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POLICY BRIEF ON “AGRICULTURAL DEVELOPMENT AND THE RURAL ECONOMY” CPD TASK FORCE REPORT



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Policy Brief Task Force on
Sustaining Agricultural Growth and the Rural Economy

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OVERVIEW OF THE TASK FORCE REPORT ON:

“Sustaining Agricultural Growth and the Development of Rural Economy”

The main task force report on “Sustaining Agricultural Growth and the Development of the Rural Economy” is written in Bengali. Here we are presenting only a brief overview of the full report for the convenience of our foreign readers. The translation of the full report into English is still going on and we also hope to make the full report available in near future to the foreign readers too!

1. The growth performance of agriculture in Bangladesh has been significant but uneven, both temporally and spatially. While the first half of the nineties has witnessed drastic deceleration in agricultural growth, the growth has picked up considerably in recent years. To sustain this growth in face of both loss of cultivable land (about 80,000 hectares annually) and decline in soil fertility (due to rice mono-culture, unbalanced use of chemical fertilizers and deficiency in organic matters in soil) remains the greatest challenge of Bangladesh agriculture today.
2. The growth has also been uneven spatially. Although the northwestern districts registered robust growth, a near-stagnation situation prevailed in north-east, central low-lying and coastal districts, the ecologically unfavourable areas. A gain in productivity, based on seed-fertilizer-irrigation technology has been the single largest source of growth in the past. Sustaining the overall progress achieved so far, and infusing dynamism in the laggard districts calls for appropriate adjustments in the policies and institutional mechanism pertaining to irrigation, water control structures and seed-fertilizer technology. Mechanised cultivation, specially power tillers also promises to make a significant contribution in the future.

3. The last two decades have also witnessed significant structural changes in the agricultural economy, changes in the resource base for agriculture and changes in the organization of agricultural production (as reflected in 1996 Agricultural Census). This calls for rethinking of strategies and policies for sustainable agricultural development in the country. The most critical issue concerning sustainable agricultural development is perhaps how to arrest the alarming downward trend in the availability of natural resources. A related issue is how to sustain the quality of soil and water resources for intensification of farming. The second set of issues relate to public sector support for facilitating the on-going process of agricultural diversification.
4. While rice will continue to dominate the agricultural production in the foreseeable future, not all efforts should be concentrated on rice alone. The advantages of crop diversification in enhancing farmers' income, nutritional balance and soil quality are too well known to need any elaboration. The country has a wide range of agro-ecological conditions suitable for growing various crops. Such possibilities should be explored as dictated by comparative advantage in domestic production either for import substitution or for export.
5. Weak linkage between agricultural research and extension continues to impede the rapid diffusion of modern technologies. Moreover, new agricultural technologies are increasingly becoming complex, knowledge-intensive and location-specific. They require a more decentralized research and extension system and more information and skills for successful adoption than did Green Revolution varieties. Extension and research that is driven by information from the bottom up could help farmers to cope with the complexity of new agricultural technologies. The private sector could also help revitalize agricultural research. The government can make it easier through proper support for the private sector to appropriate and use research results including hybrids. And biotechnology innovations are likely to increase private sector involvement in agricultural research. But the public sector will continue to play an important role in

- agricultural research because multi-national corporations may not want to invest in technologies that is considered important for equity and poverty alleviation.
6. In response to the changing pattern of demand with the growth in income, the future strategy for agricultural growth must contain elements to promote fish and livestock production, which has displayed considerable dynamism in recent years. Faster development of livestock and fisheries may promote both growth and equity by focussing attention on disadvantaged social groups and regions where the crop production environment is unfavourable. The promotion of the rice-fish cropping system in the deepwater floodplains and saline-affected coastal areas (the areas bypassed by the Green Revolution) could help improve economic conditions of the rural poor, particularly in less developed regions.
 7. Because rural areas can no longer provide adequate employment to the new entrants in the labour force, rural-urban migration has been taking place at a rapid rate. The United Nations projections show that most of the additional population over the next quarter century will be located in urban areas and urbanization will reach 40% by 2020. With rapid urbanization, the organization of production will change from subsistence orientation to production for markets. Thus, relative prices and profits will become a more important driving force behind the growth in production than they were in the past. The government will, therefore, have to use technology, trade and pricing policies more judiciously to promote a balanced agricultural development.
 8. Rapid urbanization and faster growth in the non-farm sector imply that the share of urban areas in total food consumption will continue to increase. Because food will be produced mostly in rural areas, the surplus will have to be processed, stored and transported to reach urban consumers. The private sector will come forward to invest in these economic activities in response to market opportunities. But the government will have to invest in rural infrastructure such as electrification and farm-to-market and feeder roads to connect villages to

secondary markets. The lack of infrastructure facilities will depress farm-gate prices and will constrain the growth of perishable food items. The provision of rural infrastructure has been shown to have a major impact on agriculture production, employment, income, consumption pattern and investment behaviour in Bangladesh.

9. The rural non-farm (RNF) sector in Bangladesh has received considerable attention from policy makers and development practitioners over the last two decades. The interest in the RNF has arisen partly out of the need to look for all sources of growth in a densely populated, pre-dominantly rural economy such as Bangladesh afflicted with a high incidence of poverty. Even under the most optimistic scenarios, the growth of urban manufacturing and other segments of the urban economy by itself cannot make a serious dent in widespread unemployment and poverty in the near future. Promoting the rapid growth of the rural economy is, therefore, an overriding policy concern for Bangladesh. In fact, agricultural development and growth of RNF are likely to be mutually reinforcing. This has been shown to be true by evidence from Bangladesh and abroad. This synergy may be critical for rural economic growth to take off.

10. “Rural” is often identified with “agriculture”, and also “traditional”, as in the Lewis-Fei-Ranis dual economy models. This is not strictly accurate in particular, the image of the traditional peasant responsive to non-market, “moral” imperatives rather than market incentives has, on the whole, been found wanting (by Marxists and neo-classical analysts alike). If farmers are poor, this is not because “pre-capitalist” social norms constrain them to pursue inefficient policies, but because their resource base, including knowledge is inadequate and/or because they confront highly imperfect markets for inputs and outputs. They also tend to be under-provided with public goods, partly because of traditional and economic reasons (unit delivery costs of piped gas, water or electricity tend to be higher because of dispersion of habitation) and partly because in spite of being a majority, rural dwellers are comparatively ineffectual in lobbying because they

are many and dispersed. As a result of these features, the rural economy tends to stagnate at a low level of productivity and income. The solution to this problem comes about through the emergence and steady expansion of a modern, urban industrial sector. For this to happen, though, employment in the modern sector must grow faster than the rural labour force

11. The task of providing employment (or sustainable livelihoods) to a growing rural population can be eased if opportunities exist in the rural sector itself which remain unexploited, for one reason or another. Imperfections in the rural credit market (scarcity of loanable funds, monopoly of moneylenders, high transaction costs for small loans, high default risk etc) constitute an important barrier to the expansion of small-scale production, trade and services in a variety of areas. In Bangladesh, microcredit programmes have played an important role in relieving the credit constraint.
12. What policies will be appropriate for the rural sector depends on initial conditions, including physical and human resources and institutions. It depends, furthermore, on the government's capacity for implementation – the “governance” factor. This, in turn, depends largely on the match between the objectives of the rural population themselves and those of the policymakers. A disjunction between these can easily occur, and has frequently occurred in history. Milder form of “anti-peasant” policies adopted for the sake of industrialization are almost universal, with trade and exchange rate discriminating against agriculture. Reconciling the interests of the rural population, in particular farmers, with those of the national political elite remains one of the delicate aspects of policy-making.
13. Globalization offers immense market, technological, and financial opportunities. Open markets and global integration have the potential of boosting rural growth, but such process also risk economic losses to superior competitions, instability, and worsening inequality. The solution to these problems lies in creative policies, not in withdrawal into isolation. Competition can be managed through a phased

transition, as many of the Southeast Asian countries have shown. The pace of liberalization should take into account institutional capacities, competitiveness of agriculture, and the effects on social and political stability. The management of the transition to globalization should favour not only an open economy and growth, but also macroeconomic stability, human capital formation and poverty reduction.

Besides the above mentioned broad and general recommendations, the task force has also suggested “Concrete Policy Changes and Immediate Action Programmes” in the following eleven fields:

1. Growth of the Agricultural Sector, Food Security and a more balanced growth of crops.
2. Agricultural inputs and credit distribution system.
3. Ensuring fair price for the farmers.
4. Development of the non-crop sector: Fishery, Livestock and Poultry.
5. Appropriate technology and how to extend it to the farm level.
6. Environment friendly agriculture and a few urgent tasks.
7. Land Reform and Tenorial Reform: Possibility and reality.
8. Non-Agricultural Sector In the Rural Economy: Problems and Prospects.
9. Agro-based Industry: what should be done?
10. Rural labour force: employment problem and possible prospects.
11. The challenge of Globalization and the urgent adjustment tasks facing our rural economy,