

**WORLD DEVELOPMENT REPORT 2008:
AN ANALYSIS FROM THE PERSPECTIVE OF
AGRICULTURE IN BANGLADESH**

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EXECUTIVE SUMMARY

1. INTRODUCTION

This is a report on the review of the World Development Report (WDR) 2008, carried out by HDR (Human Development Research Centre), Dhaka, on a request from Oxfam International's Economic Justice Campaign Team in Bangladesh. The review was requested as an initiative to carry out possible advocacy projects under the Campaign for Sustainable Rural Livelihoods (CSRL) of Oxfam International.

Primary Objective of the review was to find out the major policy recommendations and findings of the WDR 2008 that are relevant to Bangladesh context with an analysis of how those policy recommendations/findings might have an effect on agriculture and sustainable rural livelihoods of Bangladesh. The Terms of reference laid down the **Other Objectives** as: (i) clearly identifying the advocacy agenda, if any, for national and global agriculture campaign, and (ii) suggesting alternative policy options not presented in the WDR 2008.

The Terms of Reference was composed of 5 Basic Research Questions, such as (a) To find out the major policy recommendations/findings of the WDR 2008 that are relevant to the Bangladesh context, (b) To find out how the major policy recommendations/findings of the WDR 2008 might have an effect on agriculture and sustainable livelihoods of Bangladesh if those are implemented by the Bangladesh Government, (c) To find out the linkages of the WDR 2008 and other policy documents of IFIs, especially of the World Bank, (d) To find out the advocacy agenda related to the WDR 2008 in the Bangladesh and global contexts, and (e) To suggest the alternative policy options for Bangladesh not presented in the WDR 2008 but important for securing sustainable rural livelihoods.

The Methodology followed for this report review and analysis of all pertinent information from secondary sources including (i) WDR 2008, (ii) key Oxfam International sources and other sources, and (iii) national policies related with agriculture in Bangladesh, including PRSP. Interviews were carried out with key informants including (i) authors of OI responses to WDR 2008; and (ii) intelligentsia working on IFIs' policies in academia, NGOs and CSOs, and policy makers.

2. MAJOR FINDINGS

2.1 Major Policy Recommendations/Findings of the WDR 2008 relevant to Bangladesh

The WDR 2008 has made a number of policy recommendations, but only the following are the specific recommendations that appear to be important for Bangladesh:

- i. Taxation on agriculture must be balanced (However, tax on agriculture in Bangladesh has already decreased significantly over time).
- ii. Agriculture's performance varies significantly within a country and within regions due to differences in natural endowments and climate change, and level of

availability of arable land. Diversification of technology (e.g., GMOs) and marketing is the answer to such a challenge.

- iii. The three pathways out of poverty for the agriculture-based and transforming economies are: (a) agricultural entrepreneurship, (b) rural labour market and rural non-farm economy, and (c) migration to towns, cities and other countries.
- iv. Microfinance for agriculture-for-development has been emphasized (But Proportion of contribution of microfinance to agriculture in Bangladesh is yet unclear).
- v. Insurance and credit to agriculture has been prescribed- but Bangladesh seriously lacks any substantial institutional arrangements for farm insurance.
- vi. In agricultural trade liberalization, as WDR 2008 puts it, developing countries are expected to prosper where prices of cotton, oilseeds and wheat will increase and reach out more to the developed countries. Bangladesh, being a net importer of wheat and edible oil, will fail to export these items and will spend more on these items.
- vii. In agricultural trade liberalization, poor households will be short-term losers due to rise in food prices- but they would gain over time from rise in wages.
- viii. Food Security and Safeguard Policies may be required for Bangladesh for it to face economic hardships at the initial stage of agricultural trade liberalization.
- ix. Investments on road connections and other public expenditures seem relevant for Bangladesh, as recommended by the WDR 2008 to enable the farmers to get reasonable prices for their produce.
- x. Pressure of population on limited land, poor land tenure management, and grabbing of land as a result of poor tenure documentation- all these factors may lead to a demotivation to enhance agricultural production.
- xi. Public agricultural banks have been globally a failure to meet the farmers' demands on a number of grounds (as in Bangladesh). This system calls for improvement.
- xii. Producer (or Farmers') Organizations are essential to protect the producers' interests. But they have often failed- as the cooperatives in Bangladesh and other Asian countries. However, beside failures of producers' organizations in Bangladesh, the reported formation of Market Syndicates have apparently acted against the interests of the consumers and deprived the farmers.
- xiii. One of the problems in ensuring the right type and quality of crop seeds is that they are packed, and it is near impossible to confirm if they are of the right quality by merely looking at them.
- xiv. GMOs/GMFs are prescribed by the WDR 2008. In addition, they have also well arrived in Bangladesh. But awareness on how to handle and use them and the lab facilities for properly testing them based on bio-safety and other criteria have not been so visible as yet in this country.
- xv. Education and skills of the rural poor in Bangladesh need to be enhanced in order to enable them to engage into lucrative non-farm employment- as a pathway out of poverty.

- xvi. As holds true for its other sectors, Bangladesh needs to improve fast in its governance system in the agriculture sector. Governance in Bangladesh has long remained weak, inefficient and corrupt failing to pave the way for progress toward transparent administration to ensure social peace.

2.2 How the Major Policy Recommendations/Findings of WDR 2008 may Impact on Agriculture and Sustainable Rural Livelihoods of Bangladesh

The recommendations made by the World Development Report 2008 are of a mixed nature. Some of the recommendations are clear and have been strongly made. However, efforts have been made in the remaining parts of this section to point out the merits and demerits of the relevant recommendations along with suggestions as to how the recommendations by the WDR 2008 should be effected.

i. Taxing the Agriculture Sector in Bangladesh

Chapter 4 of the WDR 2008 says that the agriculture-based countries are taxing their agriculture less, and the transforming and developed economies are more protective of their agriculture. As the food market in Bangladesh is important in that the majority poor ascribes popularity to a particular government significantly on the basis of how well it could manage the food market, eliminating tax on agriculture would be politically beneficial. As such, taxation on Bangladesh agriculture may be cut or foregone. But as the fiscal market is already weak, adoption or strengthening of other fiscal measures (e.g., VAT and/or other taxes) may be adopted.

ii. Steps to be taken up for the Less-favoured Areas

In Bangladesh, a number of projects for road construction may be apparently profitably taken up for connecting remote areas with their neighbouring growth centres to facilitate marketing of the agricultural produce from these areas; and the Government may augment efforts for timely irrigation in the northern part (*Barind* Tract) of the country which is gradually turning to be desert-like.

iii. All the Three Pathways were Successful in Bangladesh

It is probably true that all the three pathways (i.e., agricultural productivity, non-farm employment, and migration) have contributed well to mass welfare, but specific information with regard to respective contributions from the three pathways appears to be unavailable, which would be of greater value for future guidance. As such, studies should be launched to find out the necessary data.

iv. Land Fragmentation and Land Inefficiency

Chapter 2 and Chapter 3 of the WDR 2008 emphasizes the issue of shortage of arable land. While in Chapter 2, the "looming land constraints" has been indicated as one of the reasons for lower agricultural performance, the corresponding scenario in Bangladesh has been further analyzed in Chapter 3- where it is specifically mentioned that in a context of fast population growth, the major impediments to better agricultural yield have been land fragmentation and fast increase in the total number of farms (Ref: Item # vi in Section 5.1 of this report). In this context, it is important that Bangladesh takes a look-back at the mechanisms through which land fragmentation and other factors contribute to its land-poverty and the consequent land inefficiency.

On a review of the mechanisms of land fragmentation, land dispossession and land-poverty, the state should attempt to (a) recover the lands grabbed illegally and re-distribute them, (b) recover illegally grabbed *khas* land and water-bodies, and (c)

establish reasonable rights of the sharecroppers. Additionally, advocacy campaigning in the same line must also go on.

v. *Microfinance*

It is true that Bangladesh has advanced significantly toward financing of the rural poor, especially rural women, as mentioned in Chapter 3 of the WDR 2008. But it is apparent that a very small portion of the disbursed micro credits has reached the agriculture sector. Microfinance has almost always been used for promotion of non-farm economic activities in the rural areas (i.e., one of the Pathways mentioned by the WDR 2008).

vi. *Bangladesh NOT to Receive Benefit of Trade Liberalization regarding Cotton, Oilseeds, and Wheat:*

Bangladesh would not straightway get the benefits of trade liberalization; and the maximum number of beneficiary countries of the liberalization belongs to Africa and Latin America. The developed countries must take note of the number of countries, especially the agriculture-based and transforming countries, who will not get the benefit of their trade liberalization and re-visit the possibility of modifying the expanse and intensity of the required trade liberalization. At the national level in Bangladesh- DAE (Department of Agricultural Extension), with increased support of the development partners, should take up new initiatives and/or strengthen and commercialize the existing crop diversification projects in order to adjust to the existing global demand pattern. Reportedly, there are already a number of crop diversification projects blessed with development partners' support. But the three following conditions must be fulfilled in order to achieve success in such projects: (a) the gestation periods of such projects must be well-measured so that they get synchronized with the ever-changing global crop and fruits demand pattern, (b) the spectrum of crop and fruits varieties must be kept as broad as possible, and (c) the harvesting schedules of all the crops, especially those of the cash ones, should be made in such a manner that they (the schedules) preferably coincide with the respective lean periods for respective crops or fruits in target importing countries.

vii. *Increase in World Staple Prices*

It has been stated in Chapter 4 of WDR 2008 that when the world prices of staples will increase as a result of trade liberalization, countries like Bangladesh which is largely a non-competent exporter of the commodities being increasingly traded, will benefit because of "low food prices". In reality, this is not going to hold true- and the Bangladeshi farmers, in a context where their counterparts in other poor countries (especially in Sub-Saharan Africa) will be trading in food items with developed countries at relatively higher or increased prices, will have staple food items produced by themselves sold in their domestic markets at prices lower than those for same items traded by other poor (Sub-Saharan) countries. Export of staples by Bangladesh is not likely to be possible, because of the food production level and the size of population to feed.

viii. *Impact of Terms of Trade on Poverty Reduction in Bangladesh*

It has been found that in a liberalized global economy, the terms of trade will improve for developing countries exporting commodities to the developed or urbanized countries. But the Report reads: "Subsequent changes in national welfare usually follow the direction of these terms of trade changes, but changes in poverty often do not follow this pattern. A fall in poverty can occur even with worsening terms of trade (as estimated for

Bangladesh) and vice versa (as estimated for Vietnam)." This extract from the WDR 2008 is partially misleading, because it does not quantify the potential negative contribution from agricultural trade liberalization and the potential positive contribution from poverty-reduction efforts. It seems that when Bangladesh is still one of the poorest countries, the proposal for trade liberalization has been directed most toward development of the already developed countries, and least toward development of the poor agriculture-based and transforming countries. The core issue of a discussion on trade liberalization is how welfare-oriented the ensuing terms of trade for Bangladesh are, and not directly "poverty".

ix. Stopgaps are Necessary

As an analysis of the possible effects of agricultural trade liberalization in the foregoing paragraphs points out fears of backlash especially for Bangladesh, it should be worthwhile to arrange programmes for Food Security and Safeguards. Such proposed transitional programmes should be withdrawn or phased-out only on proven improvement of the related macroeconomic indicators.

x. Compensating Bangladesh and the Other Affected Countries

The more powerful and richer countries are opting to go for more trade liberalization, with ensuing negative impacts on Bangladesh and other poor countries which are also being advised to forego subsidies to their agriculture sectors. Besides, the WDR 2008 is also suggesting stoppage of subsidies to the agriculture sector of the poorer countries. But it has already taken too much of Bangladesh's spending for her to subsidize her agriculture sector. As such, Bangladesh's withdrawal or reduction of subsidies to the agriculture sector at this stage will have the potential of decreasing agriculture production, as well as the Government's loss of popularity, and the rise of socio-political tensions. Besides, the call of the day is not withdrawal of agricultural subsidies, but the challenge as to how to provide such subsidies in the most effective manner, because the traditional way of subsidies (to the factor dealers) only gives benefits to them and frequently against the interests of the real farmers.

xi. Quality Crop-seeds are Dear in Bangladesh

The WDR 2008 in its Chapter 6 has pointed out that healthy seeds are extremely important for a country's agriculture- and variations in quality of seeds, which is almost impossible to verify by merely a physical look at the seeds, can effect significant variations in quantities of crop yields. Demand for seeds in Bangladesh has been increasing at a very fast pace- especially as a result of the introduction of HYVs, hybrid crops and/or GMFs. Quality seeds, if arranged for all farmers in Bangladesh, can enhance agricultural productivity by around 20% of the current level. BADC (the governmental organization entrusted with agricultural responsibilities in the past) nowadays supplies the highest-generating clean seeds, commanding around merely 14% of the country's seeds market. Though more than 30 seed-producing private firms- national and international- have emerged, two particular problems still lurk, that is, (a) sufficient seeds are not available, and (b) quality seeds are scanty.

xii. Producer Organizations Help Protection of Farmers' Interests

The WDR 2008 embodies political interference as the major reason for which various forms of producer organizations, including cooperatives, failed to survive in the past. At present, it would be advisable for the Government of Bangladesh to plan and initiate formation and protection of producer organizations only if it can ensure that past blunders will not occur.

xiii. GMFs/GMOs

The WDR 2008 supports the proliferation of GMFs/GMOs, but it has cautioned its readers against rampant and random use of GMFs/GMOs. It is not clear from the Report as to what efforts were made for the GMFs/GMOs at their pre-formulation stages to look into the needs of various countries or contexts with regard to a particular foodstuff or organism. Bangladesh should wait to know from the world regulatory bodies if pre-formulation compliance with the given standards is prevalent.

xiv. Innovations in Technology Much Needed

Chapter 7 of the WDR 2008 says that innovations in agricultural technology are almost at a standstill nowadays. There are many reasons for the recent standstill in R&D in agriculture. One of them is that the achievement of one country in this line is later enjoyed by many others. However, Bangladesh being one of the poorest countries and given the typical long gestation periods of agricultural R&D projects as compared against the short-length political commitments usually made by a particular government in this country makes it difficult for the country to perform well in this area. On the other hand, as the farmers do not have a strong voice especially due to typical political polarization of the last two decades, linkage between the research universities and the farmers or their associations has also not evolved. However, this situation has perpetrated a long spell of disadvantages to the farmers of the country, especially in the less-favoured areas. In the above context, it is recommendable that Bangladesh should move ahead toward investing more in suitable R&D in agriculture and patenting the evolving technologies as much as possible.

xv. High Food Prices due to Biofuels

The production of biofuels by the richer countries is gradually gaining both pace and volume. Bangladesh- especially being a poor country with a few natural endowments- has been targeted to bear the brunt of administering a huge population by feeding it at high prices through imports. Without quick measures for positive changes in macroeconomic indicators and special Food Security and Safety Nets, Bangladesh may even face higher levels of socio-political tensions.

xvi. Making the Transition Tolerable

As the agricultural trade liberalization is going to be implemented, chances are high that the process of transition will become difficult and painful for a country like Bangladesh which is extremely poor and has little social capital. On the other hand, women being relatively disadvantaged, especially in the rural areas, are going to face most of the challenges in getting the benefits of the liberalization process. As such, by following the suggestions made by the WDR 2008, Bangladesh may benefit in introducing the new pace and style of her agriculture sector through making quick provisions for rural non-farm employment, Food Security projects, and Social Safety Nets projects. Relative

advantage given to the otherwise less-favoured areas would also likely give out important benefits.

xvii. Too Early to Comment on Political Modality:

The WDR 2008 in its Chapter 11 mentions that political and macroeconomic stability are necessary for reforms to trigger growth in the agriculture sector. Bangladesh has lacked a good governance system for a long time, has suffered from political instability for long, and her welfare-oriented pro-poor political bases have waned or been uprooted. Under the current non-partisan emergency caretaker government- it all depends on how well the present government leads the country to a balanced implementation of the entire trade liberalization process for mass welfare and justice. However, the current emergency caretaker government and the successive governments, in steering the implementation of the recommendations in the WDR 2008, should highlight that there are three types of mis-governance that hamper the country's agriculture sector, that is:

- i) Fiscal/Financial mis-governance in sanctioning of agricultural loans
- ii) Benefits from agricultural subsidies usually reach the dealers in agricultural inputs
- iii) Lack of effective *khas* land or *khas* water-bodies distribution programme.

2.3 Linkages between WDR 2008 and Other Policy Documents of the IFIs, especially the World Banks

An analysis of the major policy statements in the WDR 2008 and other documents of the World Bank has been made, but no anomalies among the statements and the World Bank's other documents was apparent. The three particular World Bank documents consulted were (i) Bangladesh Development Series Paper No. 7 (2005)- Revitalizing the Agricultural Technology System in Bangladesh, (ii) Bangladesh Country Assistance Strategy 2006-2009, and (iii) Bangladesh Development Series Paper No. 18 (2007)- Bangladesh: Strategy for Sustained Growth.

- There are numerous bureaucratic bottlenecks in Bangladesh's current agricultural research and development.
- Priority must be given to growth of high-value agriculture in Bangladesh
- Use of biotechnology should be enhanced, and it should be looked into access what other sciences is necessary in order to ensure biosafety of GMFs/GMOs in Bangladesh
- Farmers and their organizations should be empowered for them to take on responsibilities of planning, implementation and monitoring of agricultural extension activities
- Private funding should be increased by triggering (i) extension services to the expanding contract farming system, and (ii) cost-sharing arrangements through private-public partnerships
- Though a vigorous private sector has emerged in Bangladesh due to macroeconomic management and liberalization, this country still faces governance failures
- Following the PRSP, the World Bank's focus in Bangladesh is on Governance, composed of (i) an Improved Investment Climate, and (ii) Empowering the poor
- Poverty pervades through two-thirds of 63 million deprived people, and inequality is rising
- Diversification into high-valued crops and increased output of the livestock and fishery sectors will be necessary to raise real agricultural incomes
- Research, extension and investments in infrastructure (e.g., roads, bridges and telecommunications) are essential for promoting agricultural diversification.

An inventory of the above statements pervading through the World Bank's various publications point out the fact that, with regard to the agriculture sector of Bangladesh, the highest-level priority is suggested to be attached to the following in future:

- Governance in general and governance in agriculture
- High-value, diversified agricultural products and practices
- Closer participation of the private sector in agriculture with the private sector, for promoting the latter's more vigorous contribution to real agricultural incomes.

2.4 Suggested Advocacy Agenda Related to WDR 2008 in the Bangladesh Context

The above findings indicate that a number of advocacies are required to be carried out at both national level in Bangladesh and at the international arena in order to pave the way for better justice globally.

SUGGESTED ADVOCACIES:

a) At the National Level:

- Agrarian Land-Aquarian Reform (Details given in the main narrative); Enhanced Support to the People in the Less-Favoured Areas for their Agricultural Activities; Automation of the Land Management System with the Government; Provision of Micro Credit to the Agriculture Sector; Enhancing Production of Diversified Crops for Export based on the Conditions Recommended in this report; Ensuring Transitional Provisions for Adoption of the Agricultural Trade Liberalization; Enhancing Public Spending to Build Infrastructure to Benefit of the Agriculture Sector; Ensuring Efficient Crop Seeds; Patronizing Producer Organizations; Safe Experiments on and Use of GMFs/GMOs; Rational Production and Use of Biofuel; Department of Agriculture Extension's mission must be strengthened and effective; Shifting the Laboratory of Agriculture University/Institution to the field level; Conducting field-based national agriculture survey, and taking necessary steps considering survey-based results; Cultivating demand-driven and region-wise crops based on comparative advantages; and Advocacy among the development partners and various governments for arranging quick migration of the Bangladesh population affected by climate change to suitable locations around the world.

b) At the International Arena:

- Provision of Micro Credit to the Agriculture Sector; Enhancing Production of Diversified Crops for Export; Transitional Provisions for Adoption of the Agricultural Trade Liberalization; Enhancing Public Spending to Build Infrastructure to Benefit of the Agriculture Sector; Ensuring Efficient Crop Seeds; Safe Experiments on and Use of GMFs/GMOs; Rational Production/Use of Biofuel; and Farmers Adaptation to Climate Change.

2.5 Alternative Policy Options for Not Presented in WDR 2008

The likely alternative policy options for Bangladesh not presented in WDR 2008 are the following:

- i. Intensification of crop diversification (for exports to the developed countries), which is already prevalent in Bangladesh to some extent, has been significantly missing
- ii. Exclusive efforts for skills and education enhancement especially for expediting further quick international outmigration have not been emphasized for even transforming economies like Bangladesh

- iii. As efforts by Bangladesh toward full compliance with the Doha Round without receiving any supplementary support may go into vain, the WDR 2008 could otherwise suggest continuation of the current levels of taxation on and subsidies to the agriculture sector for adoption of transitional arrangements
- iv. Bangladesh, considering her level of preparation for implementation of her trade liberalization in agriculture and other sectors, could request the donor consortia to delay inception of trade liberalization. The WDR 2008 seems to overlook the possibility of such country/region-specific arrangements.
- v. As the Doha Round is a donor imposition on the agriculture-based and transforming economies, donor support (in the form of grants for a given number of years, and *NOT* interest-bearing loans) to such countries for maintenance of their macroeconomic equilibrium could otherwise have been suggested
- vi. As Bangladesh is likely to require huge amount of micro credit for her poor farmers in order to implement the WDR 2008 recommendations with little or no subsidies, the WDR 2008 has apparently missed the need to recommend financing of farmers in such countries with donors' microfinancing.

3. RECOMMENDATIONS

The major recommendations in view of the analyses carried out in the preceding sections of the report are **the advocacy agenda related to WDR 2008, described in a foregoing section**. Besides- in order to lead Bangladesh toward a more prosperous economy especially by augmenting agricultural *productivity* and *profitability*- the following specific recommendations are being made.

- i. Initiatives should be taken up to provide financial support to the poor farmers through either of the mechanisms mentioned in or outside the WDR 2008- using the services of banks in the public sector.
- ii. When poor countries like Bangladesh comply with the Doha Round spending for building essential infrastructures rather than arranging subsidies for their poor farmers, they must be provided with necessary compensating grants.
- iii. Crop diversification must be intensified to alleviate rural poverty, through adoption of cultivation of region-specific and appropriate fruits and vegetables.
- iv. Urgent steps must be taken in order to enable the country to have a sound research-and-extension system based on regional-and-local demand patterns- for increase of income through cultivating high-value crops.
- v. Subsidies to agriculture should be multi-factor, individual farm/farmer-wise packages by way of maintaining inventories of farmers and their cultivation schedules.
- vi. Fiscal/Financial governance system for the agriculture sector, especially in sanctioning of agricultural loans, should be improved.

- vii. Standards of type and quality of various crop-seeds should be determined for subsequent compliance during commercial seed production.
- viii. Quick studies should be launched on *country-context issues* of (i) probable impact on health aspects, (ii) yield levels, and (iii) financial tolerance of poor farmers for *production* and *consumption* of major GMOs/GMFs in Bangladesh.