilli Pickle,
- Green Mango Chutney,
- Guava Jelly,
- *Kashundi* (mustard),
- *Mango Morrabba* (sweetened mango preserve),
- Milk Toffee,
- Olive Chutney,
- Olive Pickle (sour-hot-sweet),
- Pineapple Jelly,
- Shiny-Coloured Coconut Balls,
- Tamarind Chutney, and
- Tomato Ketchup.

ITDG-B's small enterprise unit has published a business start-up booklet called 'Income-Generating Activity Profiles', written in Bangla. It is a step-by-step guide on how to start a business and contains tips on costing, marketing, and calculating profit and loss. It also contains testimonials about the advantages and disadvantages of the business. Similar 'IGA profiles' have been written on how to start a *channa chur* business and a *chatpoti* (vegetable salad) business. So, in this way ITDG-B is doing their awareness raising programmes in Bangladesh among the rural poor which help in self-employment.

3.6 Conclusion

The agri-business development will contribute to reduce poverty in Bangladesh through two channels. First, agribusiness development will generate new employment opportunities especially in rural areas. This is particularly relevant for landless households, which constitute a significant share of the hard-core poor. Employment opportunities will result from: (i) improvement in large and medium agribusiness

enterprises profitability resulting from a revised agribusiness policy framework, more effective market management, and improved access to markets, (ii) fostered linkages of primary producers with markets, (iii) diffusion of new tasks at the farm level in term of agro-processing and post-harvest, (iv) higher production volume in large and medium agribusiness enterprises, (v) better organizations and improved marketing capacity of agricultural service providers, (vi) improved credit opportunities for undertaking long term investment aimed at fostering value chain development. Second, agribusiness sector development will support income generation of poor farmers engaged in agribusiness through the following levers: (i) improved organization of market linkages, (ii) diffusion of contract farming system, (iii) emergence of incentives for the adoption of appropriate agricultural technology, (v) decrease in post-harvest losses, (vi) increase in output quality, (vii) adoption of new crop varieties, (viii) improved availability of long-term credit for investment and (ix) improved functioning of facilitating agencies, associations and NGOs (ADB 2004).

The role of employment in pro-poor growth has been increasingly emphasized in the analysis of development policy in recent years. The incomes of the poor largely depend on the nature and extent of employment that economic growth generates. But there is no automatic relationship between growth and employment and not all growth is equally employment intensive. More specifically, growing incomes for the poor can come from increases in: (a) wage-employment, (b) real wage, (c) self-employment, time, productivity and output prices. All these factors are associated with high rates of economic growth. But growth is not equally employment intensive everywhere.

The multifarious economic activities with differing pro-poor growth potential and implications for policy intervention make it important to focus on key issues and activities (e.g., tourism, construction, transport services etc.) which have growth potential. At the same time, the importance of linkages and multiplier effects in the rural economy implies that governments and multilateral agencies need to move away from traditional sectorally compartmentalised thinking of rural areas towards more 'joined-up' models of multi sectoral, mutually symbiotic growth.

The rural spaces exhibiting an increase in non-agricultural employment have &changed the characteristics of the traditional landscape. They are characterised by the growth of towns and medium-sized cities and by stronger ties between them and

their rural hinterland, through non-agricultural trade, transportation systems, and a wide range of services oriented to production, consumption and recreational needs. Ultimately, they are rural spaces that offer the inhabitants not only better economic opportunities, but also options for narrowing the quality of the life gap between the rural and urban environments. The various issues related to the promotion of rural non-farm sector in Bangladesh which are equally important regarding public private concern are as following:

Richer and poorer rural zones must be treated differently. In the former, what is important is to reduce the transaction costs faced both by those investing in the rural non-farm sector, and where the rural households and inhabitants seeking to participate in non-farm activities. In the latter, an active role on the part of the public sector is required in promoting conditions to increase the attractiveness of these regions to the private sector (roads, electrification, telecommunications, irrigation, etc.), as well as a strong focus of public investment in developing the capacity of rural households - through, for instance, education, access to credit and activation of land markets - to participate in a broader range of income-earning activities.

Local governments and institutions that facilitate public-private cooperation at the local level may play an important role in promoting rural non farm sector. In many countries, local governments control or participate in land-use planning decisions, in part of the educational system, in labour training, in certain levels of investment in public infrastructure works, in the awarding of permits and licences for the establishment of non-agricultural rural-based businesses, in guidelines and the content of technical assistance systems, in assigning resources to rural development projects, and even in levying taxes, which are frequently powerful barriers to the implementation of the rural non-farm sector projects.

Gender is an important determining factor for access to the rural non-farm sector jobs. The rural non-farm sector policies and programmes that support rural women must offer much greater attention to facilitating their access to wage-earning jobs in agro industry, trade and other services. This requires reversal of the current bias in favour of creating manufacturing micro-enterprises which seem to offer rural women few opportunities for sustainable development.

From the above discussion regarding NGO sector, it is to be said that in Bangladesh, the NGO sector holds an important position and it is eagerly busy to achieve their desired goal of poverty alleviation through employment generation. The awareness, motivation building and training programmes of the NGO sector provide the way of self-employment. The processes of marketing linkages between production places to market places as well as the rural areas to urban areas create a new sense among the poor people. This has compelled them to awaken their spirit and a new paradigm shift of new attention brings prosperity among the poor.

Finally, all of the above will be useless if public policies and programmes for the rural non-agricultural environment are developed by diminishing the resources which up to now have been available for agricultural development. After all, agricultural employment continues to be directly responsible for 60 percent of rural income, and that percentage increases significantly if people consider non-agricultural income originating from activities directly related to and dependent upon agricultural production (agro-industry, trade in inputs and products, machinery and transportation services, professional services, etc.). The promotion of the rural non-farm employment and income cannot be made at the cost of shifting resources from the agricultural sector. The challenge consists in mobilising additional investment and capacity, both public and private.

CHAPTER -IV

THE IMPACT OF THE RURAL NON-FARM SECTOR ON POVERTY ALLEVIATION IN BANGLADESH

Chapter 4

THE IMPACT OF THE RURAL NON-FARM SECTOR ON POVERTY ALLEVIATION IN BANGLADESH

4.1 Introduction

From the very beginning of its independence, the issue of poverty alleviation has been pursued as the major development objective in Bangladesh like the other developing countries of Asia, Africa and Latin America. Despite the considerable progress, the issue of poverty is still widespread in both rural and urban areas calling for adoption of more effective approaches in dealing with weaknesses in the policy framework and deficiencies in the implementation mechanism and associated institutional arrangements. Over the years, the anti-poverty policy framework in Bangladesh has put emphasis on the pursuit of a two-pronged strategy of accelerated labour-intensive growth and human resources development of the poor. The formulation and implementation of such a strategy require regular and comprehensive information, particularly on the nature and processes of poverty, for meaningful poverty assessment and to help in identifying the factors that contribute to and spread poverty.

Poverty alleviation and social sector development have been the core issues in development planning in Bangladesh since 1971. Among the least developed countries in Asia, Bangladesh is among the most densely populated (866 per square kilometre) countries in the world with a population of 124.8 million squeezed into 144,000 square kilometres (Rahman 2002). Urbanization is low but infant mortality rate is high. The share of manufacturing is low but the rate of growth of the manufacturing sector is high. Bangladesh is a delta, mostly plains through which the Ganges and the Brahmaputra flow to reach the Bay of Bengal.

In Bangladesh, development projects of agriculture, rural development, primary and mass education, health and family welfare, women and children affairs

and labour and employment are considered under the poverty alleviation programmes. The social sector includes all poverty-related programmes minus agriculture plus education, youth and sports, mass communication, cultural affairs and public administration.

As a pre-given idea of outer world⁵, a poor person is considered as one without job, who cannot help himself or cater to his family, who has no money, farm or business. Adolescent males and females are poor if they have no parents, no education, no good food, clothes and health. A poor person is described as one who is undernourished and ageing fast, one without self confidence, looks dirty and lives in filthy environment, one who cannot cater to his family, train his children in the school and unable to pay medical bills.

The Millennium Development Goals: Bangladesh Progress Report, jointly prepared by the UN and the Government of Bangladesh, notes how Bangladesh is steadily keeping on track in meeting the UN Millennium Development Goals. For Bangladesh, the goals include lowering the poverty rate to 29.4 percent, providing 100 percent universal primary education, reducing of child mortality to 50 per thousand live births, improving of maternal health to 143 or less fatalities in one hundred thousand natal conditions, and ensuring environmental sustainability by 20 percent, all by the year 2015. The report found that the pace of poverty reduction, which registered an average of 9.2 percent during the decade of 1991 to 2000, had picked up since Bangladesh entered the new millennium with a poverty level at 49.8 percent of the population. In related fields of human development, the report showed that the enrollment rate at primary schools, including those of various denominations, rose to 82.7 percent in 2003 compared to 73.7 percent in 1992. The child mortality rate fell to 82 per 1,000 live births compared to 151 in 1990. During the last decade of the second millennium, maternal mortality per hundred thousand births had already come down from 570 to 320. Environmental sustainability went up by 1.2 per cent as the proportion of forest cover of land mass increased from 9 to 10.2 percent. Not many countries at Bangladesh's level of income can list so many of these achievements (UNDP 2005).

⁵ Greek philosopher Plato had used the term *Outer World* in the theory of *Forms* in his classic work *Republic*.

4.2 Poverty Discourse in Bangladesh

Although poverty in South Asian Sub-Continent was a subject of interest during the British Colonial period (Jack 1916; Siddiqui 1982), there was only one research on this issue during the Pakistan period 1947-71 (Siddiqui 1982). Poverty began to attract the attention of researchers after the famine of 1974 and the decade saw a number of studies mainly devoted to counting up the poor. Only Alamgir (1978) and Griffin (1977) tried to provide macro level analysis of the poverty process in the country. Alamgir had developed a Marxist analysis of poverty. Griffin sought to understand the problem in terms of a high level of inequality and the dominance of the rich on the state machinery. Two ethnographic studies, however, were significant in exploring rural poverty. In Jhagrapur, Arens and Beurden (1977) provided a graphic account of the livelihoods of the poor and the process of exploitation in a village of Kushtia with special focus on women from a Marxist perspective. In 1977 Siddiqui (1982) mounted a meticulous study of poverty in a village of Narail again from a Marxist perspective, which tried to link micro level poverty with macro societal processes. Hartman and Boyce (1979; 1983) undertook an ethnographic study of a Rangpur village and underscored patron-clientelism and parochialism as the key instrument that kept the poor dependent, fearful and voiceless.

A particularly speculative but influential study on poverty of 1980s was undertaken by Maloney (1986) who sought to explore deep behavioural and cultural contours in Bangladesh that led to the perpetuation of poverty in the country. Central to his analysis is the fact that the 'overall socio-economic texture' of Bangladesh society was traditional. A particular drawback of this traditional society was his notion of atomistic individualism characteristic of the Gangetic delta that impedes crystallization of collective efforts and durable organizations and thus prevents modernization from taking place. The negative behavioural traits of Bangladeshis that he found as obstacles to development include: reliance on patronage and indulgence, personalization of authority, which causes weak institutions and policies, authoritarian administration, opportunistic individualism, low commitment to abstract ideologies, weak socialization that leads to low self-discipline and a lack of trust in modern institutions. The political institutions were not able to lift the country out of poverty. Politics was a mere contest for power without commitment to ideologies. Maloney did

not rule out the possibility for development but he clearly pointed out that the task of poverty alleviation was not easy either given the enormous burden of a traditional social structure embedded in an inhospitable ecological niche. Maloney did have some disclaimers, but there is no doubt that his analysis is highly dated and represented a crude form of orientalism.

More detailed studies of poverty have become available from 1990s onward. While there are five key data sources for understanding poverty in the country, the most important is the Household Expenditure Survey (HES), which started in 1973-74 and so far 13 rounds of these surveys have been conducted (BBS 2002). But HES data have been generally reliable from 1990s (Rahman 2002). The second major data source is The Analysis of Poverty Trends (APT) undertaken by Bangladesh Institute of Development Studies (BIDS) and later on Power and Participation Research Centre (PPRC) since 1989. Under this programme four comprehensive surveys of poverty in 62 villages have been conducted in an attempt to capture the multi-dimensional nature deprivation of rural Bangladesh. The unique feature of this study is the use of panel data (Rahman 2002). A third source is the information on the nutritional status of children collected by Helen Keller International from 1990. A fourth source is the nutritional data provided irregularly by the Institute of Nutrition and Food Sciences (Rahman 2002). A fifth source is the survey of 32 villages conducted by IRRI in 1987-88 and 2000. Apart from these a number of specific surveys and qualitative studies have been carried out with a view to understanding poverty in specific circumstances and greater depth. One product of this type of study is 19 reports published by PROSHIKA under its *The Livelihoods of the Extreme Poor Study*.

Although most of these studies have been preoccupied with counting the poor, Rahman and Sen (Rahman 1996; Sen 1996; Sen and Rahman 1999; Sen 2003) have particularly moved towards an analysis of the dynamics of poverty -the process through which poverty is created and the social mechanism that generates upward mobility out of poverty and downward mobility into it. From the above mentioned studies several broad characteristics of poverty in Bangladesh have been identified (Rahman 2002; BBS 2001; BBS 2002; Sen 2003; Mujeri 1997). These are discussed as below:

- Whatever is the correct figure it is clear that poverty in Bangladesh has declined about one percent per year (Rahman 2002) or at best 1.8 percent (GOB 2002) during the 1990s which is an extremely slow improvement. The decrease has been equally slow in the case of hard-core poverty.
- It also documents that extreme manifestations of poverty such as lack of minimum clothing or basic shelter or starvation have declined.
- There has been a faster reduction of poverty in urban areas.
- There has been an increasing concentration of poverty among the female headed households. The incidence of female-headed households may be as high as 15 percent with a heavy concentration of poverty among them (Mannan 2000). HIES data, however, provides a more complex scenario. The female-headed households were subject to extreme poverty much more than the male-headed households. But there was little difference in terms of absolute poverty among male and female-headed households. The absolute poverty was slightly higher among the male-headed households in rural areas while the opposite prevailed in urban areas (BBS 2002).
- There are significant regional variations of poverty. Rajshahi has the highest rate of poverty - 61 percent in contrast to Barisal, which has 40 percent only (Sen 2003). Poverty is more pronounced in some areas and regions of the country, which suffer from flooding, river erosion, mono cropping and similar disadvantages.
- The decline in absolute poverty has been accompanied by an increase in relative poverty. The BBS data show that inequality rose during 1990s, but at a higher rate in urban areas than the countryside.
- The non-economic dimensions of poverty have registered a dramatic change in contrast to slow reduction in income poverty. The human poverty index fell from 61.3 percent in 1981-83 to 34.8 percent in 1998-2000. The human development index had nearly doubled in three decades between 1960 and 1992. It increased from 0.166 to 0.309. The frontier of human development has expanded faster in 1990s. During 1992 and 1998-99 it increased by 8.8 percent per year. There has been

significant progress in child nutrition since the independence of the country. The rate of stunting has been on decline from the middle of 1980s. One survey found that the rate of stunting fell from 54.6 in 1996/97 to 44.8 percent in 1999-2000. The literacy crossed 60 percent in 1999. The gross enrollment at primary level increased from 59 percent in 1982 to 96 percent in 1999. There has been impressive progress in the reduction of infant and child mortality. The life expectancy has increased (BIDS 2001).

4.3 Meaning of Poverty Alleviation for Bangladesh

From 1973 the successive development plans in Bangladesh have highlighted the issue of poverty alleviation for the country itself. The plans also prepared a number of strategies to face the challenge. The First Five-Year Plan (1973-1978) had laid stress more on a socialistic restructuring of the economy so that the benefits of development could be distributed more equitably among the different groups of people. In a sense, the Plan was pre-occupied more with the task of post-independence economic reconstruction and the international economic crisis arising from the oil price hike than with the poverty problem of the country.

The Two-Year Plan (1978-1980) was expected to give the country a direction for future planning and development. However it got bogged down with the task of rationalizing the portfolio of on-going projects in the face of acute resource shortage.

The Second Five-Year Plan (1980-1985) of Bangladesh focused on poverty reduction through growth of income and employment. Growth with equity through expansion of employment was expected to raise the purchasing power. For poverty alleviation, planners provided incentive to agricultural support and agro-process industries as these would contribute to the development of the rural economy.

The Third Five-Year Plan (1985-1990) of Bangladesh relegated poverty alleviation which is defined as 'satisfaction of basic needs of the people' to sixth position among eight pronounced objectives. Employment generation through the dynamic private sector, satisfaction of minimum basic need through increased supply

and higher income as well as faster economic growth was expected to take care of poverty.

The Fourth Five-Year Plan (1990-1995) held poverty alleviation and employment generation through human resource development as one of its major objectives. The plan emphasized the resilience of the poor and the disadvantaged groups to survive against most adverse circumstances. When properly organized and supported, these economically backward groups could show resourcefulness, in terms of savings, investment as well as technology adaptation and entrepreneurship. The Fourth Five-Year Plan attempted to integrate sector-based planning with socio-economic group-based planning in order to ensure greater poverty alleviation along with economic growth. According to the Fourth Five-Year Plan, it would be necessary to formulate special projects for the poor and the disadvantaged group to alleviate poverty after direct integration with sectoral programmes. Apart from the explicit recognition of the socio-economic dynamics for poverty alleviation, the Fourth Five-Year Plan was formulated under the constraints of a Structural Adjustment Programme (SAP) which adversely affects the poor and the disadvantaged.

The Fifth Five-Year Plan (1997-2002) aims to alleviate poverty through accelerated economic growth on average of an annual 7 percent to bring about a noticeable improvement in the living standard of the people by raising their level of income and meeting their basic needs. Other objectives of the Fifth Five-Year Plan were to: (a) Alleviate poverty through employment generation and to raising at least half the people below poverty line above that level (b) Develop socio-economic infrastructure with special emphasis on human resources development in a science and technology based society (c) Distribute the benefits of economic development equitably with provision of safety net for the most vulnerable people and accelerated development of backward areas and (d) Reduce gender disparity.

An overview of these Five-Year Plans of Bangladesh Government on rural development indicates that poverty alleviation has always been a core concern of the development trajectory. It also depicts a trend of priority attachment to poverty alleviation in terms of objectives and strategies. A follow-up review of these policy statements, however, manifests that, in effect, in most cases, no serious attempts have

been made to translate such policies into concrete programmes and projects within a coherent institutional framework. As a result the sectoral programmes particularly in agriculture, health, social welfare, infrastructure development, water resource development etc. were designed in isolation without having considerable focus on poverty alleviation. Even with the existing institutional framework there has been a noticeable lack of coordination in the management of the projects on poverty alleviation carried out by different agencies of the GOB as well as NGOs (Aminuzzaman and Nunn 1993).

Quibria (1997) reflects the issues like Bangladesh reforms since 1991 and its impact on self-sufficiency. Human resource development through alleviation of poverty remains one of the prime objectives of development effort in the country for which the accelerated growth and expansion of employment opportunities are highly emphasised. Again income inequality, poverty trends, institutional development, equitable access, empowerment, sustainability and long term management of resources are important issues that are discussed in the book. The hardcore poor and vulnerable poor are major distinction of rural poor profile for which separate policies and safety nets are required. The poor are in a better position to realise the real opportunities to improve their quality of the life than the existing institutional mechanisms to help them. Poverty situation in Bangladesh suggests that the majority of the rural poor are marginal and landless farmers, agricultural labourers and other asset less non-agricultural workers. Generally rural workers can be divided into three categories- self employed, regular wage/salary earners and casual labourers.

4.4 Approaches towards Poverty Alleviation in Bangladesh

Since independence, Bangladesh has virtually become a laboratory for design and experimentation of different rural development models and approaches. Different agencies of Government of Bangladesh (GOB), international donors and the Non-Government Organizations (NGOs) have experimented with different models and approaches of institution building for rural and local level development (Holtsberg 1990). The goals, objectives and strategies for implementation of these experimental approaches, however, varied depending on the sponsor of the projects. But the alleviation of poverty has always been one of the core objectives of those

experimental approaches. In spite of all these different institutional and experimental interventions over the years, alleviation of poverty still remains a major challenge for Bangladesh (Jahan 1991). Given the present trends in population and economic growth and the absence of a concerted plan of action at poverty alleviation, experts fear that poverty scenario in Bangladesh would be even worse in the years to come (GOB 1991; SAARC 1992; BIDS 1993).

In fact the process of institution building from the perspective of development management refers to a system that functions in relation to their environments in which organizational structures and procedures match the tasks, products, people, resources and the contexts it deals with. Institution building is intimately concerned with the exchange of resources where economic and political relationships intertwine to create varying patterns of implementation network and intervention packages (Gustafson 1994; Brinkerhoff and Goldsmith 1992; Ahmed 1992). Like many other developing countries, Bangladesh has undertaken various efforts for improving the socio-economic conditions of the poor through institution building approach. However, several issues like national and sectoral policies, inter-agency coordination and structural requirements have hampered the institution building efforts geared to address poverty and under-development.

In the mid 1960s, the *Comilla* Model of cooperative received international fame as an alternative approach for rural development for the resource poor countries (Aminuzzaman 1985). However, in the post independent Bangladesh with the changed socio-economic and political reality, the *Comilla* model virtually became redundant. Since then given the high level of poverty and extreme dependence on foreign aid, Bangladesh practically became a veritable laboratory for rural development and poverty alleviation interventions. As a matter of fact, in the absence of a comprehensive transparent policy, rural development has become a patchwork of public and private initiatives and interventions (Willmann 1990; Siddiqui 1985; Jones 1982; Holtsberg 1992). Wide variety of intervention packages have been developed by the GOB agencies as well as the NGOs. These interventions have been mostly financed by the bilateral or multi-lateral donor agencies. All such interventions can broadly be classified under three different project approaches (Aminuzzaman 1997):

- Direct Capability-Raising Projects,

- Growth-Oriented Projects with a Strong Immediate Impact on Poverty, and
- Targeted Special Employment Schemes for the Poor.

‘The Direct Capability-Raising Projects’ address poverty indirectly through enforcing higher investment in social sectors like health and education leading to enhance human capabilities and to the improvement of standard of living indicators. These projects, in effect do not have any direct impact on employment or income generation.

‘The Growth-Oriented Projects with a Strong Immediate Impact on Poverty’ is based on the assumption that poverty can be addressed through fostering a higher growth process by way of complex interplay of macro-economic policy instruments suitably framed to sustain a reasonable growth in certain sectors which will have a ‘trickle down’ effect and thus increase the income of the rural poor.

Again ‘the Targeted Special Employment Schemes for the Poor’ is developed in 1984 by the Government of Bangladesh as a new Strategy for Rural Development Projects (SRDP). The strategy emphasized the inclusion of Rural Poor Projects (RPP) as a component of all future rural and area development programmes. In line with the strategy a number of new generations of Area Development Programmes were negotiated and launched with a RPP component. Under these Area Development Programmes a targeted self-employment scheme has been implemented with varying degrees of input support such as credit, training and extension services. These schemes have been designed to promote collective ventures of the landless-poor through formation of groups and cooperatives. Under these programmes assets are transferred to the target groups on collective basis e.g. joint cultivation of land, pisciculture, irrigation, power tiller schemes run by the landless groups and cooperatives. In almost all cases Bangladesh Rural Development Board (BRDB) was assigned to implement the programme. In addition to these approaches, GOB also took some special programmes like Food for Works (FFW), Vulnerable Groups Feeding etc. to address seasonal rural unemployment and the causes of destitute women.

Moreover, the approaches and interventions for rural development and poverty alleviation in Bangladesh have been discussed under five different institutional models such as (Aminuzzaman 1997):

- Bangladesh Rural Development Board Model,
- Donor-Line Agency Collaboration,
- NGO-Government Collaboration Model,
- Poverty Alleviation Projects (PAPs) of Large NGOs, and
- Small and Local NGO projects.

4.4.1. Bangladesh Rural Development Board Model

Bangladesh Rural Development Board (BRDB) was assigned to develop the cooperative system and implement various rural development programmes. BRDB is the largest institutional set-up of the GOB which is directly engaged in organizing and managing rural development and poverty alleviation programme in Bangladesh. Eighty five percent of the BRDB efforts are carried out in the form of projects in which 91 percent of the share is contributed by different multilateral and bilateral Donor organizations (Interchain 1990). BRDB has been undertaking group-based loan operations through cooperatives. This is perhaps the largest institutional effort in the country to address the socio-economic needs of the rural people. It was initially set up for the agricultural sector; BRDB later diversified its services to incorporate the assetless men and women as well. With a two-tier cooperative structure, there are primary societies at the field level which have three-fold divisions: *Bittahin Samabay Samity (BSS)* for the landless and poorest of the poor, *Krishak Samabay Samity (KSS)* for the farmers, and *Mahila Bittahin Samabay Samity (MBSS)* for the destitute women. The coordination of activities of the above three types of societies in an area is done at the *Thana* level by the respective *Thana* level Central Cooperative Society (BRDB 1991).

4.4.2 Donor-Line Agency Collaboration

In this approach poverty alleviation projects are designed at least on paper by the GOB and selected Donor agency. However, in reality most of these projects have been the products of different mission reports commissioned by the donor. In fact, on

the whole, these projects are the manifestations of the Donors' disbelief in the capability of GOB Agencies. Under this model a specific GOB line agency is formally assigned to run the project while the Donors provide a Project Advisory Team. The Donors usually impose elaborate project specific institutional arrangements. The project is managed by an international project management firm with highly salaried expatriate resident advisers and consultants.

There are many different variations in project design regarding the distribution of actual decision making and management responsibilities between the donor appointed Chief Technical Advisor (CTA)/ Chief Project Coordinator (CPC) and the Line agency appointed Project Director (PD). In most projects the final decision making authority lies in the hand of the CTA/ CPC. Some projects have developed a system of 'dual authority' between the CTA/CPC and the PD (Raquib 1992).

4.4.3 NGO-Government Collaboration Model

Another emerging model in PAP is the collaboration between the GOB line agencies and the NGOs, which one study notes as a 'Promising Alternative Institutional Approach to Poverty Alleviation' (Hossain, A 1995). This approach seeks to combine the extensive experience of NGOs in group formation, awareness raising, human resource development and income generating activities with the large scale capacity of GOB line agencies to deliver inputs of technical expertise and resources. In contrast to institution and capacity building efforts from within GOB agencies, the expected benefits from this arrangement is that the capacity would be injected from outside and below. In other words the local knowledge, human resource development expertise, motivation and enthusiasm of NGO staff are expected to have a demonstration effect on GOB staff by way of their interaction with each other. And more important perhaps, the insistent and articulate demands from well organized groups mobilized by the NGOs are also expected to stimulate the responsiveness and commitment of local GOB staffs who are used to being faced with mostly a non-challenging and passive target group.

4.4.4 Poverty Alleviation Projects (PAPs) of Large NGOs

NGOs in Bangladesh got a radical transformation and turned into agents of development in the post-independence era. The GOB had neither the capacity nor the appropriate institutional mechanism to address the volume and diversity of immediate crisis of post-independent period to handle alone. At that point of time a number of international NGOs and voluntary organizations extended their helping hands to assist Bangladesh in its striving efforts to rebuild the infrastructure and the economy. Thus, the decade of 1970s witnessed the emergence of several local NGOs and also the arrival of several International NGOs in Bangladesh. Since 1970s NGOs therefore become a part of the institutional framework of poverty alleviation in Bangladesh. The NGOs, especially the large ones in effect have infiltrated into an operational arena which has traditionally been the exclusive domain of the government. Donors have played a significant role in advocating for the NGOs as an active partner in poverty alleviation projects in Bangladesh (Sobhan and Bhattacharya 1990).

4.4.5 Small and Local NGO Projects

This institutional arrangement aims at upgrading the capacity of small local NGOs for implementing poverty alleviation projects. *Palli Karma Sahayak Foundation* (PKSF) established in 1990 by the GOB is the leading agency in such approach. The PKSF's broad goal is to implement income and employment generating programmes for alleviation of poverty for the landless and the assetless people in the rural areas through various NGOs. The PKSF calls these as the Partner Organizations (POs). The Foundation, during the financial year 1992-93, through its 79 POs, has distributed a sum of Tk.100 million. The total sum of the direct loans as well as of the revolving loan provided by the POs have so far rendered credit support to over 70,000 landless assetless people in rural Bangladesh of which 83 percent are women (PKSF 1992). As this is a fairly new direction in institutional experimentation for poverty alleviation, there is as yet little by way of evaluation studies assessing the effectiveness of this approach.

4.5 Linkages between the Rural Non-Farm Sector and Poverty Alleviation

Most of the literature on the linkages between the rural non-farm sector income and the rural poverty clearly indicate that there is a strong relationship between the two. In fact, when average income from the rural non-farm sources are higher than that of the farm sector (agriculture), access to the rural non-farm sector jobs represents an upward mobility improving welfare of both individuals and households. Secondly, by diversifying their sources of income rural households can augment their incomes and minimize the extent to which they are affected by adverse income shocks from farm activities. Thirdly, as the rural non-farm incomes increase the households' cash liquidity, they can buy farm inputs more easily, thus increasing their farm productivity. Finally, the rural non-farm sector offers landless households (which are unable to engage in farm activities because of their lack of land) an important option for generating income.

Since agricultural growth will provide only limited possibilities for labour absorption, because of the considerations outlined above, the burden of absorbing additions to the rapidly growing labour force must be shared by rapid employment expansion in the non-farm (non-agricultural) sector. This was the process envisaged in the classic dual economy growth models with rapid growth in the non-agriculture sector leading to progressive shifts of the labour force from the low-productivity low-income agriculture sector into high-productivity high-income non-agricultural employment. The process was expected to provide expanding employment opportunities for the poor in the rural non-farm sector, while simultaneously easing the pressure of population in agriculture, thus leading sooner or later to higher wages for those who remained in agriculture. There are obvious virtuous circles here which could become very strong over time. As the size of the rural non-farm sector increases relative to the farm sector, its growth has a greater potential impact on poverty through a larger capacity to absorb surplus labour from agriculture (Ahluwalia 1990).

4.6 Impact of the Rural Non-Farm Sector on Poverty Alleviation in Bangladesh

The impact of the rural non-farm sector on poverty alleviation in Bangladesh is vast and varied. Some key terms related to the diversification and the rural non-farm sector address three issues like firstly, it reviews the main theories of the rural non-farm sector development and outlines a simple model for thinking about stages of diversification in rural development. Secondly, it briefly considers the diverse impacts on poverty, inequality and well-being that can be caused by participation in the rural non-farm sector. Finally, it considers policy options, outlining the choices and trade-offs that face rural planners and policymakers.

There are five different issues that need clarification before a discussion on the diversification of the rural non-farm sector can begin⁶. Firstly, diversification can refer to an increasingly mix or multiplicity of activities, regardless of the sector or it can refer to a shift away from traditional rural sectors such as agriculture to non-traditional often non-agricultural activities associated with the growth of the rural non-farm sector activities.

Secondly, diversification can take place at different levels of the economy. Thus diversification of a rural economy (and thus the expansion of the rural non-farm sector) is separate from the diversification of a household or individual economy (and thus the expansion of the rural non-farm sector income shares). Clearly there are links between these levels, but they are not always direct.

⁶ The literature on the RNFE and livelihood diversification is clouded by conceptual ambiguities, many of which relate to imprecise terminology. See Barrett *et al.* (2001) for a useful review.

Thirdly, 'non-farm' or 'non-agricultural' are sectoral definitions and if we are to retain consistency between micro and macro levels of analysis the National Accounting concepts of primary, secondary and tertiary enterprises are a useful benchmark to follow⁷.

Fourthly, and related to this, 'rural' is a spatial definition⁸ and includes small rural towns, growth centres and their industries. Often these are where the largest share of the rural non-farm sector is situated.

Lastly, there are other useful conceptual dimensions beyond the sector and space to consider in thinking about livelihood and economic activities. These include (a) degree of linkage to agriculture or other sectors, (b) the relations of production⁹, (c) the level of technology, capitalisation or modernisation which often has direct bearing on and (d) the levels of productivity and associated returns.

An important measure of the rural non-farm sector's performance is its impact on poverty and income distribution. Special tabulations from the Household Expenditure Survey (HES) prepared by BBS were used to investigate the impact of the rural non-farm sector on incomes, poverty and inequality in the rural economy of Bangladesh:

⁷ Primary sectors refer to agriculture, mining and other extractive activities. Agriculture or farm activities are a subset of primary activities; the broadest definitions include any activity in the production or gathering of unprocessed crops, livestock, forest or fish products from natural resources. Non-agricultural then covers all other forms of activity and income including processing, transport or trading of unprocessed products. Sometimes a distinction is made between on-farm and off-farm, the former referring to livestock and crop enterprises on private land, the latter referring to gathering enterprises (like rural weekly *bazaar*) on common lands. It is not always clear if these off-farm activities fall within the non-farm sector.

⁸ The population density per square kilometre usually determines the distinction between urban and rural. In some literature the rural non-farm sector income is used to mean *any* non-farm income earned by a rurally located household, including that income from urban jobs and remittances. We assume rural income to mean any income earned in rural areas, whether local or not.

⁹ At a rural economy level this refers to the structure or scale of production; whether mainly small scale or larger scale units. At a household level this refers to whether the worker is employed or self-employed; it measures the degree to which the worker has control of the productive assets used in the activity and bears the full financial risk for the undertaking. Barrett *et al.* (2001) use the term 'functional classification' in place of relations of production.

- The rural non-farm sector per capita income growth has been positive over the 1980s unlike the per capita agricultural and rural wage income.
- The improvement in the rural non-farm sector per capita income took place mostly in self-employment but not substantially in wage-employment.
- The rural non-farm sector was an important income source for the poor and non-poor alike.
- The incidence of poverty for the rural non-farm sector households is lower than the farm (agricultural) labourer households.
- Increasing participation in the rural non-farm sector is likely to reduce income inequality.

4.7 Participation of the Poor in the Rural Non-Farm Sector

Bangladesh shows the important role that the rural non-farm sector has played an important role in limiting rural poverty, particularly where land ownership is skewed, labour force growth remains high, and movement of other rural areas with higher earnings potential remains difficult for sociological or economic reasons. The availability of non-farm wage or self-employment has also tended to tighten rural labour markets for landless labour and provide a floor for their wage rate. Given the scale of poverty in Bangladesh, there is a need to ensure that the poor continue to have access to non-farm activities as productivity increases. This will require that new distortions are not be introduced in rural labour markets; efforts continue to improve the access of the poor to education and health services and to credit and skills for micro-enterprises; that public safety net programmes are well targeted.

4.7.1. Motivation to Participate

Neo-classical economics suggests that risk-neutral farmers will divide their labour between farm and non-farm employment opportunities such that the expected marginal returns to all activities are equal. In developing countries, resource-poor farmers are usually risk-averse. The expectation is therefore that less time will be

allocated to the more risky jobs if the expected returns in each sector are the same, or alternatively, the farmer will be willing to accept lower wages in the less-risky environment. Farmers may engage in off-farm and non-farm activities to reduce the total variance of their income (i.e., the overall risk) or to increase the total returns to their labour. Participation in any employment sector depends on both *motivation* and *ability* factors (NRI 2000).

The first is the incentive - perhaps higher returns and/or less risk than the alternatives. The second concerns an individual's or household's capacity to engage in the preferred sector - perhaps reflecting certain skills or being able to make the necessary financial commitment. It is often the poorest households that have the greatest motivation to diversify, however, these households also face the highest constraints to 'upward' accumulative diversification.

4.7.2. Demand Pull Motivation

In rural areas many households take advantage of opportunities in the rural non-farm economy, taking into consideration the wage and risk differentials associated with each type of employment. Households may diversify into the rural non-farm sector economy to enhance their assets (e.g., to accumulate income or acquire skills), typically with the option to reverse their decisions (Swift 1998). When returns to the rural non-farm sector activities are higher and less risky than farming, 'pull' factors are at work (FAO 1998). Ellis (2000a) notes that factors that increase the return to time spent on farm activities would tend to reduce the motivation to diversify. For example, an increase in the prices of farm output or a rise in farm productivity through the adoption of new technology (e.g. high yielding varieties) would tend to reduce the motivation to diversify. Alternatively, a rise in the rural non-farm sector wages or greater opportunity to undertake remunerative non-farm employment would increase the motivation to diversify (Ellis 2000a).

4.7.3. Distress-Push Motivation

Conversely, when farm income is inadequate and opportunities for consumption smoothing such as credit and crop insurance are missing or when input markets are absent or fail and the household needs cash to pay for farm inputs, households may be 'pushed' into the rural non-farm sector, often making irreversible decisions.

Poverty-induced participation in the rural non-farm sector may indicate that the rural non-farm sector is absorbing a residual for surplus labour that cannot be employed on-farm. Islam (1997) suggests that the ratio of non-farm to farm workers in the labour force can be used as an indicator of 'residual' employment in the rural non-farm sector if a higher ratio leads to a relative fall in non-farm wages. Factors that lead to *distress-push* participation in the rural non-farm sector include successive droughts that depress income and hence increase the need for alternative sources of income, usually through low-skill jobs (Islam 1997). Rural populations are then forced into the rural non-farm activities at wages lower than they were earning in agriculture.

4.7.4 Ability to Participate

The capacity of households or individuals to participate in the rural non-farm sector is not uniform. Reardon *et al* (2000) argue that the positive relationship and U - curve relationship (mixed results) reflect high entry barriers to certain rural non-farm activities, making certain activities accessible only to higher income groups. The very poor may nonetheless participate in the rural non-farm sector if there is sufficient demand for labour in low entry barrier activities. As population pressure increases, it is more difficult for the rural poor to rely on natural resource-based activities. For many livelihoods have become less secure and sources of income more varied. It is important to understand who has access to those rural non-farm sector activities that bring sustained and significant improvements in incomes or welfare for the individuals or households concerned. An understanding of the barriers to entry faced by different groups within society, or individuals within a household, to those desirable activities is therefore useful and particularly important for policy makers.

4.8 Importance and Recent Trends

World Bank (2004) study highlights the emerging role of the rural non-farm sector in Bangladesh. The contribution of the rural non-farm sector activities to employment and income generation points its increasing importance in rural areas. Growth of this sector is crucial for ensuring both economic growth and poverty alleviation in Bangladesh.

The discourse on poverty reduction strategy has most often been animated by a comprehensive wish list. The global agenda for poverty reduction was set by the World Bank in its report of 1990 (World Bank 1990). It consisted of two elements. The first was productive use of labour through better market incentives and reforms in social institutions. A decade later the Bank devised a three-pronged strategy that focused on the creation of opportunity, empowerment and security (World Bank 2000). The official poverty reduction strategy of each South Asian country has been more or less dictated by the Bank (Sen and Rahman 1999). This is ironically the ground reality, in spite of the fact that that the Bank has emphasized for PRSP (Poverty Reduction Strategy Paper) to be driven and owned by each country (World Bank 2000c). The Bank has later particularly stressed on the social protection of the poor in south Asia in the face of vulnerability caused by globalization (World Bank 2002a; World Bank 2002b). This is again a wish list that does not take into account the context of institutional weakness and policy failures that plague many developing countries.

Government of Bangladesh (2002) following largely the Bank policy has outlined an anti-poverty strategy consisting of five core components such as:

- Pro-poor economic growth policy aimed at increasing income and employment opportunity of the poor.
- Human development targeted for enhancing the capabilities of the poor by providing them with more education, better health services and other necessary services.
- Focus on gender sensitive development with a view to closing gender gaps between men and women.
- Provision and expansion of safety-nets to the poor and
- Expansion of participatory governance aimed at empowering the poor and reforming the service agencies and institutions.

Indeed, poverty refers to the forms of economic, social, and psychological deprivation occurring among people lacking sufficient ownership, control or access to resources for the minimum required level of living. It is widely recognized as a multi-dimensional problem involving income, consumption, nutrition, health, education,

housing, crisis coping capacity, insecurity etc. despite some progress in poverty alleviation and social sector development in Bangladesh, much remains to be done. According to the *Human Development Report, 2007/2008* of the United Nations Development Programme, measured in terms of the Human Development Index, Bangladesh ranked 140, compared with 133 for Bhutan, 128 for India, 100 for Maldives, 142 for Nepal, 136 for Pakistan and 99 for Sri Lanka. (UNDP 2007)

4.9 Conclusion

The role of rural non-farm sector in the context of livelihoods of the rural poor in developing countries particularly in Bangladesh is increasingly acknowledged now a day. A better understanding of the factors and processes that affect the ability of the poor to engage in activities that are more sustainable and more remunerative will help in design of policies and interventions which increase the pro-poorness of the rural non-farm sector.

Moreover, working in more or less decentralised contexts, development organisations, governments and researchers seek to develop the rural non-farm sector find that this generates strong interest among rural poor. This in itself creates a welcome opportunity to bring different perspectives to bear on important issues of employment generation and poverty alleviation and as the work acquires a higher profile, the institutional issue may be resolved through mandate, through local-level co-operation or through the development of effective networking.

Jahan (1997) has found out the development challenges of nineties as well as the poverty alleviation strategy of Bangladesh. The approaches are like: (a) enforcing larger investments in social sectors, (b) fostering a higher growth process, and (c) promoting targeted employment and income generating programmes are important. Again the targeted employment generation schemes and the issue of sustainability of poverty alleviation programmes in Bangladesh are remarkable. During the period of 1990's the issue of poverty alleviation was not only a development constraint but also a socio-political challenge for Bangladesh.

The World Bank (2000b) has laudably blueprinted the vision of the social protection of the poor or vulnerable so that they can manage risks better mainly

through the mechanism of safety nets. But the fiscal crisis of the state and the absence of donor support undermine the realism of such vision. In fact Jeffery Sachs (2001) recently held that IMF and the World Bank were accomplices in 'grossly under funded and insufficient strategies' (Sachs 2001: 44) of poverty reduction. But even under the existing constraints there is scope for new and innovative programmes such as health insurance and disaster insurance for NGO clients, which can be funded from the savings of the poor themselves. There can be GO-NGO collaboration in protecting the poorest of the poor.

It has been argued that in order to devise a better strategy for poverty reduction there is a need to focus on a sociological understanding of poverty as a process and the poverty agenda. The elite addresses the poverty agenda in terms of crisis management and for scaling up the fragile legitimacy of the state. It has a vested interest in poverty agenda. The question of agency is extremely important for poverty reduction in the context of the neo-patrimonial or predatory state, a dysfunctional bureaucracy and predominantly rent-seeking elite in Bangladesh. More meaningful poverty reduction must search for appropriate agency which can signal a change in the rules of the game, a transformation of attitudes and values conducive to increasing human capability and efficiency. In scaling up the fight against poverty there is need to harness the partial interests of many agents, gain more in-depth knowledge and dream up new ideas.

Hence, according to Robb (2002) the issue of Participatory Poverty Assessments (PPAs) use participatory research methods to understand poverty from the perspective of the poor by focusing on their realities, needs and priorities. A participatory poverty assessment is a method to include poor in the analysis of poverty with the objective of influencing policy. The findings are transmitted to policy makers, thereby enabling the poor to influence public policy choices.

CHAPTER - V

CONCLUSION: THE WAY FORWARD

Chapter 5

CONCLUSION: THE WAY FORWARD

The role of rural non-farm sector in the context of employment generation and poverty alleviation as well as an alternative livelihood process of the rural poor is increasingly acknowledged in Bangladesh. This study demonstrates the positive role of the rural non-farm sector where it promotes both growth and welfare. The situation where the rural workforce growing faster than the employment potential in agriculture, the rural non-farm sector lower the unemployment problems and slow down the rural-urban migration. The study finds out it particularly useful in employing women and providing off-season incomes. The technologies used in small-scale rural manufacturing industries are more appropriate and thus generate greater income from available productive inputs.

One of my specific hypotheses was the rural non-farm employment holds greater opportunity for generating employment than farm employment. Another hypothesis was rural non-farm employment has greater impact on poverty reduction than farm employment.

I tested these hypotheses in a laborious investigation where I found that the rural non-farm sector has played tremendous role in generating employment as well as its contribution towards reducing poverty is vital. In a word one can say it as a panacea for rural development during the time of agricultural land constraints and increasing rural population. I did find the expected similarities in object of goals but found no greater awareness among people. During my investigation I wanted to project the rural non-farm sector as an equal alternative livelihood process, which has great potential, and have to be popularised in the rural areas of Bangladesh. The search for such an object made me advance even more deeply into the questions of participation of poor in greater number, and I found spontaneous support of the people to achieve a prosperous lifestyle. In this regard, a good number of NGO's are

engaging themselves, and pursuing effective role in showing correct way to the poor to earn for better life through the rural non-farm sector activities.

The capacity of agriculture (farm sector) to generate productive employment and to provide a decent standard of living is becoming increasingly limited in Bangladesh. The rural households recognize this constraint and address it by using the agricultural surplus for investment in education and accumulation of non agricultural capital to facilitate occupational mobility from farm to non-farm activities. As a result, the rural non-farm sector has expanded and become a major component of the rural economy. The findings of this study demonstrate that the rural non-farm sector in Bangladesh is a vibrant sector, contributing towards productivity growth and poverty reduction through employment generation. Moreover, the public-sector investment in education and the expansion of physical infrastructure accelerate the process of extension of the rural non-farm sector, and contribute to the sharing of benefits with resource-poor households.

Regarding social safety-nets for the vulnerable groups, it is the responsibility of the government to ensure protection to the vulnerable sections (e.g. the elderly, the disabled, widows, orphans and the chronically ill) so that they can maintain a decent livelihood. In fact, it is the primary duty of any government to ensure a minimum level of food, housing, education and healthcare allowances for the citizens.

Notwithstanding the need for a more detailed understanding of the rural non-farm sector, it is still possible to identify a number of key areas that affect it and where there is scope for wider and more systematic application of best practices. These include: improving the accessibility of rural services to the poor, including women; policies and measures which are supportive of the informal sector; developing appropriate effective local institutions to help anchor and coordinate the rural non-farm sector policy development and implementation; improving the availability of rural financial services; and correcting for urban bias in public services and infrastructure.⁹

Hence, appropriateness of technology in the context of a poor economy is not an issue, the appropriateness of institutions is. Institutions need to be developed that can deliver the technology to the common people so that they themselves can harness

its power. Just as aspirin lowers fevers in both adults and children but children need syrups while adults can handle tablets, special delivery mechanisms may need to be developed for poorer economies. *Grameen* Phone has not created any new technology, but it has established a new way, compatible with economic and social circumstances in rural Bangladesh, to provide access to telephones for the rural people in Bangladesh.

The concept of the rural non-farm sector employment is defined as employment in pursuits other than cultivation, livestock, forestry, fishing, hunting, plantations, orchards and allied activities. Broadly, it covers employment in mining and quarrying, manufacturing (manufacturing, processing, services and repairs in household industry and other than household industry), construction, trade and commerce, transport, storage and communications and other services. In the recent past, the rural non-farm sector employment has acquired importance in the rural development process. By providing gainful employment to the rural labour-force, this sector is playing a vital role in the removal of poverty. It is a significant source of income to small and landless farmers during the slack season. It also facilitates structural transformation. Moreover, there is a close relationship between employment generation in the rural non-farm sector activities and the spread of prosperity from agricultural growth.

The rural non-farm sector activities in Bangladesh have assumed a leading role in generating income and employment particularly in rural areas. The detailed profile of the rural non-farm sector activities suggest that most enterprises are small, generate self-employment for their proprietors, and are mostly engaged in trading activities. They have very limited access to basic factors of production and services. Yet, these enterprises are not low productive residual and last resort type activities in Bangladesh. Most enterprises have full time engagement capacities for their owners and employees. Indeed, age and size profiles of the enterprises suggest that the rural non-farm sector activities provide rich breeding grounds for entrepreneurs in both urban and rural areas. The sector has shown strength over the last decade, both employment and number of enterprises have grown strongly. Moreover, the desired structural transformation from home-based enterprises to enterprises with permanent structure has been underway. While average labour productivity in the sector is higher

than agricultural wage, there are large variations in labour productivity and total factor productivity implying existence of constraints in technological upgrading and large entry and exit costs.

Bangladesh Vision 2021 (CPD 2007) estimated that the labour force will grow at almost twice the rate of population growth by 2021. It means that over 50 million jobs they have to create and the large part of it must be set in the rural areas, to absorb the excess labour supply that may not be remuneratively accommodated within the agricultural sector. There is no guarantee that such transfers out of agriculture into the rural non-farm sector will fully absorb the pockets of poverty. To meet the challenge, there is a need of affirmative action to assure income entitlements to all affected households. Moreover, the aim to put in place an *Employment Guarantee Act* (like India's National Rural Employment Guarantee Act), which will ensure a statutory right to 100 days a year of employment at the minimum wage in each district to one person per household is remarkable.

Rural development policies often neglect the role of the rural non-farm sector activities and their link with agriculture. This might be because the role of the rural non-farm sector is the least understood component of the rural economy; its role in the broader development process is not well known (Lanjouw and Lanjouw 1997). There is a social cost to the failure to recognize the importance of the rural non-farm sector in decreasing rural-urban migration and its potential role in absorbing the growing rural labour force, thus contributing to the national economy and promoting a more equitable distribution of that income.

The movement of labour from low-productive agriculture to high-productive non-farm activities is a positive trend for poverty reduction, and should not be an issue of concern. Farmers have started responding to the phenomenon by adopting mechanization. The government could facilitate the process by providing access to credit for financing mechanization and setting up small scale agro-processing enterprises, and removing policy distortions against small scale trading and business enterprises. Also, children from low-income households must be provided greater access to quality secondary education, to facilitate their occupational mobility and to improve the distribution of income from the rural non-farm sector.

Most of the existing GO-NGO interventions are unable to effectively integrate the productive capacities of the resourceless into the fast growing sectors of the economy. Indeed, it is better to make the growth process fully participative and inclusive, so that poverty will effectively eliminate from Bangladesh. But there is a need of full involvement of the disadvantaged, in the process of identification of their problems as well as the search for their solution. It is true that the disadvantaged possess the capacity to address many of their own problems but remain excluded from the mainstream of the economy due to the structural injustices which reproduce poverty and inequality in the society. It is the state's responsibility to correct these injustices. To do so Bangladesh has to transform resourceless citizens into productive agents of development by drawing upon their enormous potential as entrepreneurs, sources of productive labour and as a potential market.

Bangladesh Vision 2021 (CPD 2007) highlights that the overwhelming portion of their population consists of youths. Equipping them with skills so that they can be more employable (including as small entrepreneurs) is one of their priorities of the vision. As a part of human resource development policy clear career paths are devised for different types of graduates. For example, vocational training in various emerging trades that are in high demand by global companies such as accounting and financial services, graphic design, call centres, animation, and so on, provide for secondary and higher secondary school graduates via the various polytechnic institutes that already exist. Other training institutes prepare students for senior management or engineering positions in the commercial and service sectors. Advanced Technology Centres can help in developing skilled workers required by emerging industries, especially in the hi-tech area. A globally recognised certification system is important whereby graduates have the choice to decide the level of skills they want to acquire, semi-skilled vs. skilled; advanced skill/supervisor level vs. advanced skill/management level. Career placement or job matching is an essential component of the services offered by these vocational training institutions.

A better understanding of the factors and processes that affect the ability of the poor, to engage in activities that are more sustainable and more remunerative, will help in design of policies and interventions which increase the pro-pooriness of the rural non-farm sector. This study provides the way that the rural non-farm sector

operates and gives various tips and suggestions on the pros and cons of various approaches to studying and measuring this aspect of the rural economy, with a particular focus on the participation of the poor and policy options.

In Bangladesh, rural poverty alleviation under changing economic conditions is a colossal task for which, in addition to wise domestic policies, international cooperation is needed. In that respect, Bangladesh has forcefully projected its views in regional as well global forums. Bangladesh took the initiative in formulating the SAARC Dhaka Declaration for Poverty Alleviation, which regards the poor not as liabilities but as assets, and which emphasizes the need to bring the creative dynamics of the poor into the mainstream of development. An institutional mechanism to ensure this is already in process. Bangladesh is committed to the Agenda for Action adopted at Copenhagen Social Summit in March 1995; the Platform for Action agreed upon at Beijing World Conference for Women in September 1995; and the decisions taken at World Food Summit in Rome in November 1996. In each of those forums, the alleviation of poverty was of primary concern. At the World Micro-Credit Summit in Washington, which was inaugurated by the Prime Minister of Bangladesh in February 1997, micro-lending was endorsed as an important tool for alleviating rural poverty. The honour given to the head of the Government of Bangladesh in recognition of the fact that, based on its success in Bangladesh, the *Grameen* Bank concept of micro-credit had been replicated all over the world, including China. Contribution of reduced rural poverty to the alleviation of urban poverty was also recognized. The Summit led to the creation of global awareness that to finance the micro-lending programmes on a large scale, funds needed to be raised through joint efforts both at the national and international levels.

One possible solution of growing inequality and increasing poverty is to restructure the economic system to make it possible for all to become owners of capital. Asset ownership has to become a universal and fundamental human right. The deprived suffer from an insufficiency of productive assets, which limit their capacity to participate competitively in the market economy. The micro-credit system is playing a significant role to open up income earning opportunities for the resource poor. But there is a need to ensure universal access to micro-credit for the resource poor with a special emphasis on reaching out the totally resourceless households.

However, the country needs to move beyond the opportunities created by micro-credit to enable the resource poor to participate in the growth generating sectors of the economy. This requires access to productive assets to broaden opportunities for the deprived to participate in the dynamics of growth.

The adoption and implementation of employment generation policies for poverty alleviation is rendered difficult by the fact that a multiplicity of organizations is involved in this process. After a decade's experience of economic reforms, the process of creation (and destruction) of employment is now remained mostly in the hands of private sector. Self-employment is not entirely in ones own control, as the term suggests. It requires training, finance, infrastructure facilities and marketing services where a combination of private entrepreneurs and NGO/Government may be involved. Therefore the adoption of employment policies and programmes for poverty alleviation must involve in a participatory process. Such participation must begin from the initial policy formulation process and continue not only up to the implementation process but also up to the monitoring and evaluation of the success of the programme. The policies should be flexible but well targeted towards the poor. These should cater to the specific well-designed demands of the poor. All institutions involved in the process must come forward with an attitude of cooperation, which was often missing in the past.

The most important issue is institutional vacuum that presently exist in policy and research programmes on the rural non-farm sector, needs more attention of the public-private sectors. There is strong interest in the rural non-farm sector and suitable poverty-focused policy prescriptions, but in practice, difficulties may arise within developing country's administrative structures and within donor organisations, in allocating (or assuming) responsibility for work in this area. It straddles many interest groups--but fits securely with none. So, departments concerned with agriculture (and hence the rural economy), poverty alleviation, small business development, and social issues, may all have a strong interest in the rural non-farm sector--but none provides an obvious institutional home. A notable exception, and an opportunity, may arise in the context of decentralisation. It has long been argued that decentralisation makes it easier for different departments to co-operate, and to focus

more sharply on locally important issues--conditions that seem to create an opportunity for taking forward a rural non-farm sector agenda.

In spite of all that the study is able to achieve, there are a number of other issues that remain to be more fully explored, these include:

The issue of integration of poor people into the growth process requires enhancement of their capabilities through access to basic social services – health, education, safe water and basic sanitation. Even though there were some references to education and skill formation in Bangladesh, the issue of access of basic social services by poor people did not get the required attention, either in terms of analysis or in terms of strategies. The same can be said about the access of poor people to productive resources.

The state of affairs has to be radically changed. Public spending, which is low as a share of GDP even by developing country standards, should be increased with more emphasis on efficiency and better resource allocation. New and innovative methods of public action should be put in place, including corporatisation of the public sector, new incentive structures for its employees and, where appropriate, privatisation of their management.

Wider access to equity share ownership in the State Owned Enterprises (SOE) by the workers as well as other income groups must be ensured. Best practices in GO-NGO collaboration in service delivery should be widely replicated. An environment of fair competition should be promoted through appropriate institutional and oversight mechanisms where special attention should be given to enhance the competitive capacity of small and medium enterprises.

To design a development strategy which places resourceless members of society at the centre of the development process, and not as its incidental beneficiaries, require creative policies and innovative institutions. The state strategy should increase the investment in health, nutrition, and education designed to enhance the participation and productivity of the population, and particularly the resourceless.

Specialised assisted living arrangements should put in place for the poor. For example, provision should be made for establishing old-age homes, special boarding

schools for the disabled and orphans, across the country. The insurance industry should be charged with designing pro-poor schemes. Special policies and resources should be committed for infrastructure investment and affirmative action to accommodate the special needs of the disabled to ensure that their disabilities do not limit their employment opportunities or possibilities of social and economic integration and inclusion.

A new generation of micro-finance institutions will deliver credit to small farms and effectively respond to the needs of the assetless. A more commercial and technology-driven farming system will have to be built upon in order to enhance the productivity of the rural non-farm sector. The idea of establishing *Specialised Agricultural Zones (SAZ)* for promoting specialised production of crops, vegetables, fruits, livestock and aquaculture products is indispensable. These zones equip with the necessary facilities for processing, packaging, storing, and finally marketing the products up to the retail level and export.

The NGOs and informal/semi-formal organizations often demonstrate an advantage. They have a better link with local culture, social and physical environment where they work. The formal private sector and public agencies can benefit from these linkages between local experience and broader development framework. A significant upward shift in self-employment among the poor requires new initiatives, new activities and new modalities of investment. Such changes require a restructuring of the institutional relationships and linkages. In the past, many institutions - both formal and informal - not only bypassed the poor but sometimes directly or indirectly acted against them. It is the time to change the institutional processes so that the poor can participate in these processes that provide them with security against theft, violence and illegal toll collection.

The public and private entrepreneurs play an important facilitating role in developing linkages between agro-industry and farmers. This role may include organizing farmers or assisting NGOs or private enterprises to take on responsibilities previously discharged by states, providing credit, assisting with inputs, providing information on technology and ensuring that contract requirements are met. In this way, the public and private entrepreneurs help directly to create beneficial linkages

between agro-industry and farmers, and indirectly creating other linkages between the farm and the non-farm sectors.

Budgets must be prepared through a participatory process which gives full opportunity to the more deprived segments of the population to enable them benefit from its implementation. Public Accounts should be transparently maintained and audited. In this respect transparency in the planning and budgeting process should be ensured through pre-budget consultations with various sections of the society, particularly groups of the marginalised, as well as groups of rural small and medium entrepreneurs. Structured institutional mechanisms should be put in place to provide opportunities for civil society to have a say in the budgetary process, particularly on the level and the composition of spending, the quality of service delivery, and in the implementation and monitoring of the budget.

An entrepreneur-friendly environment needs to be created in poor countries. Entrepreneurial energy, as distinct from Governmental efforts, has been the most potent force in uplifting countries that are known to be developed today. Entrepreneurs who are establishing larger businesses should also be encouraged and helped.

Connectivity helps people coordinate their activities and be more productive. All sorts of communication and legal infrastructures improve connectivity in this broader sense. The Government of Bangladesh should concentrate in improving people to people connectivity, which is the most important aspect of an enabling environment for the people to raise their own productivity and well being.

Despite the severity of poverty and the magnitude of the economic, environmental social and political challenges, there are good prospects of Bangladesh meeting at least some of the Millennium Development Goals, provided that measures are taken to raise the accountability and effectiveness of a range of institutions, public private and non-governmental. Governance improvements are central to many aspects of these, and the principal responsibility for ensuring that happen lies with the citizens of Bangladesh. At the centre of donors' country strategies, there is a good case for providing direct and indirect support to the organisations, individuals, and underlying socioeconomic processes that will help to increase the demand for improved governance.

REFERENCES

References

(* indicates a primary source)

- *ADB (2004), *Agribusiness Development Project: Bangladesh Final Report*, ADB-TA No.4139-BAN, Ministry of Agriculture, Government of Bangladesh and Asian Development Bank: Agrico Limited, New Zealand.
- Ahluwalia, Montek S.(1990), "Policies for Poverty Alleviation", *Asian Development Review*, 8 (1): 111-132.
- Ahmad, Q. K. (1984), "Policy and Institutions Concerning Promotion of Rural Industries in Bangladesh", *The Bangladesh Development Studies*, 12 (1 & 2): 163-195.
- Ahmed, Salehuddin (1992), "Managing Development through Institution Building", *Asia Pacific Journal of Rural Development*, 2 (1): 58-74.
- Alamgir, Mohiuddin (1978), *Bangladesh: A Case of Below Poverty Level Equilibrium*, Dhaka: Bangladesh Institute of Development Studies.
- Aminuzzaman, Dr. Salahuddin (1997), "Institutional Framework of Poverty Alleviation: An overview of Bangladesh Experiences", [Online: Web] Accessed 05 Oct. 2007, URL: <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN>
- Aminuzzaman, Salahuddin (1985), "Design of Integrated Rural Development: Some Ideas and Issues", *International Review of Administrative Services*, 51: 311-317.
- Aminuzzaman, Salahuddin and Nunn E. (1993), *Institutional Framework of Poverty Alleviation in Bangladesh*, IFADTA Project, Dhaka: UNDP.
- Arens, Jennek and Jos van Beurden (1977), *Jhagrapur: Poor Peasants and Women in a Village in Bangladesh*, Birmingham: Third World Publications.
- Barrett, C.B. and Reardon, T. (2000), *Asset, Activity and Income Diversification among African agriculturists: Some Practical Issues*, USA: Cornell University and Michigan State University.
- *BBS (2001), *Bangladesh Economic Survey*, Ministry of Finance: Dhaka, Bangladesh.
- *BBS (2001), *Household Income Expenditure Survey (HIES) 2000*, Bangladesh Bureau of Statistics, Government of Bangladesh: Dhaka.

- *BBS (2002), *Report of Poverty Monitoring Survey*, Ministry of Planning: Dhaka, Bangladesh.
- *BIDS (1981), *Rural Industries Study Project-Final Report*, Bangladesh Institute of Development Studies: Agargaon, Dhaka.
- *BIDS (1993), *Analysis of Poverty Trends Project: A Time of Hope, A Time of Despair-Findings on household-Level Changes in Rural Poverty 1990-92*, BIDS: Dhaka.
- *BIDS (2001), *Fighting Human Poverty: Bangladesh Human Development Report 2000*, BIDS: Dhaka.
- Braun, Von J. (ed.) (1995), *Employment for Poverty Reduction and Food Security*, Washington D C: International Food Policy Research Institute.
- Brinkerhoff, Derick W. and Goldsmith Arthur (1992), "Promoting the Sustainability of Development Institutions: A Framework for Strategy", *World Development*, 20 (3): 369-383.
- CPD (2007), *Bangladesh Vision 2021*, Prepared Under the Initiative of Nagorik Committee 2006, Dhaka: CPD.
- *Davis Junior R. (2003), *The Rural Non-Farm Economy, Livelihoods and their Diversification: Issues and Options*, DFID-WB-Report No. 2753, Natural Resource Institute: The University of Greenwich, Department for International Development.
- Davis, Junior R. and Dirk J. Bezemer (2004), *The Development of the Rural Non-Farm Economy in Developing and Transition Economies: Key Emerging and Conceptual Issues*, Natural Resources Institute: The University of Greenwich, Department for International Development.
- Ellis, Frank (2000a), "The Determinants of Rural Livelihood Diversification in Developing Countries", *Journal of Agricultural Economics*, 51 (2): 289-302.
- *FAO (1998), "Rural Non-Farm Income in Developing Countries", Part III of *The State of Food and Agriculture*, FAO: Rome.
- Fisher, Thomas et al. (1997), *The Forgotten Sector: Non Farm Employment and Enterprises in Rural India*, London: Intermediate Technology Publications.
- *GOB (1991), *Poverty Alleviation in Report of the Task Forces on Bangladesh Development Strategies for the 1990s, Vol-I*, Government of Bangladesh, University Press Limited: Dhaka.
- *GOB (2001), *Fighting Human Poverty: Bangladesh Human Development Report 2000*, BIDS and Ministry of Planning: Dhaka.

- GOB (2002), *A National Strategy for Economic Growth and Poverty Reduction*, Economic Relation Division, Ministry of Finance: Dhaka.
- *GOB (2005), *Millennium Development Goals: Bangladesh Progress Report-2005*, Government of Bangladesh & UN: Dhaka.
- *Grameen Bank (1993), *Annual Report*, Grameen Bank: Dhaka.
- *Grameen Bank (2000), *Annual Report*, Grameen Bank: Dhaka.
- Griffin (ed.) (1977), *Poverty and Local Landlessness in Rural Asia*, Geneva: ILO.
- Gustafson, Daniel J. (1994), "Developing Sustainable Institutions: Lessons from Cross-Case Analysis of 24 Agricultural Extension Programmes", *Public Administration and Development*, 14 (2): 121-134.
- Haggblatte, S. et al. (1989), "Farm-Non Farm Linkage in Rural Sub-Saharan Africa", *World Development* 17 (8): 1173-1201.
- Haq, Mahbub Ul. (2003), *Human Development in South Asia: The Employment Challenge*, New York: Oxford University Press.
- Hartmann, Betsy and James K. Boyce (1979), *Needless Hunger: Voices from a Bangladesh Village*, Sans Francisco: Institute for Hartmann.
- Hartmann, Betsy and James K. Boyce (1983), *A Quiet Violence: View from a Bangladesh Village*, London: Zed Publications.
- Hewavitharana, Buddhadasa (1992), *Rural Non Farm Employment: Problems, Issues and Strategies*, Colombo: Institute of Policy Studies.
- Hobbs, R. (2000), *Small Firms*, UK: ESRC Centre for Business Research, University of Cambridge.
- Holtsberg, Christer (1990), *Development of Selected Rural Development Policies and Programmes*, Dhaka: BIDS.
- Hossain, Akhter (1995), *GO-NGO Collaboration: A Study of a DAE and RDRS Project*, Seminar Paper Presented to LOS Sentret: Bergen Norway.
- Hossain, M. (1984), *Credit for Alleviation of Rural Poverty: An Assessment of Initial Experiences of the Grameen Bank in Bangladesh*, Dhaka: BIDS.
- Hossain, M. (1987), "Employment Generation through Cottage Industries-Potential and Constraints", in R. Islam (ed.) *Rural Industrialization and Employment in Asia*, New Delhi: ARTEP, ILO.

- Hossain, M. (2003), "Rural Non-Farm Economy in Bangladesh: A View From Household Surveys", Background Technical Paper prepared on 18 July 2002 for the dialogue at Promoting Rural Non-Farm Economy: Is Bangladesh Doing Enough?, CPD: Dhaka.
- Hossain, M. Mustafizur Rahman, Abdul Bayes, (1994), *Rural Non-Farm Economy in Bangladesh: A Dynamic Sector or a Sponge of Adsorbing Surplus Labour?* New Delhi: SAAT Working Paper, ILO.
- *Hossain, Mahabub (1988a), *Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh, Research Report No. 65*, International Food Policy Research Institute: Washington D C.
- Hossain, Mahabub (2004), "Rural Non Farm Economy: Evidence from Household Surveys", *Economic and Political Weekly*, XXXIX (36): 4053-4058.
- Hossain, Mahabub (2004), *Poverty Alleviation through Agriculture and Rural Development*, Dhaka: Centre for Policy Dialogue.
- Hossain, Mokerrom (1984), "Rural Development Programme in Bangladesh: A Sociological Study of Structural Limitations", *South Asia Bulletin*, 4 (2): 48-55.
- *Hughes, A (2000), *On Enlarging Employment by Promoting Small Enterprises, Working Paper No.180*, ESRC Centre for Business Research: UK.
- Hye, Abdul Hasarat (1996), *Below the Line: Rural Poverty in Bangladesh*, Dhaka: University Press Limited.
- IFAD (2003b), *IFAD Rural Enterprise Policy*, Rome: IFAD.
- ILO (1991), *Self Employment Programme in Bangladesh, Experiences of Selected Organisations*, Dhaka: ILO-Area Office.
- ILO (1994), *Rural Non-Farm Employment in Bangladesh: A Dynamic Sector or a Sponge for Absorbing Surplus Labour?*, New Delhi: SAAT Paper-ILO.
- Interchain Project Consultant (1990), *Reorganisation of BRDB*.
- Islam R. and M. Muqtada (1986), *Bangladesh: Selected Issues in Employment and Development*, New Delhi: ARTEP-ILO.
- Islam, N. (1997), "The Non-Farm Sector and Rural Development: Review of Issues and Evidence", *2020 Vision Discussion Paper No.22*, International Food Policy Research Institute: Washington D C.
- *Islam, N. (2002), *Development Opportunities in the Non-Farm Sector: Review of Issues and Options in Asia, (Main Report)*, International Food Policy Research Institute: Washington D C.

- Islam, N. (2006), *Reducing Rural Poverty in Asia: Challenges Opportunities for Micro Enterprises and Public Employment Schemes*, New York: Food Product Press.
- Islam, Reazul and Pischke J.D.Von (1995), *Small Firms Informally Financed: Studies from Bangladesh*, Dhaka: University Press Limited.
- Jack, J.C. (1916), *The Economic Life of a Bengal District*, UK: Oxford University Press.
- Jahan, Selim (1991), *Development Challenges in the Nineties: Poverty Alleviation in Bangladesh*, Dhaka: Department of Economics, Dhaka University.
- Jahan, Selim (1997), "Development Challenges in the Nineties: Poverty Alleviation in Bangladesh", in Verinder Grover (ed.) *Encyclopaedia of SAARC Nations, Vol.-IV, Bangladesh*, New Delhi: Deep and Deep Publications Pvt. Ltd.
- Jones, S. (1982), "A Critical Evaluation of Rural Development Policy in Bangladesh", in S. Jones (ed.) *Rural Poverty and Agrarian Reforms*, New Delhi: Allied Publishers Pvt. Ltd.
- Khan, A.R. et al. (1981), *Employment, Income and the Mobilizing of the Local Resource: A Study of Two Bangladesh Villages*, Bangkok: Asian Employment Programme, ARTEP-ILO.
- Krishna, R. (1973), "Unemployment in India", *Economic and Political Weekly*, 8 (9): 375-484.
- Lanjouw, J. and P. Lanjouw (1995) *Rural Non-Farm Employment: A Survey*, *World Bank Policy Research Paper No.1463*, World Bank: Washington D C.
- Lanjouw, O. J. and Lanjouw, P. (1995), *Rural Non-Farm Employment: A Survey, (A Background Paper Prepared for the 1995 World Development Report)*, Yale University and the World Bank: USA and Washington D C.
- Maloney, Clarence (1986), *Behaviour and Poverty in Bangladesh*, Dhaka: University Press Limited.
- Manan, M.A. (2000), *Female-Headed Households in Rural Bangladesh: Strategies for Well-being and Survival*, Dhaka: Centre for Policy Dialogue.
- Mandal, S. (2002), "Rural Development Policy in Bangladesh", in Kazi Ali Toufique and Cate Turton (eds.) *Hands not Land: How Livelihoods are Changing in Rural Bangladesh*, Dhaka: BIDS.
- Mandal, S. and M. Asaduzzaman (2002), *Rural Non-Farm Economy in Bangladesh: Characteristics and Issues for Development, (A Paper Prepared for the UK Department for International Development)*, BIDS: Dhaka.

- *Masum, M. (1996), *Micro Interventions for Alleviation of Poverty in Bangladesh*, (Unpublished Paper), New Delhi: SAAT-ILO.
- Rahman, P. K. Md. Motiur (1994), *Poverty Issues in Rural Bangladesh*, Dhaka: University Press Limited.
- Mellor, J. (1976), *The New Economics of Growth: A Strategy for India and the Developing World*, Ithaca and London: Cornell University Press.
- Mia, M. S. Alam (1993), *Poverty Alleviation in Bangladesh: An Exploration*, Dhaka: Bangladesh Unnayan Parishad.
- *Mujeri, Mustafa K. (1997), *Government-NGO Cooperation for Poverty Alleviation: Capability Building to Alleviate Rural Poverty under Economic Adjustment*, Bangladesh Country Report, CIRDAP: Dhaka.
- Myrdal, Gunnar (1966), *Asian Drama: An Inquiry into the Poverty of Nations*, Pelican: Paperback.
- *NRI (2000), *Policy and Research on Rural Non-Farm Economy: A Review of Conceptual, Methodological and Practical Issues*, RNFE Project Team, Natural Resource Institute: Greenwich.
- *PKSF (1992), *Palli Karma-Sahayak Foundation Annual Report 1991-92*, PKSF: Dhaka.
- Quibria, M.G. (ed.) (1997), *The Bangladesh Economy in Transition*, New Delhi: Oxford University Press.
- Rahman, Hossain Zillur (1996), "Rethinking Poverty Debate", in Hossain Zillur Rahman and Mahbub Hossain (eds.) *Rethinking Rural Poverty: Bangladesh as a Case Study*, Dhaka: University Press Limited.
- Rahman, Hossain Zillur (2002), "Poverty: the Challenge of Graduation", *Bangladesh Development Studies*, XXVIII (4): 53-78.
- Rahman, Hossain Zillur (2002), "Re-thinking Local Governance: Towards a Livelihoods Focus", in Kazi Ali Toufique and Cate Turton (eds.) *Hands not Land: How Livelihoods are Changing in Rural Bangladesh*, Dhaka: BIDS.
- Rahman, R.I. (1996), *Unemployment, Wages Rate and Poverty, 1987-94: Dynamics of Rural Poverty in Bangladesh*, Dhaka: BIDS.
- Raquib, Abdur (1992), "Small Enterprises Development Pilot Project (SEDPP) - A New Model for Poverty Alleviation in Bangladesh", Paper Presented to a seminar on Poverty Alleviation Banking, BIBM: Dhaka.
- Reardon, T. et al (2000), "Effects of Non-Farm Employment on Rural Income Inequality in Developing Countries: An Investment Perspective", *Journal of Agricultural Economics*, 51 (2): 129-135.

- Reardon, T. et al. (2001), "Rural Non-Farm Employment and Incomes in Latin America: Overview and Policy Implications", *World Development*, 29 (3): 395-409.
- Robb, Caroline M. (2002), *Can the Poor Influence Policy? : Participatory Poverty Assessments in the Developing world*, Washington D C: World Bank and International Monetary Fund.
- Rosegrant, M.W. and P.B.R. Hazell (2000), *Transforming the Rural Asian Economy: The Unfinished Revolution*, Hong Kong: Oxford University Press.
- Rosegrant, M.W. and P.B.R. Hazell (2001), *Transforming the Rural Asian Economy: The Unfinished Revolution*, Washington D C: International Food Policy Research Institute.
- *SAARC (1992), *Report of the Independent South Asian Commission on Poverty Alleviation - Meeting the Challenge*, SAARC, November 1992.
- SAARC (2004), *Technologies on Livestock and Fisheries for Poverty Alleviation in SAARC Countries*, Dhaka: BRAC.
- Sachs, Jeffery D. (2001), "A New Global Consensus on Helping the Poorest of the Poor", in Boris Pleskovic and Nicholas Stern (eds.) *Annual World Bank Conference on Development Economics 2000*, Washington D C: World Bank.
- Sachs, Jeffrey D. (2005), *The End of Poverty: How We can Make it Happen in Our Lifetime*, London: Penguin Books.
- Sen, Binayek (1996), *Poverty and Policy: Growth or Stagnation*, Dhaka: CPD and University Press Limited.
- Sen, Binayek (2003), "Drivers of Escape and Descent: Changing Household Fortunes in Rural Bangladesh", *World Development* 31 (4):12-15.
- Sen, Binayek and Atiur Rahman (1999), *Face of Human Poverty: South Asia Monitor*, Dhaka: BIDS (mimeo, draft).
- Siddiqui, Kamal (1982), *Political Economy of Rural Poverty in Bangladesh*, Dhaka: NILG.
- Siddiqui, Kamal (1985), "Assessment of Strategy and Programmes for Raising the Productivity of the Rural Poor: The Bangladesh Case", in Suparna Mukhapadhaya (ed.) *The Poor in Asia Productivity Raising Programme and Strategies*, Kuala Lumpur: APDC.
- Sobhan, Rehman and D. Bhattacharya (1990), "Donors Perspective and Influence on Domestic Economic Policy" in Rehman Sobhan (ed.) *From Aid Dependence to Self-Reliance: Development Options for Bangladesh*, Dhaka: BIDS.

- *Swift, J. (1998), *Factors Influencing the Dynamics of Livelihood Diversification and Rural Non-Farm Employment in Time and Space*. (Unpublished)
- UNDP (1998), *Employment Promotion in Non-Formal Sector*, SAAT-ILO: New Delhi.
- *UNDP (2001), *Human Development Report 2000*, Palgrave Macmillan: New York
- *UNDP (2005), *Human Development Report 2005*, Palgrave Macmillan: New York
- *UNDP (2007), *Human Development Report 2007/2008, Fighting Climate Change: Human Solidarity in a Divided World*, Palgrave Macmillan: New York
- Wallich, Christine I. (2003), "Promoting the Rural Non Farm Sector in Bangladesh", [Online: Web] Accessed 27 Sept. 2007, URL: <http://lnweb18.worldbank.org/lo%20web%20sites/bangladesh%20web.nsf/98a64a665c710...>
- Willmann, Christian (1990), *Comparative Analysis of Various Rural Credit Schemes in Bangladesh*, Dhaka: CPD.
- *World Bank (1990), *Bangladesh - Poverty and Public Expenditures: An Evaluation of the Impact of Selected GOB Progrämme*, Report No.7946-BD, World Bank: Washington D C.
- *World Bank (1997), *Bangladesh: The Non-Farm Sector in a Diversifying Rural Economy*, Report No. 16740-BD, World Bank: Washington D C.
- World Bank (1998), *Bangladesh: From Counting the Poor to Making the Poor Count*, Dhaka: World Bank.
- *World Bank (2000), *Bangladesh: A Proposed Rural Development Strategy*, Dhaka: University Press Limited.
- *World Bank (2000), *World Development Report 2000*, Oxford University Press: New York
- World Bank (2000a), "The Rural Non-Farm Economy: Report on Presentations and Discussions at World Bank", [Online: Web] Accessed 05 Oct.2007, URL: <http://www.worldbank.org/research/rural/workshop/May2000/RNFEmay.pdf>
- World Bank (2000b) "Rural-Urban Linkages and Interactions: Synthesis of Issues, Conclusions, and Priority Emerging from the March 9 Workshop", [Online: Web] Accessed 05 October 2007, URL: <http://www.worldbank.org/research/rural/workshop.htm>
- World Bank (2000c), *China: Overcoming Rural Poverty, East Asia and Pacific Region*, Washington D C: World Bank.

World Bank (2002a), *Globalization, Growth, and Poverty*, Washington D C: World Bank.

World Bank (2002b), *Poverty and Vulnerability in South Asia*, Washington D C: World Bank.

World Bank (2003), *Reaching the Rural Poor: A Renewed Strategy for Rural Development*, Washington D C: World Bank.

*World Bank (2004), *Attaining the Millennium Development Goals in Bangladesh: How likely and what will it take?*, South Asian Human Development Division Report, World Bank: Washington D C.

*World Bank (2004), *Bangladesh: Promoting the Rural Non-Farm Sector in Bangladesh*, Report No. 29719-BD, World Bank: Washington D C.

*World Bank (2004), *World Development Report: Making Services Work for Poor People*, World Bank: Washington D C.

World Bank (2005), *Attaining the Millennium Development Goals in Bangladesh*, Washington D C: World Bank.

World Bank (2006), *Trade Reforms, Farm Productivity and Poverty in Bangladesh*, Washington D C: World Bank.

