

**An Evaluation of Selected Policies and Programmes
for Alleviation of Rural Poverty in Bangladesh**

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Poverty alleviation has now rightly become a major focus of both planning and academic interests. It is a much discussed topic these days in Bangladesh as well as elsewhere. Various prescriptions are being offered and projects and programmes are being implemented in underdeveloped countries around the world, which have anti-poverty orientations. In this paper, we review the rural poverty situation in Bangladesh and evaluate two selected programmes with anti-poverty orientations. After a short statement on the basic features of the Bangladesh economy in section II, dimensions and causes of rural poverty in Bangladesh will be reviewed briefly in section III. Section IV will evaluate the two selected programmes after a brief overview of anti-poverty policies and programmes in the country. Section V will contain concluding remarks.

II. Basic Features of the Bangladesh Economy

Bangladesh with a population of about 97 million in an area of only about 144 thousand square kilometers is the most densely populated country in the world. The cultivable land area is about 9.4 million hectares, and about 85 per cent of the population live in rural areas giving a (cultivable) land—(rural) man ratio of 0.12 hectare. The current population growth rate is estimated at 2.35 per cent, which implies that it has been modestly declining in recent years.

One estimate shows that the total labour force as of 1984 is about 32.5 million of which about 4 million are women, and about 0.75 million people are joining the labour force every year. The total rural labour force as of 1984 is 28.5 million of which about 81 per cent is in agriculture while about 10 per cent in trade business and manufacturing, and the remaining 9 per cent in services, sales and other activities.¹ About 40 per cent of the total available labour time is estimated to be currently unemployed.

The tax revenue accounts for only nine per cent of the GDP. The gross domestic savings is estimated to be only about three per cent of the national income. The development expenditure accounts for about 11 per cent of the GDP, most of which is financed through external assistance. The value of exports in US dollars declined from about 11 per cent of the GDP in 1969-70 to only 5.4 per cent in 1981-

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¹ Different estimates of the labour force and its occupational distribution are available. The figures on labour force quoted here are based on estimates available from: World Bank, *Bangladesh: Selected Issues in Rural Employment*, March 1983, Table 1.8, P. 118; and those on occupational distribution are from: Bangladesh Bureau of Statistics, Manpower Survey 1980, *Statistical Yearbook* 1982, P. 157.

82, while the import GDP ratio increased from 14 per cent in 1972-73 to 20 per cent in 1981-82. As a result, the gap in the balance of payments has been widening over time. The index of the commodity terms of trade with 1972-73 as base (100) declined to about 60 in 1976-77 and further to only 35 in 1981-82. The domestic currency has been devalued from Tk. 7.89 per US dollar in 1972-73 to 15.05 in 1975-76 and Tk. 25.00 in 1982-83.

The per capita income is estimated at about US\$ 120 for 1982-83 and remained virtually stagnant over a long period of time. It grew at a rate of only 0.8 per cent per annum over the period 1969-70 to 1982-83. A moderate progress has, however, been achieved over the 1975-76 to 1982-83 period, when the per capita income increased at a rate of 2.4 per cent per annum. About 48 per cent of the GDP originates from the agricultural sector, while only 10 per cent is contributed by the manufacturing sector.

The rural-urban income disparity is considerable and has increased over time. According to the household expenditure surveys, the average urban income in 1976-77 was about 179 per cent of the average rural income, which increased from the level of 161 per cent in 1963-64. Within the rural area itself the income distribution is highly skewed and has deteriorated over time. In 1976-77, the bottom 50 per cent had a share of 22 per cent of the income, while the top 10 per cent had a share of 39 per cent. Estimates of income distribution for more recent periods are not available.

III. Absolute Rural Poverty in Bangladesh ³/₄ Incidence and Causes²

Incidence

Absolute poverty is commonly measured by the proportion of population whose incomes are below the minimum expenditure required for meeting the absolutely necessary food and non-food items. A minimum nutritional diet made of foods typically consumed within the country is first estimated. The diet is then valued at representative prices. Expenditures on non-food items are estimated from findings of household expenditure surveys for the lower income groups which is then added to the cost of the minimum food basket to determine the poverty line expenditure. The household expenditure surveys provide the income distribution data which can be used to calculate the number of people who do not have this level of income and are therefore by definition absolutely poor.

The FAO recommends a normative dietary pattern for Bangladesh population which along with the findings of the household expenditure surveys can be used to estimate the incidence of absolute rural poverty in Bangladesh. The FAO recommendation is for a minimum per capita daily consumption of 2332 calories, which is about 11 per cent higher than the average calorie intake as found in the 1975-76 Nutrition Survey. Also, FAO includes certain items such as milk, meat and sugar which are regarded as 'luxuries' by the poor in Bangladesh — 245 of the required calories come from these items. These are costly items compared to the necessities

² For a detailed analysis of the issues involved one may see, Q.K. Ahmad and Mahabub Hossain, *Rural Poverty Alleviation in Bangladesh – Experiences and Policies*, FAO, Rome, February 1984.

such as cereal and pulses, and the prices of these items also have increased at a faster rate. Since the estimate of poverty is very much sensitive to the choice of the poverty income, we have made an alternative estimate excluding these items. Another reality observed by the students of rural economy of Bangladesh is that much of the vegetable needs of rural families, both poor and rich, are met by family production at kitchen gardens, the value of which does not get recorded in the national income estimates. Hence, in the alternative estimate, we have assumed that 50 per cent of the value of the consumption of fruits and vegetables does not involve any cash cost for these households. The minimum cost of non-food items is assumed to be 15 per cent of the cost of food items. The estimates of the poverty line income and the incidence of absolute poverty based on these figures are shown in Table 1.

Table 1
Changes in the Incidence of Absolute Rural Poverty in Bangladesh,
1963-64 to 1977-78

	FAO Recommendation	Bangladesh Dietary Practice ^a
Estimated daily intake (Kilo Calorie)	2332	2087
Poverty line income (Tk. per family per month at current prices^b		
1963-64	220	148
1973-74	722	501
1976-77	894	586
1977-78	1156	852
Population living below the poverty line (per cent)		
1963-64	75.0	52.0
1973-74	74.5	55.7
1976-77	83.0	61.1
1977-78	82.6	67.9

^a Excluding consumption of meat, milk and sugar, and assuming that 50 per cent of the vegetable consumption is met from production in kitchen gardens.

^b The poverty line income estimates were first made on per capita basis, which were then multiplied by the average household sizes found in the Expenditure Surveys for respective periods to obtain family figures.

It will be noted from Table 1 that in 1977-78, the latest year for which the household expenditure survey findings have been published, about 83 per cent of the rural population lived below the poverty line as estimated from FAO recommended minimum food basket. And the figure is about 68 per cent if we exclude the 'luxury' diet of milk, meat and sugar from the food basket and have the reference calorie intake at 2087 (instead of 2332). Both sets of figures clearly show a rapid deterioration in absolute poverty particularly after 1973-74.

A question may be raised whether the declining trend continued even after 1977-78, since the per capita income grew at a rate of about 1.1 per cent per annum and the agricultural GDP per head of rural population also increased at about 1.2 per cent during 1977-78 to 1982-83. The question cannot be answered satisfactorily until the findings of the household expenditure surveys for more recent periods are

available. The findings of the 1981-82 Nutrition Survey, provisionally released recently,³ however indicate that the deterioration in absolute poverty has continued despite the growth in per capita national and rural incomes.

The changes in dietary intakes found in the Nutrition Surveys are reported in Table 2. The surveys show a consistently declining food and energy intake over the last two decades. The rate of decline seems to have accelerated since the mid-seventies.

Table 2
Changes in Food, Energy and Protein Intake
1962-64 to 1981-82

(Per capita daily)

Year	Food Intake (gm)	Energy (K. Cal.)	(protein (gm)
1962-64	841	2251	57.5
1975-76	806	2094	58.6
1981-82	765	1943	48.0
Annual Rate of Growth			
1962-75	-0.4	-0.6	0.2
1975-81	-0.9	-1.2	-3.2

Source: Institute of Nutrition and Food Science (IFNS), Dhaka, *Nutrition Surveys* of various years.

Causes

The gross national production increased by about 3.5 per cent per annum in the sixties and about 3.9 per cent per annum between 1975-76 to 1982-83, which are quite significant rates of growth but because of the rapid increase in population the income per head increased by only 0.6 per cent in the sixties and 1.5 per cent since the mid-seventies. During the early seventies the income per head in fact declined by about 0.6 per cent per annum. The value added by agriculture per head of rural population remained stagnant in the sixties, declined by 1.3 per cent per annum during the early seventies, and increased by only 1.2 per cent per annum during 1975-76 to 1982-83 period.

Even when the rural economy makes moderate progress, operation of certain factors does not allow it to reach the poor and hence it does very little to alleviate absolute poverty. The most important one is the inequality in the pattern of distribution of land which is the major source of income for the rural people. The 1978 Land Occupancy Survey⁴ found that 29 per cent of the rural households did not own any land other than the homestead and about 50 per cent of the households owned up to only 0.5 acre. At the other end the top 2.7 per cent households who

³ Kamaluddin Ahmed, *Summary, Conclusions and Recommendations of 1981-82 Nutrition Survey*, Institution of Nutrition and Food Science, University of Dhaka.

⁴ F.T. Januzi, and J.T. Pench, *Agrarian Structure of Bangladesh: An Impediment to Development*, West Views Press, 1980.

owned land in sizes of more than 10 acres controlled nearly a quarter of the total land. About 56 per cent of the land was in the hands of the top decline of households. It is clear from the pattern of ownership distribution that increases in incomes from land based development programmes will be highly unequally distributed unless benefits substantially trickle down to the poor through the tenancy and labour markets.

In Bangladesh the average size of landholding is less than three acres and almost all the households owning more than 7.5 acres cultivated a part of their holding under tenancy arrangements with the small and medium land owners.⁵ Because of the predominance of the family based holdings the size of the labour market is small and labour is usually hired on a daily basis as and when required. The small size of the labour market, the casual nature of employment and large seasonal fluctuations in employment and wage rate render the vast pool of the landless extremely vulnerable to economic pressures. So most of them have to depend for their existence on personal contacts with a few large landholders. Similarly the scarcity of land and the insecurity of tenancy place marginal and small landowners at the mercy of the land-rich for small parcels of land rented in from them which is vital for their (tenants') survival and for keeping the ownership of the tiny holdings if any. The patron-client relationship is also created through the non-institutional credit markets because the income of the poor cultivators who operate at the subsistence level fluctuate from year to year depending on natural vicissitudes to a significant extent and it is the land-rich who extend consumption loans to them to tide over the difficult times. Control over tenancy, labour and credit markets gives considerable social and political power to the land-rich, which they use for controlling the channels of distribution of public services for rural development. Consequently the poor also gain very little from the resources supplied by the government for rural development.

It will be seen from the analysis below that very little benefit trickles down to the poor through the labour market. Studies on occupational structure of the bottom half of rural households show that only 10 per cent of them earn a major portion of their income from cultivation, about 50 per cent are agricultural wage labourers and the remaining 40 per cent are engaged in various non-farm activities such as petty trade, cottage industry, domestic service, transport operation and construction activities.⁶ The level of their income is dependent on the number of days of their employment as casual labourers in agriculture, and/or self-employment in various non-farm activities, and also on the level of earnings per day of labour. The main reason behind the deterioration in absolute poverty is that the economy has witnessed a rapid increase in under-employment and a downward trend in real wage rate.⁷ The

⁵ Mahabub Hossain, *Land Tenure and Agricultural Development in Bangladesh*, VFR Series, No. 85, Institute of Developing Economics, Tokyo, 1981.

⁶ Bangladesh Institute of Development Studies, *Rural Industries Study Project – Final Report*, Dhaka, February 1981.

⁷ For data on the level of underemployment in both agricultural and non-agricultural occupations in rural Bangladesh see Q.K. Ahmad, *Promotion of Employment and Income through Rural Non-crop Activities in Bangladesh*, Ministry of Agriculture, Government of Bangladesh and ILO, Geneva, March 1984, Table 4 and 5. It will be seen, for instance, that, of the self-employed males, 23 per cent of agricultural and 21 per cent of non-agricultural workers worked for less than 40 hours a week in 1980. Of the agricultural male wage workers, while only 6 per cent worked for less than 40 hours a week in the agricultural peak season, about 68 per cent worked for less than 40 hours a week in the agricultural slack season. The data were derived from *Manpower Survey of 1980* conducted by Bangladesh bureau of Statistics. The average real agricultural wage rate, secularly declining, was during 1979-82 below that during 1964-66 by about one-fourth. See World Bank, *Bangladesh: Selected Issues in Issues in Rural Employment*, March 1983, P. 188.

rate of growth in production has been so moderate and the structure of asset distribution is so skewed that the benefits of growth have not trickled down to the poor through the normal market mechanism.

IV. Anti-poverty Policies

IV.1 An Overview

With poverty deepening and widening over the years, there has been an increasing official recognition of the need for direct attack on poverty. Thus, the objectives of the Second Five Year Plan, 1980-85 (SFYP) which “have been formulated in the context of overwhelming problems of poverty, unemployment, illiteracy, and malnutrition of the mass, mostly living in rural areas”⁸ include the following: “to ensure an equitable growth in order to bring about a noticeable improvement in the standard of living of people ensuring adequate supplies of the basic needs” and “to expand opportunities for gainful employment so that people have access to income and resources for their basic needs and to benefits of growth.”⁹

However, while the stated objectives provide the catalogue of intentions, it is the allocation of resources, specific programmes undertaken, institutional arrangements made, and approaches to implementation adopted that determine the real impact on poverty. But it will be seen from the sections on strategy and allocation of resources that there has been very little attempt at translating the Plan objective of attacking poverty into action programmes. The sectoral allocation of resources has been determined on the basis of a multi-sectoral inter-industry input-output and investment-output model. Resulting public sector sectoral allocations are reproduced in Annex Table 1. An examination of the table clearly shows that there is very little reflection of the concern shown for poverty alleviation in the formulation of the objectives of the Plan.

By scanning through chapters on rural development and employment and human resources development, one does not find any serious proposals to tackle the basic problem of access of the poor to productive resources and opportunities for development. For example, while the Plan itself recognizes that both agricultural development and promotion of equity require a rational land reform,¹⁰ it makes no specific proposals to tackle the problem. A Land Reform Committee was however appointed under the chairmanship of the Minister for Agriculture in July 1982. The Committee submitted its Report in January 1983, which was later accepted by the Government. But the Report left the ownership of land virtually untouched and proposed only tenurial and agricultural wage rate reforms — tenancy right for five years to those incumbent on 26 March 1982 and another five years if they abide by the conditions of tenancy, and a daily wage rate of 3.5 seers (3.28 kg.) of rice. But these recommendations are not implementable as long as the structure of control

⁸ Planning Commission, Government of Bangladesh, the Second Five year Plan, 1980-85 (SFYP), P. 23.

⁹ *ibid.*, P. 23.

¹⁰ *ibid.*, P. 26.

through the ownership of land remains unchanged.¹¹ Indeed, since the Report was submitted, there have been evictions of tenants and very little progress has been made towards realizing the objective of providing security of tenancy to the tenants. And it is impossible to police the implementation of a given wage rate in thousands of villages around the country facing widespread unemployment.

Regarding employment generation, the Plan has recognized the continuing worsening of an already serious situation, identified the landless, women and youth as the three target groups needing the most urgent attention, and emphasised the need for rapid expansion of employment in non-crop activities since there is only a limited scope for employment expansion in agriculture; it has not provided clear practical directions as to how employment is to be generated for these various groups at a fast enough rate to make an impact on the unpalatable unemployment situation.¹²

It appears that the government is relying on such ongoing programmes as the Integrated Rural Development Programme (IRDP) of Bangladesh Rural Development Board in its original two-tier cooperative based agricultural credit-focused form or its more comprehensive form being experimented with in three projects, namely, Rural Development-I Project, Sirajganj IRD Project and Noakhali IRD Project which comprise a whole range of activities, agricultural and non-agricultural, implemented over small areas; Rural Works Programme (RWP); Food for Work Programme (FFWP); and *Grameen* Bank (GB) as the major anti-poverty oriented programmes. In addition, there are also certain other government or government supported programmes which are or which have elements focused on the poor such as those implemented by Bangladesh Small and Cottage Industries Corporation, Womens Affairs Division and *Swanirvar* Bangladesh, which have achieved some results; but these programmes will not be discussed in this paper.

In this paper, we shall review two of the major anti-poverty oriented programmes, namely, FFWP and GB.

The IRDP, which excludes the landless and landpoor (with less than 0.5 acres) from its scope, has been in operation since 1971 and now covers 431 upazilas (thanas) out of 493, while the poverty situation has been worsening. The RD-I type experimental projects, which have very limited replicability because of heavy resource requirements, already seem to be out of official favour. The RWP which was initiated by Bangladesh Rural Development Academy in the early 1960's expanded fast during the 1960's generating employment for 0.6 to 1.0 million persons per year in the agricultural slack seasons. Since then, the size of its operation has declined steeply. In recent years, there is renewed interest of some donors in RWP through what are known as Intensive Rural Works Programme (IRWP) and Special Public Works Programme (SPWP). But, the FFWP, which is very similar both conceptually and in terms of objectives, is now much larger in terms of resource availability. The *Grameen* Bank, turned into a formal specialized rural credit institution in 1983, is

¹¹ For detailed arguments see Q.K. Ahmad, "Land Reform for Social Transformation in Bangladesh with Special Reference to the Land Reform Committee Report", presented at the National Seminar on Land Reforms in Bangladesh organized by the Institution of Engineers, Bangladesh, Dhaka, May 1983.

¹² SFYP, op. cit. P. 93.

now much discussed as an innovative approach to the supply of credit to the rural landless and landpoor (with less than 0.5 acre).

IV.2 The Food-for-Work Programme

The Programme

The Food-for-Work Programme (FFWP) was introduced in Bangladesh in 1974 with the objectives to (a) create employment opportunities for the landless and the landpoor in agricultural slack seasons and (b) develop agricultural infrastructure. The payment is made in terms of wheat received through food aid. Through this programme therefore food aid is used as an investment resource, especially to help build agricultural infrastructure. The World Food Programme, which was established as a multilateral food aid organization in 1963, is mandated to use food aid for such a purpose. Many bilateral donors including the United States (under Title III Food Aid Programme) also provide food aid for this purpose.

In Bangladesh, food aid is also used to feed the public rationing system, relief operations and open market operation; and the total quantum of food aid received has tended to fluctuate with movements in domestic food production. Up to the mid 1970's it accounted for between a quarter and over a third of the total aid, and since then it has fluctuated between 11 and 23 per cent. In terms of quantity, it has generally fluctuated between one million and 1.5 million tons in recent years. The proportion of food aid utilized under FFWP has risen from below 20 per cent in the early years of the programme to an average of nearly 40 per cent during 1980/81-1982/83. It may also be noted that share of FFWP in the total food import (food aid plus commercial import) was about seven per cent in 1975-76 but has since risen to around 20 per cent on average in recent years (Table 3).

Given that our concern in this paper is to evaluate the anti-poverty impact of FFWP, the questions which should be addressed include: what is its overall impact on the unemployment situation in the country? who are the beneficiaries? what impact is made on their poverty situation? what is the nature of the employment provided? do the employed get full officially envisaged rate of remuneration?

Impact on Employment and Workers

Table 4 shows the progress of the FFWP during 1974-83. From a modest beginning, the programme has risen to a level of 371 thousands tons of wheat utilized in 1982-83 involving 3,921 schemes and 101 million mandays. The employment generated by the programme accounts for around one per cent of the total available mandays in the country in recent years. These schemes are, however, undertaken during agricultural slack seasons when the staggering unemployment in the country of 40 per cent or so of the available mandays is mostly concentrated. Hence, the impact of the programme on the overall employment situation is rather small — accounting for 2-3 per cent of the total annual unemployed labour time in the country.

Table 3**Food Aid and Utilization of Wheat Under Food-for-Work Programme
as per cent of Food Aid and Total Food Import**

Year	Food aid as % of total aid	Food aid (000 tons)	Quantity of wheat utilized under FFWP as % of food aid	Quantity of wheat utilized under FFWP as % of total food import
1971-72	28.0			
1972-73	29.2			
1973-74	28.2			
1974-75	36.3			
1975-76	25.0			6.6
1076-77	19.2			11.3
1977-78	11.9	1,348	18.9	13.8
1978-79	16.8	1,141	18.9	12.0
1979-80	22.9	1,537	28.4	18.2
1980-81	12.4	750	45.4	22.4
1981-82	11.2	1,141	31.7	17.8
1982-83		976	41.9	21.2

Source: Q.K. Ahmad, "Contribution of Food Aid to Equitable Growth in Bangladesh", presented at the World Food Programme/Government of the Netherlands Seminar on Food Marketing the Twentieth Anniversary of WFP, 35 October 1983, The Hague, and published in the *Report of the Conference, WFP, Via Terme di Caracala, Rome.*

Table 4**Implementation of the Food-for-Work Programme in Bangladesh
1974/75–1982/83**

Year	No. of schemes	Qty. of wheat utilized (in 000 tons)	Mandays involved (in mil.)	Mandays available in the country (in mil.)	Col. 4 as % of Col. 5
(1)	(2)	(3)	(4)	(5)	(6)
1974-75		31.5	8.6	7,310.1	0.12
1975-76	1,554	205.4	56.0	7,488.3	0.75
1076-77	2,328	219.1	60.0	7,666.2	0.78
1977-78	2,087	271.2	74.0	7,844.4	0.94
1978-79	2,113	226.1	62.0	8,022.3	0.77
1979-80	2,124	223.7	61.0	8,219.1	0.74
1980-81	3,927	352.5	96.0	8,425.5	1.14
1981-82	3,431	283.5	77.0	8,585.8	0.90
1982-83	3,921	371.1	101.0	8,725.2	1.16

Source: For columns 2-4: Ministry of Finance and Planning, Government of Bangladesh, *Bangladesh Economic Survey 1982-83.*

For column 5 Based on a conservative assumption of 31.25% labour force participation rate and 300 working days a year.

It has been found by one study¹³ that 70 per cent of the workers in FFW schemes come from functionally landless (owning less than 0.5 acre) rural households, a category which account for about 50 per cent of all rural households in the country. Hence, the bottom groups are more than proportionally represented in the employment opportunities created by FFWP.

Regarding the impact of FFWP on those who find work in its schemes,¹⁴ the first point to be noted is that FFWP employment represents largely a shift from low productivity self-employment and, to some extent, also from other wage employment. The substitution takes place since FFWP-employment is relatively more remunerative. The BIDS- IFPRI study found the wage rate in FFWP to be about 45 per cent higher than in farming activities; and it restrictively assumed, as seemingly indicated by the data collected which have bearing on the issue, that the marginal return from self-employment foregone was negligible so that the entire shift from self-employment was a net gain to the FFWP workers. Moreover, it was estimated that FFWP-participant households worked about 10 per cent more in terms of hours compared to a control group of non-participant households. The net income gains of the participant households were calculated by adjusting their total wage earnings for any loss of income on account of shift from wage employment, there being no loss of income, as assumed, on account of shift from self-employment, and comparing that with what they would have received in the form of wages in the absence of FFWP. On that basis, it was then estimated that the net income gains of the participant households in the entire FFW season amounted to about 10-11 per cent of their annual wage income and about 7-8 per cent of their total income in the year preceding the FFW season under review. The study itself has warned that these figures should be interpreted with caution since per household income gain depends crucially on how widely the work is distributed. Moreover, the assumption of negligible marginal return in self-employment cannot be taken as a settled issue.

To the question of overall employment impact, as opposed to the effects on participants alone, the issues of wage effects and the response of the labour hiring households to those also become relevant. the BIDS-IFPRI study has found that some labour hiring households (about 18 per cent of those interviewed) were cutting down on their use of hired labour because of higher wage rates caused by FFWP. Hence, although an estimate is not available, the actual total employment impact of FFWP should be less than is shown by the numbers of mandays (or man-hours) of employment created by FFWP.

Next, it should be noted that FFWP workers receive a substantial under-employment in relation to the officially stipulated wage rate in terms of quantity of

¹³ Bangladesh Institute of Development Studies (BIDS, Dhaka, and International Food Policy Research Institute (IFPRI), Washington D.C., "Characteristics and Short run Effects of the WFP-Aided Food-for- Work Programme in Bangladesh", July 1983. This is one of the several reports put out or planned by the FFWP Evaluation Study in Bangladesh being carried out by BIDS in collaboration with IFPRI (which will be referred to as BIDS-IFPRI study).

¹⁴ On this issue, in addition to the BIDS-IFPRI report op. cit, one may also see another report of the study: S.R. Osmani et. al. "Report on FWP-Aid Food-for-Work Programme in Bangladesh: Short-run Impact Study", BIDS, July 1983.

wheat.¹⁵ One estimate made by BIDS-IFPRI study puts it at about 30 per cent. But persons with intimate knowledge about the proceedings suggest much higher figures. It has been found (Table 5) that about 56 per cent of the workers did not know about the stipulated wage rate. Others knew. But many of them do not bargain lest they do not get the jobs at all as there are unemployed many others who will be too willing to take them up on the offered terms and conditions. Only about 24 per cent reported having bargained on the wage rate. The majority of the workers (about 71 per cent) were found to have been recruited through gang leaders or labour contractors and supervisors, who are known for their tendencies to exploit whenever possible. Moreover, the dynamics of the situation also include the fact that there are 'leakages' at various points along the way until a sanctioned quantity of wheat reaches the workers, which have to be borne by the workers by way of either a lower wage rate or a shorter work period which also means less than the stipulated amount of work done, or both.

Table 5
Recruitment of FFWP-Workers and Their Knowledge
about Stipulated Wage Rate

	Per cent of workers
Recruited through gang leaders or labour contractors	70.7
Recruited through direct contact, Project Committee, or Union Parishad	29.3
Knew about the stipulated wage rate	44.5
Bargained on wage rate	23.8

Source: O.H. Chowdhury, "Profile of Workers in WFP-Aided Food-for-Work Programme in Bangladesh", Bangladesh Institute of Development Studies, Dhaka, July 1983.

It has been found that the FFWP-workers' consumption of food is only slightly higher compared to non-FFWP workers during the work season so that there is little improvement as a result of the extra wheat received in their physical condition and ability to work. They instead tend to sell the wheat to generate cash to meet pressing needs such as the repayment of loans and social obligations like the marriage of members of the family.¹⁶

In so far as the families headed by women or elderly or handicapped persons are concerned, it has been found that the types of employment opportunities generated (heavy physical work such as digging or moving earth) generally leave them out of reach of the programme.¹⁷

¹⁵ The stipulated minimum wage rate is 42.86 seers (88.8 lbs) of wheat per 1000 cubic feet of earth work.

¹⁶ BIDS-IFPRI report, op. cit.

¹⁷ *ibid.*

Impact on Agricultural and Other Production

Since, under the programme, wheat is made available mostly to the poor directly, who suffer from a lack of purchasing power, FFWP is unlikely to cause a disincentive effect on agricultural production through dampening of food prices. Since these schemes are implemented in agricultural slack seasons when the unemployment situation is at its worst there is unlikely to be an adverse impact on agricultural production due to competition for labour. Moreover, the labour hiring households who, as noted earlier, tend to cut down on their use of hired labour due to FFWP-induced higher wage rates, have also reported that they put in extra efforts to make up for the reduced use of hired labour.¹⁸

But since the FFWP- employment is largely a shift from self-employment mostly in non-crop agricultural and non-farm activities and since it has been found that other members of the households do not work more to compensate for the absence of the FFWP-workers,¹⁹ there may be some adverse effect on the production and distribution of certain goods and services. Surely they produce some goods and services through self employment. The essence of the argument used in favour of the assumption that the marginal return from self-employment is negligible is that the other members of the households of FFWP-workers do not work more to compensate for the loss of income as they (the workers) shift from self-employment to FFWP employment since the loss involved is negligible. Issues such as physical inability, lack of skill and an urge not to work more because of increased income from FFWP (backward bending supply curve of labour) as to why the other members may not take up the slack were raised and dismissed following a certain logic of argument. But a more detailed investigation into the facts and circumstances than was done in the study under reference may produce a different conclusion. What is argued here is that the issue is not closed and further investigation is necessary to construct a more definitive picture as to the marginal return from self-employment and the importance of the goods and services produced thereby.

Long Term Impact

This issue is shrouded with lack of detailed evidence. It would appear however that by providing a soft option which causes some wheat to be made available to some of the poor for some work, FFWP acts as one of the palliatives that enable the government to delay or take no interest in the hard choice of appropriate agrarian reforms including drastic reduction of landownership ceiling without which, as is now widely recognised,²⁰ both agricultural production and the promotion of equity are seriously constrained. Thus, to the extent this is so, while the poor get some benefit in the short run, their long run interests as well as agricultural growth itself are adversely affected by FFWP.

Regarding the impact of the infrastructure developed, it has been found that the quality of the facilities created under FFWP is rather poor and often projects are not completed in the season in which they are started so that the incomplete canals,

¹⁸ BIDS-IFPRI report, op. cit.

¹⁹ S.R. Osmani et. al., op. cit.

²⁰ See, for example, FAO, *WCARRD Declaration OF principles and Programme of Action*, 1979.

roads or dams are damaged during the monsoon and resources are needed in the next season for purposes of restoration.²¹ However, given adequate attention by WFP and the Government of Bangladesh, improvements can be achieved in both these respects. But, these agricultural infrastructures, more so if their quality is good, will surely make positive contribution to agricultural growth.²² But the beneficiaries of this longer run positive impact are mostly the landowners.

If it is possible to give the control of the infrastructure to cooperatives formed with the workers who have built them the workers may be benefited on a long term basis. In this case the users will pay an appropriate toll for the use of the infrastructure to be shared by the members of the cooperatives who will remain responsible for proper maintenance of the facilities. Even if such a step is undertaken, which is very unlikely in the existing structural realities, this will still be of a marginal significance in the context of the overall poverty situation in the country. From a long term point of view, a much better use of food aid as a development resource, it seems to us, is to direct it to programmes aimed at the promotion of the level of consciousness of the people and their quality as human capital. This means that the food aid should best be used to support educational and training programmes for the poor and direct interventions for improving their health and nutritional conditions. For, if the people at large can be sufficiently imbued with these two qualities, the initial conditions will have been created and forces generated for bringing about appropriate structural changes in the society for the benefit of all classes of people.²³

IV.3 The Grameen Bank²⁴

The Way it Began

The *Grameen* Bank, whose target groups broadly include the bottom 50 per cent of the rural population of the country, was initiated as an action research project to test the hypothesis that, if financial resources are made available to the poor at reasonable terms and conditions, they can generate productive self-employment. The need for a separate credit institution was felt in view of the limitations of the traditional banking system in providing petty loans and in reaching the rural poor. After three years of experimentation in an area near Chittagong University, the project was formally launched in November 1979 in Tangail district with funding support from the Bangladesh Bank. Encouraged by its initial success, the project was extended to four other districts with financial assistance from the International Fund for Agricultural Development (IFAD) beginning April 1982. In September 1983, it

²¹ BIDS-IFPRI report, op. cit.

²² It has found that roads in rural areas make positive impact on development in general and agricultural growth in particular: see Mahabub Hossain and O.H. Chowdhury, *Socioeconomic Impact of Roads in Rural Areas*, Bangladesh Unnayan Parishad, (Centre for Development Science), Dhaka, March 1984.

²³ For more on this see, Q.K. Ahmad, "Contribution of Food Aid to Equitable Growth in Bangladesh", op. cit.

²⁴ This section, Particularly for data on the performance of GB, draws heavily on an evaluation of GB done by one of authors of this paper. See Mahabub Hossain, *Credit for Alleviation of Rural Poverty: An Assessment of Initial Experience of the Grameen Bank in Bangladesh*, BIDS, 1984.

was transformed into a formal public sector specialised credit institution — the *Grameen Bank* (GB). It has a paid up capital of Tk. 30 million; 40 per cent is held by the Government, 40 per cent the loanees (members) and 10 per cent each by Sonali Bank and Bangladesh Krishi²⁵ Bank.

The Way it Functions

A branch of GB is generally run by a field manager (FM) and six bank workers (BW). Any person belonging to households owning 0.5 acre or less of own cultivable land is eligible for the *Grameen Bank* loan.²⁶

Recognising that the people belonging to the target groups are generally illiterate and shy to come to banks, GB takes banking services to their door steps. The BWs go around the villages, help prospective loanees to form groups of five and train them about the rules and procedures of GB. A number of groups in the same locality are federated into a center and the elected center chief conducts weekly meetings, recommends loan proposals and assists BWs. Once a loan proposal is accepted the credit is disbursed by the concerned BW in a weekly meeting. The loanee can use the credit in any productive or trading activity of his/her choice; but he/she must repay the loan as stipulated in regular weekly installments. The repayment is collected by the BW when he attends the weekly meeting of the center. One of the conditions of the loan is that the group members save one Taka each every week plus five per cent of the amount borrowed which is deducted at the time of its disbursement. The savings form the Group Fund (GF) from which the members can borrow at times of emergency and at terms to be fixed by the group members themselves. In addition, an Emergency Fund (EF) is created with contribution from the members, which can be used to repay the loan of a member if he/she becomes unable to repay due to accident or any other unforeseen circumstance.

Performance

The GB has progressed at quite a fast pace. The details of the growth in membership and disbursement of loans during 1980-83 are shown in Table 6. By the end of April 1984, 95 branches of nationalized banks were participating in the GB operations covering 1,592 villages in five districts, which constitute nearly 2.5 per cent of all the villages in the country. By that time, an amount of Tk. 288 million was disbursed to about 84 thousand members, of which about Tk. 164 million has already been recovered. About 51 per cent of the members are female who received about 37 per cent of the total loan disbursed. The proportion of female member was about 39 per cent in 1980. The average saving per member in GF and EF together stood at Tk. 312 which is about 10 per cent of the per capita income in the country.

²⁵ *Krishi* = agricultural

²⁶ When GB was a project, the ceiling was 0.4 acre.

Table 6**Progress of Activities of the *Grameen Bank*, 1980-83**

Activities	1980	1981	1982	1983		
				Male	Female	Total
1. Village covered	363	433	745			1,249
2. No. of members enlisted (000 persons)	14.8	24.1	30.4	31.7	26.5	58.3
3. Cumulative amount of credit disbursed (million Tk.)	20.1	53.7	95.6	128.4	66.5	194.9
4. Cumulative amount of credit recovered (million Tk.)	7.3	32.7	64.2	84.1	39.1	123.3
5. Amount disbursed during the year (million Tk.)	17.1	32.6	41.9	61.0	38.3	99.3
6. Outstanding loans (million Tk.)	12.8	21.0	31.4	44.3	27.4	71.7
7. Amount saved in Group Fund and Emergency Fund (million Tk.)	1.6	4.8	9.6	12.6	5.8	19.4
Amount outstanding per branch (000 Tk.)	533	1304	581			834

Source: GBP Annual Reports, 1980, 1981 and 1982; and GBP monthly statements for December 1983.

The GB loan is being used basically for undertaking rural non-crop activities²⁷ (Table 7). In 1982, about 43 per cent of the loans was used for trading and shopkeeping, about 24 per cent for processing and manufacturing activities and about 23 per cent for livestock and poultry raising. Only about 2 per cent of the loans was used for agricultural production. Beginning in 1982, credit has also been issued to groups for collective enterprises such as purchase of irrigation equipment, rice hullers, oil mills, and leasing in of market places. Trading and shopkeeping accounted for nearly 56 per cent of the loans disbursed to male members, while about 84 per cent of the loans disbursed to female members was for livestock raising and processing and manufacturing activities and about two-thirds for the three activities of milch cow raising, paddy husking and cattle fattening.²⁸

The GB has succeeded in reaching people in its target groups. Only about five per cent of the loanees has been found to have own cultivable land of more than 50 decimals and only 2.7 per cent more than an acre (Table 8). About 52 per cent of the loanees did not cultivate any land and only 1.7 per cent cultivated more than 2.5 acres. About 62 per cent of the loanees had non land capital assets valued at less than Tk. 1000 (US \$40) and only 6.2 per cent had assets exceeding Tk. 5000. Thus the GB members are not only land-poor, they are in general asset-poor.

²⁷ Rural non-crop activities are defined here to include non-crop agriculture such as livestock, poultry and fishery and rural non-farm activities such as manufacturing, construction, transport, trade and commerce.

²⁸ Mahabub Hossain, op. cit., Tables 3.4 and 3.5.

Table 7
Disbursement of Loans by Sectors, 1980-82

Sectors/Loanees by see	Share of loan (per cent of total loans)			Per cent increase in loans in 1982 on 1980
	1980	1981	1982	
Male Loanees				
Agriculture & forestry	1.8	1.7	2.1	108
Livestock & fisheries	16.1	12.4	13.3	46
Processing & manufacturing	17.9	19.1	17.7	75
Trading & shopkeeping	44.5	56.6	55.9	122
Transport services	19.7	10.2	7.6	32
Collective enterprises			3.3	
All Sectors	100.0	100.0	100.0	77
Female Loanees				
Agriculture & forestry	1.3	0.4	1.4	256
Livestock & fisheries	60.5	45.6	43.6	140
Processing & manufacturing	30.4	41.4	39.0	327
Trading & shopkeeping	7.8	12.6	15.4	554
Transport services				
Collective enterprises			0.6	
All Sectors	100.0	100.0	100.0	232
All Loanees				
Agriculture & forestry	1.7	1.3	1.9	138
Livestock & fisheries	25.0	22.9	23.1	92
Processing & manufacturing	20.4	26.2	24.5	150
Trading & shopkeeping	37.1	42.6	42.9	140
Transport services	15.8	7.0	5.2	32
Collective enterprises			2.4	
All Sectors	100.0	100.0	100.0	108

Source: Compiled from *GBP Annual Reports*

Table 8
Distribution of *Grameen* Bank Loanees by Ownership of Land and Other Assets

Landholding (acres)	per cent of loanees with <i>owned</i> cultivated land of this size	per cent of loanees with <i>total</i> cultivated land of this size	Value of non-land fixed assets (Tk.)	Per cent of loanees with this size of assets
Nil	67.6	52.4	Upto Tk. 1,000	62.0
Upto 0.40	26.8	25.9	1,001 – 2,500	18.6
0.41 – 1.00	3.9	11.3	2,501 – 5,000	13.3
1.01 – 2.50	1.5	8.8	5,001 – 10,000	5.5
Over 2.50	1.2	1.7	Over 10,000	0.7

Source: Mahabub Hossain, op. cit. Tables 3.6 to 3.9

Note: The data were collected through a survey of 612 randomly selected loanee households served by eight bank branches in Tangail district.

A GB branch in Tangail has extended credit, on average to about 50 per cent of the households belonging to the target groups in the area of its operation. The households in the target groups who did not yet receive credit appear to be more among pure tenants and agricultural wage labourers than among the other occupational groups. The agricultural labourers are about one-third of the target group households, but they are found to be only about one-tenth among the loanees.²⁹ Since these people are the poorest of the poor, it appears that the GB has not succeeded in serving the extreme poor as much as the other occupational groups. Moreover, since its loan operation has tended to remain limited to those already covered through repeat loans which are virtually automatic subject to good repayment record, the extreme poor continue to remain outside the GB net.

The loan recovery performance is indeed excellent. The amount of overdue loans after two years since disbursement is less than one per cent; and only 2.5 per cent of the loanees did not fully repay the loans within the 52 weeks in which a loan is expected to be fully repaid, and the amount overdue with them was only about 2.6 per cent of the outstanding as of end November 1982.³⁰ The female loanees have a relatively better repayment record than the male loanees. The GB requires the loan to be repaid in regular weekly installments. Some lapses have, however, been noticed in keeping the regularity in the payment of installments. It has been estimated that about 88 per cent of the amount due was paid in regular weekly installments 84 per cent for the male and 94 per cent for the female loanees.³¹

The GB has a significant impact on the income of the loanees. The per capita income of the households increased from Tk. 1,037 per annum at the beginning of 1980 to about Tk. 1,374 per annum in 1982 at the constant base period prices.³² Thus their income increased by about 32 per cent over a period of two years when the per capita income of Bangladesh as a whole increased by only 2.6 per cent. Compared with the income of the target groups in areas outside GB operations, the per capita income of the loanee households in selected GB villages has also been found to be higher by about 31 per cent (Table 9). The income of the loanee households has also been found to be significantly higher in comparison with target group households in the GB villages, who had not yet received GB loans.

A very important factor behind the increase in income was the additional employment generated for adult females in the households. The average number of women employed per household in productive activities was 1.37 for target group households in control villages, but 1.75 among loanee households. The proportion of female workers was only five per cent before the GB intervention; but it rose to be about 25 per cent in about two years time following the intervention.

There has also been an increase in accumulation of capital (Table 9). The total investment on fixed assets during 1981-82 for the loanee households has been found to be about 2.6 times higher than that for the target groups in control villages. About

²⁹ *ibid*, Table 3.9

³⁰ *ibid*, Table 3.10

³¹ *ibid*, Table 3.11.

³² *ibid*, Table 5.1

14 per cent of the capital stock of the loanee households was accumulated during 1981-82 compared to only 4.8 per cent of the control group. Nearly 61 per cent of the investment was made for acquisition of draft animals and agricultural tools and equipment.

Table 9
Impact of Grameen Bank on Income, Employment and Capital Accumulation, 1981-82

Indicators	Project villages		Control villages
	GB members	Non-members in the target groups	Target groups
Per capita income (Tk. per annum)	1,762	1,498	1,346
Income from trade and cottage industry (Tk. per household per annum)	4,065	1,958	3,242
Average number of workers per household	1.64	1.34	1.37
Per cent of household members employed in productive work	30.1	26.4	24.3
Value of fixed assets per household (Tk.)	2,036	1,357	1,633
Investment on fixed assets during 1981-82 (Tk.)	284	87	79

Source: Mahabub Hossain, op. cit.

The increase in income also had a positive impact on the satisfaction of non-food basic needs (Table 10). About 83 per cent of the loanee households incurred some expenditure on health and about 75 per cent some expenditure for betterment of

Table 10
Impact of Grameen Bank on Satisfaction of Non-food Basic Needs, 1981-82

Indicators	Loanee households	Project villages		Control villages
		GB members	Non-members in the target groups	Target groups
Per cent of households incurring some expenditure on:				
Education	29.8	9.1	20.1	14.5
Health	82.9	65.2	63.7	62.9
Housing	74.7	62.2	51.7	54.8
Average annual expenditure on: (Tk. per household)				
Education	43	3	13	10
Health	299	140	166	90
Housing	418	450	329	123
Clothing	723	276	298	154

Source: Mahabub Hossain, op. cit.

housing compared to about 63 about 55 per cent respectively of the control group. Compared to the control group, the average per household expenditure for the loanee households has been found to be 2.3 times higher for health, 2.4 times higher for housing and 3.7 times higher for clothing. There has however been no significant positive impact on the expenditure on education consequent upon the increase in income.

Prospects and Constraints

One may conclude from the above assessment of the initial experience of the GB that it has made a positive impact on alleviation of poverty in the areas of its operation, even though many of the extreme poor could not be reached. But the GB has so far covered only a very small fraction of the rural poor of the country. The question is whether it can be expanded to a wide enough scale to produce a significant impact on alleviation of rural poverty nationally.

One of the problems that the GB may face in expanding its operation is a limitation from the demand side. A major constraint on the expansion of the rural non-crop activities (which, as defined earlier, include non crop agricultural and non farm activities) that the GB is financing may be the small size of the markets for their products and services and the limited prospect of their expansion in view of the low and sluggish growth in per capita income of the population in general. However, the GB loanees have not yet faced this problem, perhaps partly because the GB has been operating within a small area so that the loanees can still count on the markets outside the locality. With expansion of GB operations, the competition among among non-crop producers would increase and the members will need to count more and more on the markets of their own localities, which might lead to lower prices and reduction in their income. On the basis of the expenditure pattern of the loanees, it may be argued however that such a prospect may not pose so serious a problem (Table 11). The GB target groups are themselves more than half of the national population, and as their incomes rise they start demanding products and services of one another thereby mutually expanding their markets. A large proportion of their additional income is spent on food and other necessities produced outside the family, which stimulates production and trading activities to the benefit of all concerned.

But the fact remains that agriculture is the dominant sector both as the supplier of raw materials to non-farm activities and as a source of demand for their goods and services so that a successful and sustained expansion of the GB would depend, to a large extent, on the level and nature of agricultural development, particularly the crop sectors. Also the increase in non-farm income will raise the demand for food which can be met only by raising agricultural production. Thus, although the landless do not benefit much from agricultural production directly, efforts to provide them more employment and income through promotion of non-crop activities may be thwarted if agriculture does not also progress side by side.

A major constraint on the expansion of GB operations is the low productivity of labour in the activities pursued by the loanees. It has been found that the cottage industries financed by the GB has a labour productivity which is lower than the

prevailing agricultural wage rate.³³ The loanees pursue these activities because they can employ female members of the households in them, who have very little opportunity cost. It has also been observed that with every repeat loan, the size of the loan increases, but income generated increases at a much smaller rate because the rate of utilization of the loan for capital formation declines and the rate of return on capital also falls.³⁴ In recognition of this problem, the GB encourages loanees to take loans for collective enterprises so that they can use improved technology and thereby increase labour productivity. However, the basic approach remains one of loan to individuals for whatever activities they wish to undertake.

Table 11

Expenditure Pattern of Different Income Groups of the Loanee Households

Commodity groups	Budget share of the				Marginal ^b propensity to consume	Expen- diture ^b elasticity
	Bottom 60 per cent	Middle 30 per cent	Top 10 per cent	All loanees		
Cereal	56.0	50.5	45.7	51.8	0.37	0.72
Non-cereal food	16.8	18.7	19.4	18.0	0.70	1.08
Other daily necessities	12.5	12.8	13.6	12.8	0.13	0.91
Clothing and household effects (including expenditure on health and education)	8.1	8.8	10.2	8.9	0.17	1.43
Fixed capital assets	3.9	5.4	6.4	5.0	0.07	1.54
Housing	2.7	3.8	4.7	3.5	0.06	1.63
Cottage industry products ^a					0.06	1.04

a Do not include food processing, activities such as paddy husking and oil pressing.

b. Estimated from an expenditure function of the form $G_i = f(\log Y)$ where G_i is the expenditure on the commodity group, Y is the per capita income of the household.

Source: Mahabub Hossain, op. cit., Tables 6.1 and 6.5

Now, the two intricately related crucial factors in the whole GB operation are the catalyst Managing Director of the GB, who till now manages to participate in the recruitment and training of all BWs and even plays a direct role in the supervision of their activities, and the BWs. The Catalyst Managing Director will soon have reached the limits of his capacity to extend himself, if he has not already. And there has not been any other catalyst to join him in over five years of the operation of GBP/GB. Once his personal touch is lost it will be so much more difficult to imbibe the BWs, with proper motivation and dedication. The BWs are the key to the success of the GB. They have to work hard and attend group meetings, having to travel six to eight miles every day often on foot. If a BW fails to attend a meeting, the installments to be collected remain unpaid, which may create complications later on in so far as regular recovery of installments is concerned as the loanees, poor as they are, may be tempted to spend the amounts. Also, over a longer term, the BWs will, like anybody else, want

³³ *ibid*, Table 4.2

³⁴ *ibid*, Tables 4.6 and 4.7

to have career advancement and good earning prospects, particularly if they are to take the necessary initiative and to put in the required hard work. But the GB cannot give them such remuneration as may be attractive enough to induce them to perform as effectively as needed. On the other hand, the GB's salary and benefit structures are and will have to be in conformity with other public sector banks and, on the other, if any extra benefits were to be given to the WBs, that will mean an addition to the cost of running the Bank. An estimate shows its total to be 16.3 per cent of the total loan disbursed (including 8.5 per cent interest paid to Bangladesh Bank on the money borrowed).³⁵ It charges an interest rate of 16 per cent (recently raising it from 13 per cent) on loans given. Hence, it is a marginally subsidized operation. The present rate of interest is in line with that obtaining in the organised sectors and should not be raised further if only because the loan is given to the poor to help them become economically viable and not perpetually loan-dependent. From the moral point of view also, charging a higher rate of interest from the poor cannot be justified more so in view of the fact that the repayment record in the case of large loans extended to big borrower in the organised sectors is very poor.

Finally, on the GB approach, it is observed that there is no process of development involved. The loanees are left to their individual choices as to what to do to utilize the loans as long as they earn some incomes and repay the loans. But it is well known that credit alone cannot be enough if sustained development is the goal. The cash starved rural poor may be able to do something or the other to earn some income by utilizing the loans. But, for sustained growth, it is necessary to promote those activities first which have the best potential considering the supply and demand conditions in the locality as well as the relevant circumstances outside the locality (in other rural areas, urban centers and foreign markets).³⁶ But the poor villagers, who are mostly uneducated, are not informed of the circumstances outside their own locality and are unskilled; and are, therefore, their decisions are sure to be locality bound with limited scope for expansion. For choosing and pursuing appropriate productive activities, they need information, supplies and services such as technical advice, supply of technology, skill training, market information, marketing assistance and other extension services along with credit. The GB approach of just providing credit and leaving the loanees on their own cannot therefore be a viable national anti-poverty programme.

V. Concluding Remarks

Both the FFWP and the *Grameen* Bank programmes are clearly marginal in the national poverty and unemployment context.

Regarding FFWP, it may also be noted that the increase, estimated by the BIDS-IFPRI study, of 7-8 per cent in the annual income of these (a small proportion

³⁵ *ibid.*

³⁶ For a detailed discussion on these issues along with suggested planning and implementation mechanisms one may see Q.K. Ahmad, *Promotion of Employment and Income Through Rural Non-crop Activities in Bangladesh*, op. cit. This paper also contains a brief review of the *Grameen* Bank pointing out constraints on its expansion along lines presented here.

of the millions of the poor in the country), who are provided with employment in the programme, would be of much lesser order if the negligibility of the marginal return from self-employment does not hold. And, to be sure, the programme is not providing them with a basis of sustained economic uplift — but only a few weeks of employment during a year. Moreover, such a programme cannot surely be a permanent feature of the economy. However, the infrastructures they are creating could benefit them on a longer term basis if (a) they were given the ownership/long term lease of the facilities and allowed to charge tolls from the users and (b) non-farm activities were promoted for them, which could use such of those facilities as roads and find a source of demand in the increased farm incomes consequent upon those facilities. But (a) is, as suggested earlier, a non-strater in the existing socio-political context; and the prospect of (b) is also bleak because of lack of resource and appropriate policy and institutional support. Indeed, a recognition of the crucial importance of rural non-farm activities in poverty alleviation and national economic development has always been there in plans and policy pronouncements ever since it was first highlighted in the First Five Year Plan of Pakistan period (1955-60), but the allocation of resources for them has always remained negligible.³⁷ The reasons for this cannot but be rooted in the existing structural realities which work in favour of the rich and neglect the poor.

Thus, as long as the FFWP lasts, those of the poor who will find employment in it will be getting some income but that will in no way improve their basic economic prospects, while the landowners will derive most of the benefits that the infrastructures will help generate from agriculture. The inequality between the rural rich and the poor will also increase as a consequence.

As seen earlier, the *Grameen* Bank is already showing cracks. Some of the extreme poor have not been reached by it, and the built-in repeat loan system is making sure that they remain so. Moreover, the repeat loans are successively becoming less remunerative for the loanees in terms of their earning capacity and prospects. Other serious constraints on the successful expansion of the GB have been discussed in the text above. Of course, it has served many of the rural poor in the limited geographical areas of its operation quite well in terms of increase in their incomes. But it should also be noted that since small groups of five are fostered only around economic activities which are again individualised, there is little conscientising and politicising taking place, which is none of the objectives of the GB anyway, so that they may be enable to organise to work together or, if need be, fight their way ahead. It appears that they are becoming wards of the GB to be regularly supervised and assisted in their efforts. It has clearly emerged from all this that the GB cannot serve as a model for a viable national anti-poverty programme.

Now, if poverty alleviation on a national scale is a serious goal, one must, it seems, in the ultimate analysis, face up to the structural problems. The poor alienated majority have to be empowered through a process of conscientization and politicization to countervail the power of the old and new power elites, and dismantle the structural barriers to participate actively in the development process and benefit from it in an equitable manner.

³⁷ Various Five Year Plans and Annual Development Programmes

Annex Table 1**Sectoral Allocation in the Public Sector During SFYP***(Tk. in crore)*

Sectors	Original Allocation (1979/80 Prices)		Revised Allocation (1979/80 Prices)		Revised Allocation (current prices)
	Amount	Per cent	Amount	Per cent	
1. Agricultural and related activities:	6,500	32.3	3,802	34.3	5,552
a) Agriculture	2,700	14.4	1,470	13.3	2,149
b) Water Resources	3,000	14.9	1,850	16.7	2,702
c) Rural Development and Institutions (including Development Boards)	800	4.0	482	4.3	701
2. Industry & Minerals	3,275	16.3	1,390	12.5	2,042
3. Energy and Natural Resources	2,760	13.7	2,052	18.5	3,021
a) Power	2,000	9.9	1,437	12.9	2,130
b) Natural Resources	760	3.8	615	5.5	891
4. Transport and Communication	3,239	16.1	1,524	13.7	2,160
a) Transport	2,635	13.1	1,287	11.6	1,819
b) Communication	604	3.0	237	2.1	341
5. Physical Planning and Housing	1,220	6.0	574	5.2	820
6. Education, Religious Affairs & STR	1,075	5.4	572	5.2	836
a) Education	905	4.5	470	4.3	692
b) Religious Affairs	15	0.1	10	0.1	15
c) Scientific & Technological Research (STR)	155	0.8	92	0.8	129
7. Health	595	3.0	288	2.6	413
8. Population Control and Family Planning	615	3.0	310	2.8	368
9. Socioeconomic Infrastructure	601	3.0	202	1.8	280
a) Social Welfare	85	0.4	41	0.4	59
b) Women's Affairs	89	0.4	22	0.2	31
c) Youth Development	101	0.5	19	0.2	26
d) Sports & Culture	95	0.5	43	0.4	60
e) Mass Media	231	1.2	77	0.7	104
10. Manpower and Labour	185	0.9	61	0.5	88
11. Public Administration	60	0.3	38	0.3	55
12. Thana Development	0	0.0	287	2.6	425
Total	20,125	100.0	11,100	100.0	16,060

Source: SFYP, op. cit., Table 3.3, P. 42

Note: 1 crore = 10 million