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INDUSTRIALIZATION IN RELATION TO INTEGRATED RURAL DEVELOPMENT
WITH REFERENCE TO BANGLADESH^{1/}

by

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DEVELOPMENT PROGRAMME AS PART OF AN INTEGRATED RURAL DEVELOPMENT
PROGRAMME

The Scope and Objectives of Integrated Rural Development

1. No less than 75 per cent of the population of the developing countries of the world lives in rural areas and most of these people depend on agriculture for their livelihood^{1/}. Therefore, rural development or what has come to be known as integrated rural development is of paramount importance from the point of view of raising the living standards of the vast majority of the population of the developing countries and of improving the quality of their life. Rural development should be considered as a strategy to improve the economic and social life of the rural poor. As part of overall economic development, rural development should extend the benefits of development to the poorest among those who live in the rural areas for their livelihood. The poorest group consists of small-scale or marginal farmers, tenants and the landless.
2. The strategy for rural development as a poverty-focussed or an anti-poverty programme as part of an overall economic and social development plan must be designed to increase production and enhance productivity. It must also be designed to ensure the supply of the basic needs of life to the rural poor for an acceptable minimum standard of living, such as improved food and nutrition, clothing, shelter, minimum education and health-care. "A national programme of rural development should include a mix of activities, including projects to raise agricultural output, create new employment,

^{1/} United Nations: Industrial Development Survey (Special Issue), 1974, p. 239.

improve health and education, expand communications and improve housing".^{2/}
The objectives of rural development should therefore extend beyond any particular sector. A prosperous rural sector where agricultural development will naturally play the major role needs to be "at the centre of strategy against mass poverty".

3. While rural development is regarded as the means of improving the conditions of the bulk of the world poor living in rural areas and while the force of governments, individuals, institutions and programmes have been arrayed against it, poverty still continues to be the way of life of the majority of the world population and its elimination or even alleviation has proved to be elusive. There are many complexities involved in the rural development process and because of political, economic, technical, institutional and human considerations, rural development programmes are particularly difficult to plan and implement. In the formulation and implementation of rural development programmes, it is particularly important to bear in mind a few considerations. First, the problems and prospects of rural development and hence the process of rural development are different from country to country. A programme of rural development, therefore, needs to be country specific. Secondly, as rural development must be the responsibility of the country itself, it demands national awareness and commitment in both planning and execution of the rural development programme at the highest level. It demands the setting up of additional new machinery as well as the adaptation of the existing machinery of the government to carry out the rural development programmes in all sectors and the commitment of the needed resources available for their implementation from all sources, both internal and external.

^{2/} The World Bank: Rural Development, Sector Policy Paper, February, 1975, p.3.

A third important characteristic feature of a rural development programme is that it is a multi-sectoral or multi-disciplinary process which must eventually encompass all sectors or disciplines of economic and social development. The machinery of the national government which is divided in water-tight compartments, therefore, needs to be adapted to the needs of an integrated approach to rural development. Lastly, rural development to be effective must be national in both initiative and efforts.

4. Rural development as an integrated approach must cover many activities, besides cultivation on which the main emphasis must always remain because agriculture plays the dominant role in the rural development process. These activities need to be developed in an integrated manner, keeping in view the need for determining priorities. These include complementary employment opportunities in agro-industrial activities covering forms of activities closely linked to agriculture for the processing of agricultural raw materials and the production of agricultural tools and equipments of various types. Rural development needs these auxiliary activities as well as the development of small scale and cottage or handicraft industries for stimulating the growth and modernization of the rural sector and for bridging the gap separating it from the urbanized modern sector. It needs construction and land improvement activities like bunding, levelling, draining, ditching, fencing etc. Rural development implies education of the rural folk together with manpower training. It needs health and other service activities. There are thus many sectors of rural development which demand attention and the policies oriented to rural development need an integrated approach and the machinery for the administration of these policies at the national, regional, local and village levels needs to be set up, taking into account the multisectoral and inter-disciplinary nature of rural development. At the same time, the co-ordination aspect of an

integrated rural development policy, at different levels and among different bodies, becomes a matter of paramount importance.

5. A primary objective of rural development, as already pointed out, should be to improve the quality of life of the rural poor. This implies the involvement of the rural poor in the development process and requires their participation in the decision-making process and the implementation of those decisions. The rural poor should get increased economic opportunities through productive and remunerative employment, increased access to resources and an equitable distribution of income and wealth. The energies and the resources of the rural poor need to be mobilized so as to increase both their productivity and self-reliance. The task is difficult and complex and can be accomplished only through the organization of the poor by setting up appropriate institutions at different levels.

6. There are a few other important aspects of an integrated rural development programme. First, rural development has to proceed in terms of area development on which there is an emphasis in some countries. The area development approach calls for specific programmes locally prepared and tailored to local conditions. The type of area development approach relevant is the comprehensive area development. This approach gives the opportunity to focus directly on the needs of the rural poor through diversified crop and integrated farming systems. The development of these activities can then be linked with training and social services and with rural works programmes. Area or regional development programmes can cover a great variety of objectives and organizational forms. The primary objective of some area schemes may be not so much to help the poor farmers or settlers as to generate additional output for disposal at the market place. They may emphasize the production of one or two major crops and

may provide services to growers in the form of a technical package and credit and marketing arrangements, combined with relatively close control of farm operations and supervision of credit.

7. The objective of concerted programmes of rural development may be directed at a wide spectrum of the rural population. The programmes are characterized by careful definition of the needs and resources of the target population, detailed planning of preparation and implementation, phasing of multi-sectoral components and the setting up of or re-organization of related institutions. The primary objective of the programmes is to provide resources and services in selected rural areas in order to increase permanent and temporary employment, raise rural living standards by introducing directly productive activities and improve basic social infrastructure and production services. Foreign technical and financial assistance may be available for these programmes and new institutional arrangements may be introduced for their implementation.

8. Secondly, there is the sector approach under which the types of activity are usually organized on a nationwide basis. These activities may or may not serve the specific needs of the rural poor. The benefits of these activities are not confined to a particular class of beneficiaries. The benefits of roads constructed under a public works programme and of schools and health centres etc. in rural areas, for example, are available to all. These are essential components of programmes of integrated rural development. Credit schemes facilitating the supply of credit through institutional means to the small farmers, for example, are a useful component. They create opportunities for economic gain and promote adoption of new production technology or other improvements; farmers recognize and accept such profitable opportunities; and credit facilitates the delivery systems providing ready and timely availability of the inputs required and market outlets for farm production.

9. Other sector programmes - those concerned with the provision of feeder roads, village electrification, water supplies, health facilities and the promotion of rural industry - are important means of carrying benefits to the rural poor. The major issues involved are concerned with the need to integrate such programmes with programmes of rural development and with particular projects and with the choice of appropriate design standards suited to rural conditions.

10. Thirdly, the matter centring round rural development and demanding the most urgent attention is the identification of the largest group on which attention must be concentrated. About 85 per cent of the 750 million poor in the developing world are considered to be in absolute poverty based on the arbitrary criterion of an annual per capita income equivalent to \$50 or less. The remaining 15 per cent are judged to be in relative poverty -- having income above the equivalent of \$50 but below one third of the national average per capita income. Three-fourths of those in absolute poverty live in the developing countries of Asia. It has been estimated that more than 80 per cent of the population in developing countries are in either absolute or relative poverty.^{3/} Agriculture is the principal occupation for four-fifths of the rural poor including small-scale farmers, tenants, share croppers, landless workers and their families. The objective of rural development is to reduce rural poverty, and as such these are the sections of the rural population which must form the target groups to which the benefits of rural development should justly accrue.

The role of industry in integrated rural development

11. Along with other sectors of economic and social development, industry must be accepted as an important component of any integrated

^{3/} These statistics are from Rural Development, Sector Policy Paper, February, 1975 prepared by the World Bank, p. 4.

rural development programmes. The nature and pattern of rural industrialization, both small scale and cottage or handicraft industries, will, however, depend on the material and human resources of the areas concerned. In the formulation of integrated rural development programmes, the role of rural industrialization has not been adequately recognized; nor is it always reflected in the rural development programmes of the developing countries. The importance of rural industrialization in the context of integrated rural development is, however, beyond doubt and its importance has been recognized in a Sector Policy Paper of the World Bank on Rural Development (1975), in the following words:

"The promotion of rural industry in the context of rural development merits special attention. In many countries, existing village crafts are disappearing rapidly, while modernization of agriculture creates a demand for new inputs and consumer goods which could often be produced locally. If these two trends can be combined through relevant planning and support measures, the outcome might be modernized local industrial structures, geared to serving the rural areas and with linkages to national industry as well. Such rural industry could provide employment, increase incomes, slow rural-urban migration, increase the supply of goods and services to farmers at lower cost and generally stimulate further rural and regional development.

"Expansion of rural industry at an early stage of agricultural development may, in the long run, permit a more rational spatial distribution of industrial and economic activity than might otherwise occur. Much of rural industry is likely to be located in market towns. That would generally be a more desirable form of urbanization than the expansion of already large urban centres. Modernization of agriculture creates a demand

which has great potential for pulling certain categories of industries into rural towns. These industries are, in general, small; and their interaction with medium and large enterprises is, in the long run, essential. Consequently, some urban-based industry can be decentralized, with little or no economic sacrifice, in order to achieve better interaction and more balanced distribution of industrial activity. At the same time, with an industrial base to provide for continuing expansion and development, such regional centers can serve to attract and retain professional and technical skills that otherwise tend to concentrate in the major cities.

"Apart from the linkages with agriculture itself, there are other important cross-sectoral requirements for rural industry. Thus, at some stage, the villages must have access to electricity for productive purposes. It is equally essential to develop the capacity to design and manufacture simple producer goods appropriate for small-scale village industry. The reservoir of potential skills, technical and entrepreneurial, in the rural areas is often large. Without special efforts, however, to upgrade the skills, to improve tools, to diversify production, to open up markets and to change the outlook of the artisans, this important asset threatens to disappear. In many circumstances, the mechanization of agriculture requires small pumps and motors (up to 20 or 25 horsepower), as well as the services of tractor drivers, tubewell operators, tractor and small-motor mechanics, and people skilled in maintaining and repairing mechanical equipment. Rural homes need basic furniture and improved kitchen utensils. Such requirements are either not fulfilled or are met from the cities. It would seem natural to upgrade the skills and organization of village blacksmiths, carpenters, shoemakers, weavers and potters, so that they could assume new manufacturing and service roles in modernizing rural communities. This kind of support should be part of an integrated plan to modernize and develop rural communities.

"Thus, in the same way that agricultural extension services are considered essential for introduction of new technology and development of agriculture, industrial extension should also be seen as a necessary element in developing rural industry. Essential characteristics of such an extension service are mobility and relevance to rural industries in meeting local demands. An important aspect of any such programme must be the development and support of the existing industrial structure in order to capitalize on the base of technical and entrepreneurial skills which today exist in villages, market towns and urban centers. Development of rural industries requires a nationally supported programme to provide inputs like credit, raw materials and equipment, electricity, training for technical and managerial skills, and efforts for research, development and engineering. Provision of such a package is, in principle, facilitated by linking efforts with a rural development programme. Indeed, the general lack of rural development planning cannot be more clearly illustrated than by the weakness of current efforts to promote rural industry."^{4/}

12. Apart from the role of rural industry, industrialization in general is of great significance to rural development. Most of the developed countries of the world are industrialized and, therefore, industrialization must be considered essential to a higher standard of living. The deliberate industrialization programmes followed by the socialist countries and the consequent increase in their prosperity and power have also provided a powerful link between the growth of industry and the economic development of a country. Other arguments in favour of industrialization are the large rates of growth of industry and its heavy contribution to overall growth in the short run, the diversification of activities that go with

4/ The World Bank: Sector Policy Paper, February, 1975, pp. 55-56.

industrialization, the dynamism and the employment opportunities that develop with the growth of industry and the linkages of industrialization with other sectors of the economy such as agriculture, transport and the like. Further, industry helps develop the skills, attitudes and disciplines necessary for modern economic society. It is looked upon as the leading or catalytic sector which will help breakdown the traditional barriers to growth. Modern technology, attitude of experimentation and innovation, organized cooperative work in factories, etc. are some of the attributes that industry will help traditional societies to acquire. Industrialization is thus rightly seen as "the centre piece of the development process" in the developing countries.

13. Although industrialization in the post-Second World War period has brought about some changes in the economic structure of the developing countries of the world, its impact on the life of the vast majority of the common people of these countries, however, still leaves much to be desired. It has been argued that agriculture has been relatively neglected and industrialization has not been successful in solving the problems of mass poverty and under-employment of the poor countries. As in the developed countries, industrialization has worsened the world-wide phenomenon of urban concentrations in the developing countries. It has led to the urban-rural, "dual economy" gap in many countries while it has failed to sustain the quality of life for the urban poor.

14. While the above criticisms advanced against industrialization may be partially valid, no attempt should be made to belittle the importance of industrialization in developing countries. As the United Nations Committee for Development Planning has put it "It is unrealistic to expect industrialization to accomplish - indeed, even to contribute uniformly to - all of the objectives of development; it is unfair to blame

industrialization for all of the woes of development, and many currently adverse appraisals of industrialization are guilty of impatience. The formation of new industrial activities and linkages takes time. It must start in some particular sectors and geographical places before others. In countries where such beginnings are recent it makes little sense to fault particular initiatives for generating inequity or for failing to generate spread effects before the initiatives have had a fair chance to get going.^{5/}

15. While a good deal can be said in defence of industrialization, it is essential to re-examine the status and needs for industrial development in the low-income countries characterized by mass poverty and unemployment and general backwardness to the alleviation of which development priorities must be oriented. In keeping with the people-oriented ordering of development priorities that has been advocated, industrialization can and should be "people-oriented". The pattern of industrialization is bound to vary as between countries according to their size, location, preferences and other characteristics but there are certain industrial choices that must be made according to the needs of these low income countries such as substantial inroads on mass poverty and unemployment, the linkages of industry with agriculture, equitable and humane way of life for the whole populations. The view is that appropriate industrial choices have not been made in formulating the strategies for industrialization of the low-income countries and consequently industrialization has been oriented to satisfying the demand of certain sections of the societies living in the urban areas and not to that of the general body of population which is poor and which mostly lives in the rural areas.

^{5/} United Nations: Industrialization for New Development Needs, 1974, p. 2.

16. Undoubtedly the vast majority of the poor people live in the rural areas on which development efforts should be concentrated and industrialization hitherto pursued has not played an important part in ameliorating the conditions of the poor. As the United Nations Committee for Development Planning has emphasized, "industrialization should be viewed primarily as a means of improving the conditions of work and living standards of the poverty-stricken masses the world over, and not merely as a means of producing a wider variety of products by application of modern technology. If this is not kept in mind, efforts to industrialize may leave the lives of the majority of the people untouched"^{6/} Indeed, industrialization of the low-income countries and the policies hitherto pursued connected therewith have not brought about benefits to the lives of the majority of the people. In order that industrialization does have a broad impact on living conditions in the less developed countries, it has to be closely interwoven with the development of all other sectors of the economy, more particularly agriculture.

17. Again, higher rates of growth of output in industry and agriculture are not sufficient by themselves. Incomes generated in the process of economic growth should be sufficiently widely distributed to promote perceptible improvements in living standards all round and should be reflected in the composition of the output which more closely corresponds to the requirements of the masses of the people. Industrialization so far has not led to a more even distribution of income and the type of industrialization i.e. the types of commodities and services made available have not catered to the needs of the vast majority of the population which is poor. "The basis for industrialization must be broadened geographically by giving more attention to the expansion and modernization of agriculture and to the development of

^{6/} United Nations: Industrialization for New Development Needs, 1974, p. 8.

small and middle-sized urban centres in the rural areas. This would create the conditions for the development of a pattern of industrialization that would include among its objectives the processing of agricultural and other local materials. Such a pattern of industrialization would in turn help to raise incomes in rural areas and thus provide an expanding market for mass-produced industrial consumer goods. Moreover, there would be a need for increasing manufactured inputs for agriculture and other rural activities".^{1/} Particular industrialization schemes should be formulated on the basis of complementarity of industrial development with agricultural and other output.

Industry supports rural development

10. Industry supports integrated rural development in a number of ways. Four types of industries could be distinguished to demonstrate the relationship between industrialization and rural development. First, in almost all countries, there are cottage or handicraft industries producing a variety of articles for rural and urban consumption and also for export. These activities carried out in the rural areas and also in the urban areas in many cases are based on the availability of traditional skill which can be further developed and upgraded. Secondly, there are manufacturing industries which are closely linked with agricultural development - industries producing fertilizers, pesticides, agricultural machinery, equipment and tools (mechanical, hand-operated and animal drawn) as well as repair and maintenance for machinery and transport equipment. Some of these industries are carried on large as well as medium scales and, although these may be located outside the rural areas, they contribute substantially to increasing agricultural production and productivity by supplying inputs for rural development

^{1/} United Nations, Industrialization for New Development Needs, pp. 9-10.

which largely means agricultural development. Thirdly, there are industries which are based on the processing of local raw materials from agriculture and fisheries such as food processing, leather, textiles etc., from forestry such as house building, construction, furniture etc. Many of these industries can be developed in the rural areas as modern industries on a small scale. Lastly, many other industries not included in the types of industries already mentioned but capable of satisfying some of the basic needs of the rural people may be developed in the rural areas as part of the policy of decentralization of industrial development to the local level.

19. The discussion so far has centred round two themes, namely, the scope and objective of an integrated rural development programme as part of the overall national plan and the need/^{for}and desirability of incorporating industry as a component of that programme. Most national governments have adopted rural development or integrated rural development programme as part of their national plans. Policies and institutional arrangements of various types, however, piecemeal and inadequate these may be, are in evidence in many countries for the implementation of such programmes. In the next section, it is necessary to indicate, in general terms, the essential requirements or components of an industrial sector development programme as part of integrated rural development.

Requirements of an Industrial Sector Development Programme as a component of an Integrated Rural Development Programme

20. A certain geographical area is taken as the unit for integrated rural development. An area has to be selected on various criteria which must be formulated and fixed in the light of the objectives of the economic and social policies of the government concerning rural development. The criteria will surely vary from area to area and will depend on the needs and the resources of the area, both material and human. An economic and

social survey of the area is an essential preliminary for the collection of relevant information such as the size of the area, the composition of its population by sex and age; employment and unemployment situation in the area, the main occupations of the area, its actual and potential resources both human and material for economic and social development, the availability of infrastructural facilities in the area etc. As the purpose is to prepare an industrial programme for the area, efforts must be made to identify the opportunities for developing various types of non-agricultural and industrial activities in the light of the available resources of the area such as raw materials, the supply of labour, technical know how, entrepreneurship, the availability of finance and the demand situation etc.

21. A national machinery for the preparation, co-ordination and implementation of rural development programmes is an essential prerequisite and most countries committed to such programmes do have institutional arrangements for the purpose, at the central, regional and local levels. There must also be a national organization responsible for the industrial part of such programmes. The national organization must have its organization that must be responsible for the development, formulation and execution of the industrial programmes in co-operation with the national organization or machinery for integrated rural development. The institutional arrangement set up for the purpose may be a corporation or a division of the Ministry of Industry, with the specific charge of formulating the area plans for industrial development in co-operation with the national organization that exists for integrated rural development. Such an institution through its several departments will perform all functions relating to industrial plans for the areas such as, information collection, identification of industries suitable for development in the areas, assistance with preparation of

projects and their evaluation in several aspects such as technical, economic, financial, marketing, management etc. The institutional machinery is thus a matter of paramount importance in the context of industrial programming on an area basis.

Elements of a rural industries development programme

22. There is a need for a broad integrated approach to developing an industrial development programme for the rural areas. The programme should be fairly comprehensive. It is not enough to set up an institution charged with, say, making money and credit more readily available to small industry. The opportunities for industrial development will be limited by such factors as lack of technical knowledge, poor marketing, bad design of products and lack of skill in planning and managing an industrial enterprise. In the same way, a technical advisory service by itself or an industrial research institute, or a demonstration centre showing improved practices or a management training course will have a rather limited impact if set up in isolation rather than as part of a more comprehensive programme. The small entrepreneurs, for example, may be impressed by demonstration of mechanized production methods, but without access to suitable financing, be quite unable to acquire even a modest amount of machinery. A programme for developing industries in the rural areas must consist of simultaneous measures to deal with a number of limiting factors.

23. A rural industries development programme as part of an integrated rural development programme must, therefore, include the following elements:

1. The selection of an area on the basis of the desired criteria.
2. A survey to assess the human and material resources of the area.

3. Identification of the industries suitable for incorporation for development in the industrial programme for the area.
4. Project preparation and evaluation.
5. Financial or credit support.
6. Technical assistance.
7. Marketing support.
8. Industrial research and advisory services.
9. Procurement of raw materials and equipment.
10. The establishment of industrial estates or centres with basic facilities.
11. Industrial training programme.

24. For lack of space, it is not possible to deal with every element of the programme in detail in this paper, nor is such a discussion considered necessary. It is enough to point out that, as things stand at present, no systematic or consistent effort has been made to include industrial development as a component of integrated rural development in any country. Almost every country of the ESCAP region has a programme for the development of small-scale and cottage industries, but this programme does not form part of integrated rural development. The prevailing development programmes for small scale and cottage industries need to be closely interwoven with rural development programmes, in addition to the new requirement for the incorporation of an industrial development programme as a component of an integrated rural development programme. This requirement points to the needs for identifying the various types of industrial or non-agricultural activities suitable for development in the rural areas as part of an integrated rural development programme.

25. The several categories of industrial activity^{8/} may be broadly indicated as follows:

(i) Processing of agricultural products

This may include the primary processing of the output of fisheries, silviculture and agriculture in its broadest sense covering crops, animal and poultry products. There may be simple and inexpensive operations to preserve foodstuff against losses through vermin or insect attack or to improve their keeping qualities as well as somewhat complicated processing plants converting the raw produce into a form acceptable to the markets. The agricultural processing plants are essential and for most of them, there are good reasons for their location to their sources of raw materials.

(ii) Provision of agricultural inputs

Agricultural improvements often necessitate the introduction of mechanical devices such as the replacement of wooden by steel implements, the use of irrigation equipment and tractor-drawn appliances. Village craftsmen can make simple handtools, and non-motorised transport equipment and service and repair agricultural machinery. The skills of rural craftsmen may be upgraded and may eventually be used to manufacture such items as ploughs, burrows, sprayers etc. as well as for introducing post-harvest technology to minimize loss of agricultural produce.

(iii) Mineral extraction and the production of building materials

In areas where mineral resources are exploitable, mining could lead to the setting up of new enterprises, namely, the servicing and repair of mining equipment, the manufacture of certain mining supplies such as protective clothing, small-bore hoses, gaskets etc. and the dressing of mining tools. Building materials such as crushed stone, bricks, floor

^{8/} This classification is based on the United Nations Document ST/ESA/4 on Rural Industrialization (1974).

tiles etc. could be produced by small scale enterprises in the rural areas more cheaply than in the urban areas.

(iv) Rural consumer goods produced and services performed by traditional artisans

In all rural communities, there are some artisans or tradesmen, woodworkers or carpenters, sheet metal workers, blacksmiths and tailors. Small-scale industries or handicrafts centring round the activities of these workers could be organized and developed by improving designs with some assistance in the needed areas. The demand for consumer items will increase as rural incomes rise as a result of greater agricultural production and productivity stimulated by government policies. More rural people will thus be employed in the repair and maintenance of equipment used in rural transport, industry and homes.

(v) Artistic handicrafts

In most countries rural skills of a high degree are available for the production of articles of artistic excellence from locally available materials. In many cases the production of such articles is undertaken as spare time family occupation. For these articles there is an expanding domestic and export market. The designs for these products can be further improved; their qualities can be enhanced; and their markets particularly export markets, can be promoted. Both technical and marketing assistance will be of considerable use to small-scale and handicraft production in this field.

(vi) Auxiliary manufactures.

These include the production of components for eventual assembly in the products of large, usually urban manufactures. This sort of sub-contracting with a guaranteed market and a feedback of technical assistance is quite practicable in developing countries which had achieved a fairly high technological level and where efficient and dependable small-scale

industries exist. Such industrialization brings about an integration of operations between the rural and the urban areas.

26. There are many other industrial activities which could be developed in the rural areas, depending on their resources. It is only on the basis of a detailed survey of the resources and the marketing situation that a specific industrial programme for an area can be developed. It is, however, not enough to indicate the industrial sub-sectors. There is the more important task of identifying specific industrial projects and evaluating them in all aspects before they are taken up for actual implementation which must proceed by projects.

The Role of UNIDO in Assisting the Developing Countries to Develop Industrial Programmes as Parts of Integrated Rural Development Programmes

27. In late 1976, the ESCAP Inter-Agency Team on Integrated Rural Development visited a number of countries of the region to

- (i) discuss the experiences of member countries in implementing their respective programmes and policies on rural development;
- (ii) ascertain the views of member governments regarding the strategies for a co-ordinated programme of the United Nations agencies for assisting member governments of the ESCAP region in integrated rural development;
- (iii) discuss with governments the identification of local areas in which governments might organize joint consultations with beneficiaries and implementors as a means of developing integrated rural development programmes to which the agencies could make a co-ordinated contribution.

28. The countries covered by the team are Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka, Thailand, Malaysia, Philippines, Indonesia and Papua New Guinea. A review of the experiences of these countries of the

ESCAP region has shown that, although every country has a programme for developing small-scale and cottage industries in a decentralized manner, the programme does not form part of an integrated rural development programme. In the present rural development or integrated rural development programmes, in almost all countries, there is the concentration on agricultural development and related activities alone. There is rarely any emphasis placed on industrial development in such programmes. There is, however, a recognition on the part of the countries that industry should be an important component of an integrated rural development programme in view of the fact that there is a great need for introducing non-agricultural activities in the rural areas to diversify the occupations of their people. To illustrate this point, the neediest section of the rural population in these countries consists of the landless labourers who have yet to be brought within the purview of rural development by creating employment opportunities for them.

29. If there is a recognition of this concept, then action needs to be taken at several levels on various issues that may be considered in formulating rural industrialization programmes. In this connection, a reference may be made to the Report of the Expert Group Meeting on Rural Industrialization held at Bucharest from 24 to 28 September 1973^{9/}. The Expert Group made comprehensive recommendations regarding (i) action that should be taken by individual countries; (ii) financial and technical aid that could be provided by the developed countries; (iii) co-operation among the developing countries themselves; (iv) action or assistance from the international organizations; (v) the conducting of research and preparation of studies, and (vi) multi-lateral liberalization of trade.

^{9/} Department of Economic and Social Affairs - United Nations, New York: Rural Industrialization ST/ESA/4 (1974).

30. The United Nations Industrial Development Organization (UNIDO) could usefully establish its liaison with (i) the national focal point (the ministry or the department) in charge of rural development or integrated rural development as well as with (ii) the national institution in charge of the development of small-scale and cottage industries. It is by establishing contacts at these two points that a dialogue may be started between UNIDO and the country on the desirability, feasibility, and implementation of an industrial development programme as an essential component of the non-agricultural sector. UNIDO has supported small scale industries development programmes in many of the developing countries and has provided technical assistance in many forms in this field. It will, therefore, seem appropriate for UNIDO to extend its activities to the field of rural industrialization in the developing countries.

31. Once the liaison, as mentioned above, has been established, UNIDO technical assistance in the following main areas should be made available.

- (i) survey of the areas to be developed to assess their human and material resources and to ascertain their infrastructural needs;
- (ii) identification of industrial activities suitable for incorporation in the industrial programmes of the areas;
- (iii) project preparation and evaluation;
- (iv) ways and means of making financial or credit support available;
- (v) technical and marketing support;
- (vi) industrial research and studies on relevant subjects such as rural entrepreneurship, appropriate technology, rural environment etc.;
- (vii) industrial training programmes and industrial extension work;

- (viii) arrangements for study-tours or visits to facilities in other developing countries and for exchange of officials.
- (ix) arrangements to collect, exchange and distribute information among developing countries;
- (x) exchange of experts among developing countries;
- (xi) exchange of trainees among developing countries;
- (xii) supporting and facilitating the provision of advice and assistance in the needed areas by the developed countries to the developing countries, such as meeting the travel expenses of the experts and the trainees.

32. The list of the areas of assistance is only illustrative and could be lengthened. In every country office of the Resident Representative, UNDP, there is or should be a small cell dealing with UNIDO matters, which may take up the question of rural industrialization with the government of the country and the relevant institutions dealing with integrated rural development as well as rural industrialization.

PART II - BANGLADESH - A CASE STUDY IN INDUSTRIALIZATION IN RELATION
TO INTEGRATED RURAL DEVELOPMENT

Introduction

33. Bangladesh is the eighth largest country in terms of population (with 80 million in 1977, with a total area of 55,598 square miles) and the fourth largest among the rural societies in the world. The per capita income in Bangladesh is about 180^{10/}. About 60 per cent of her rural population live below the minimum subsistence level with an average per capita income of less than Taka 400 per annum; 57 per cent of her gross domestic product is accounted for by agriculture which employs 22.84 million people of which 7.50 million are either unemployed or under employed. Her population density per square mile is more than 1,500 against the total availability of 22 million acres of cultivable land. The average size of holding is less than 2.5 acres. The majority of the farmers are small and medium farmers. The number of landless labourers is estimated to be around 30 per cent of the total. Only 10 per cent are surplus farmers. Sixty-six per cent of the total farm families fall within the range of 0.50 to 2.50 acres of land and own 24 per cent of the total cultivable land. Twenty-nine per cent of the farm families which can be termed as medium scale farmers own parcel of land varying from 2.50 to 7.50 acres and own 53 per cent of the total cultivable area. The rest 4 per cent of the farm families having 24 per cent of the total land are considered to be big farmers. The pattern of unequal distribution of land ownership has significantly contributed to the already existing poverty of acute nature.

34. Rural poverty in Bangladesh may be attributed to a number of factors. These are: low agricultural yield, increasing pressure of population growth

10/ One US\$ = Taka 15.00 approximately.

on limited agricultural land, high rate of absolute and disguised unemployment and poor institutional facilities to support agricultural development at the farm level or to promote non-agricultural opportunities at the village level. In view of this situation, the Government of Bangladesh envisaged a massive rural development programme within the framework of the country's First Five Year Development Plan (1973-1978). A comprehensive institutional arrangement and a number of action programmes involving many nation-building departments and agencies of the Government have been devised to implement the development programme in the agricultural sector. The strategy of the policy measures of the Government with regard to reducing rural poverty has been designed to be labour-intensive. The broad objectives of the policy measures are: (i) gradual replacement of traditional and greatly unstable agriculture by a modern agriculture capable of sustained growth; (ii) increase of agricultural income on which the vast majority of the population depends for livelihood; (iii) expansion of employment opportunities for the growing labour force and (iv) reduction of rural poverty and promotion of equality of income distribution.

35. To realize the above objectives, the efforts which have been undertaken are: (i) introduction of a seed-fertilizer-irrigation based new agricultural technology which would speed up the introduction of high-yielding varieties of crops and multiple cropping system and (ii) the development of institutional bases at different levels for channelizing the Government's developmental efforts and other facilitating services.

36. The new agricultural technology in Bangladesh consists of i) introduction of high-yielding varieties (HYV) of rice and ii) strengthening of supply and servicing programme. As for HYV, it may be mentioned that though this technology was introduced in Bangladesh as early as 1966, until

now only 2.6 million acres (which is about 11 per cent of the total cropped area under rice cultivation) has been brought under it. As is well-known, the introduction of HYV and its success depends upon the application of adequate dose of chemical fertilizer, availability of irrigation and credit facilities. In this respect, one would tend to agree with the assertion that in a situation like Bangladesh where large farmers have more access to input facilities than the medium and small farmers, the former group is likely to go for HYV technology earlier than the other groups. A recent BIDS study^{11/} attributes the slow spread of HYV technology to the following factors: untimely supply of inputs, inadequate extension services, lack of availability of irrigation facilities and an inelastic supply of credit.

37. Regarding the input programme, the farmers are supplied with fertilizer, insecticides, pesticides, institutional credit against production plan, seeds and extension services through its various agencies like Bangladesh Agricultural Development Corporation (BADC), Integrated Rural Development Programme (IRDP), National Co-operative Bank and some commercial banks, etc. The whole input programme, it may be mentioned, is heavily subsidized by the Government. As a major part of the input programme, the Government has planned to procure and supply a total quantum of 3,884 thousand tons of fertilizer of different varieties, 79.7 thousand tons of pesticides, 110 thousand tons of seeds and an amount of Taka 365 crores of institutional credit to the agrarian population during the planned period.

38. It has been envisaged in the First Five Year Plan that if the agricultural strategy and the policy measures can be effectively carried out, the country can hope to reach near self-sufficiency in food by 1977-78 -- the terminal year of the plan period. The plan lays down the annual

^{11/} Asaduzzaman, M. "The High Yielding Variety Programme and the First Five-Year Plan: Some Comments"; Bangladesh Institute of Development Studies (BIDS), Dacca, 1974.

requirement and projected production of food-grain during the plan period.

39. Uptil now, there has been no clear assessment of food production level specifically in relation to the plan target. However, a recent report of the World Bank says that there was 12 per cent growth of agricultural production in 1975-76 compared to 1974-75 level. This growth might be largely due to favourable climatic condition in that particular year. A persistent growth trend as a result of planned measures is yet to be established.

Institution Building Programme

40. The Government has envisaged the development of proper institutions at different levels in order to channelize the efforts of development and to ensure the participation of local people. The institutions which form the part and parcel of agriculture and rural development are briefly described below:

(i) Integrated Rural Development Programme (IRDP)

The well-known 'Comilla Co-operative System' is being replicated by IRDP in 162 out of 410 thanas of the country^{12/} It envisages to organize the rural farmers through village-based primary co-operatives (K.S.S.) and their supporting federation at the thana level (TCCA). Both these grass-root level institutions provide agricultural inputs, managerial know-how and continuous service to the co-operators.

(ii) Thana Training and Development Centre (TTDC)

TTDC houses all the thana level offices concerned with development and provides extension and training services to the farmers. It also plays a vital role in integration and co-ordination at the thana level.

^{12/} A number of villages constitute a "Union" and a number of unions constitute a "Thana".

(iii) Thana Irrigation Programme (TIP)

Through the thana irrigation programmes farmers are organized for joint use of irrigation equipments like pumps and tubewells. These irrigation-based farmers' groups were subsequently converted into co-operative societies.

(iv) Rural Works Programme (RWP) and Food for Works Programme (FWP)

RWP and FWP have been designed to build-up physical infrastructure as well as to provide additional employment opportunities to the landless and marginal farmers in the slack season.

41. Apart from the IRDP co-operatives and the institutions discussed above, there also exists as many as 4,107 union multipurpose co-operative societies whose primary function has been the distribution of short-term credit to the farmers supplied by the National Co-operative Bank and its affiliated 62 central banks. The "Suenirvar" (self reliant) village development introduced in some areas of Bangladesh is an extremely interesting concept and is full of possibilities.

42. The present rural development programme, however, broad it may be in its perspective, has left some of the vital issues unattended. A number of such issues which seem to be important and which also suggest the need for re-orientation and re-adjustment in future planning strategies are pointed out below.

Marginal and Landless Farmers and Their Problems

43. About 65 per cent of the farmers in Bangladesh have total land holding varying from 0.5 to 2.5 acres. Moreover, the fragmentation of such small holding which causes difficulty for modernized cultivation makes farming unprofitable. This vast group of farmers consists of only marginal farmers. There also exist a huge number of landless labourers and the position in this respect has worsened in recent years. It may be mentioned

that neither IRDP nor any other existing rural institutions have any built-in mechanism to cater to the needs of the marginal and landless farmers. Both these groups have little or no access to HYV technology because of scarcity of their capital needed for procuring seeds, fertilizers and implements. They make the first rank target group of any programme attacking rural poverty. It is necessary either to bring them under some special institutional arrangement of IRDP or to launch a separate programme within a redefined framework of Integrated Rural Development Programme.

Other issues in rural development

44. There are many other issues involved in the rural development of Bangladesh. First, the issue of land reform occupies a central place in any rural development strategy aiming at reducing rural poverty. It plays an important role in raising agricultural production, social structuring and political participation of people. Yet, no serious efforts towards land reform has been attempted to effect notable change in production arrangement. A narrowly conceived land reform was introduced in 1972 which fixed maximum ceiling of land at 33 acres per family and exempted farm holding up to 8.3 acres of land from land tax. Land redistribution with a lower ceiling depends on political decision and requires adequate administrative mechanism for implementation. There is perhaps no workable solution for this in the near future and as such measures relating to tenancy regulation on share-cropping, absentee ownership with inefficient utilization of scarce resources, consolidation of holding, terms of leasing etc. may give new incentives to the farmers.

45. Secondly, in Bangladesh the major source of income for maintenance of farm households is the prices the farmers get from the selling of agricultural produce like rice, jute, sugarcane, tobacco, vegetables etc. The maintenance of remunerative prices, particularly for the major cash

crope, provides the most powerful stimulus for the expansion of their production. It is necessary to adopt adequate pricing policy in order to check fluctuation of prices and to ensure a minimum acceptable price level of different agricultural commodities. A price stabilization programme may be of much use in this regard.

46. Thirdly, the production of increased food-grains and other agricultural crops necessitates sufficient storage and marketing facilities for them. An effective distribution programme of agricultural inputs such as seeds, fertilizers and insecticides also calls for a network of storage and warehousing facilities throughout the country. The procurement of food grains for price stabilization and emergency relief measures in case of drought, flood or famine also requires for its success a network of storage and godowns all throughout Bangladesh. Often, the farmers sell their products immediately after harvesting when the prices remain low, because of lack of storage and marketing facilities.

47. Fourthly, in the various levels of central as well as field ^{there} administration is the lack of co-ordination and integration among the various ministries, departments and agencies. This is particularly pronounced at the thans level, which, under the present arrangement, forms the basic unit of developmental administration. The concept of TTDC was introduced to bring the various agencies concerned with developmental activities at the thans level under a single roof for the sake of co-ordination and integration of efforts. In practice, however, no effective co-ordination could be achieved. The government functionaries at the local level owe their allegiance to their respective departments. Further, the government employees at the local level is not willing to transfer responsibility of management to the farmers and their organization. What is necessary is to evolve a system to ensure accountability and

control of field level functionaries to the people's organization at the local level; the problem of co-ordination and integration has to be successfully tackled. The appropriate organizational strength of the local bodies, however, is yet to emerge.

48. Fifthly, Bangladesh still practices centralized planning. Some degree of centralization for co-ordinated plan formulation and implementation is desirable, but it is necessary to encourage planning at the local level. In this case, the local administrative structure needs more authorities to design and execute plan. Local bodies should have sufficient planning methodology at their command. A bottom-up planning is likely to ensure more participation from the people.

49. Sixthly, Bangladesh has a vast reservoir of manpower who are underemployed and unemployed, but at the same time the country also suffers from an acute shortage of skilled and semi-skilled human resources. About one-half of the total women population of Bangladesh are of working age, but they are not gainfully employed in productive work. Another underutilized population group is the youth. A human resource development mechanism is necessary to involve these groups in development work. Through appropriate training and education, a large proportion of them can possibly be employed in various types of non-farm vocations.

Population Policy

50. The Government of Bangladesh has accorded a very high priority to the problem of population which is regarded as the number one problem of the country. To highlight the gravity of the problem, a National Population Council with the President as Chairman has been constituted. The need for population control and family planning has been an accepted policy of the Government.

51. In the past years, family planning programme was administered in isolation from developmental programme. Emphasis has recently been shifted towards having different Government ministries (like agriculture, education, information, labour and social welfare) involved in family planning programme together with the Ministry of Health and Family Planning. Family planning has now been put in a development programme framework. These development institutions like co-operatives, rural workers' club have been undertaking responsibilities of education and motivation for family planning. Rural health infrastructure is being improved through the establishment of Thana Health Centre in order to provide back up services for family planning. The overall service delivery system is also receiving attention from both government and non-government organizations so that the rural people have easy access to services. Thus some effort is in evidence in integrating population policy with rural development. The result is bound to be slow because of the inadequacy of the measures taken, but the popular awareness of the problem is there.

The Process of, and the machinery for, Planning for Rural Development

52. In Bangladesh the following ministries and agencies at the national level are entrusted with the job of nation-building activities in agriculture and rural development sectors.

(1) Ministry of Agriculture

- a. Directorate of Agriculture
- b. Directorate of Plant Protection
- c. Bangladesh Agricultural Development Corporation (BADC)
- d. Bangladesh Agricultural Research Council (BARC)
- e. Bangladesh Rice Research Institute (BRRI)

(ii) Ministry of Local Government and Rural Development (LGRD) & Co-operatives

- a. Directorate of Co-operatives
- b. Integrated Rural Development Programme (IRDP)
- c. Bangladesh Academy for Rural Development (BARD), Comilla
- d. Rural Development Academy, Bogra
- e. Department of Public Health Engineering

(iii) Ministry of Forest, Fisheries & Livestock

- a. Directorate of Livestock
- b. Directorate of Fisheries
- c. Directorate of Forests
- d. Forest Industries Development Corporation
- e. Fisheries Development Co-operation

(iv) Ministry of Health, Population Control & Family Planning

- a. Directorate of Health
- b. Directorate of Population Control & Family Planning

(v) Ministry of Power, Flood Control & Water Resources

- a. Power Development Board
- b. Water Development Board

(vi) Ministry of Labour & Social Welfare

- a. Directorate of Social Welfare
- b. Directorate of Labour

53. Each ministry or its directorates and autonomous bodies under its administrative control prepare development projects/programmes for one year or five years and then these projects are submitted to the Planning Commission for scrutiny and consolidation and subsequently to the National Executive Council or its Executive Committee, as the case may be, for final approval. The National Executive Committee (NEC) is the highest approving authority

of the Government. After approval, the scheme is implemented by the administrative machineries of the ministry concerned at different levels. At times, some of the projects like IRDP, Thana Irrigation Programme (TIP) and Food For Works require active participation and support from more than one ministries and agencies. In that case a built-in mechanism is provided in the scheme itself. In addition, there are standing committees at national, district and thana levels to co-ordinate multi-agency projects. In any case, responsibility given to any department or agency according to the project concerned becomes obligatory after its approval by the N.E.C. (Inter-ministerial and agency linkage given in Appendix).

54. If the co-ordination and participation from any agency is found to be lacking in the time of execution of the project, the Planning Commission or the Project Implementation Bureau (PIB) makes arrangements for removal of such difficulties. Lastly, the newly constituted Rural Development Council (RDC) having the President of the country as its Chairman is now working as the central co-ordinating body for all development activities of the rural areas. In each scheme responsibility of different government agencies are clearly spelled out and each of them has to discharge its responsibility accordingly. After approval of the project, it is included in the Annual Development Plan (ADP) and the Five Year Plan and necessary funds (both for capital and operational expenditures) are placed with the executing agency(ies) concerned. Each such agency has its own evaluation cell for necessary evaluation and monitoring of on-going projects. In addition, the Planning Commission and PIB may appoint any evaluation committee for the purpose as and when necessary.

55. Uptil now the processes by which planning decisions are taken mostly at the national level have been discussed. In almost all the projects, details are left to be worked out at the thana and avon, at times, at union

and village levels. For example, in TIP and Works Programme, national and district targets are fixed at the national level but inter and intra-thana targets are prepared at the thana and district levels with active participation of union parishad which is the lowest local government unit. In addition, there are local government bodies, namely, district councils at the district level and thana parishads at the thana level. But both of these bodies lack people's representation and consequently, the co-ordinating role of these bodies is not prominent. To ensure popular participation in the development processes as well as to make them an effective forum for co-ordination in their respective levels, clear-cut rural development policy is to be declared by empowering these bodies with necessary powers and functions. Local government bodies with necessary power and functions can successfully solve many a problem adversely affecting development projects locally.

56. Recently several development boards (i.e. Rejehahi Development Board and Chittagong Hill Tracts Development Board) have been set up by the Government to pay particular attention to less developed areas.

57. The basic planning approach in rural and agricultural sectors has been guided mainly by the principle of sectoral planning in combination with territorial considerations. This emanates from continued emphasis on the division of labour in planning and the importance placed on the adoption of new technologies in the separate fields of agronomy, irrigation, livestock, fishery, etc. New agencies have been created dividing responsibilities into specialized compartments. An increase of agricultural production and the creation of new employment to reduce the rate of rural unemployment in the teeth of projected population growth have been laid down as the major objectives of rural and agricultural development. For the attainment of these objectives, the ministries concerned have piloted about 200 projects

in the Five-Year Plan. The projects are frequently troubled by the problems of overlapping, confusion and wastage. The projects are prepared by concerned agencies and unless constrained by natural factors are spread over regions.

58. Area development programme has been receiving due attention in recent days on several grounds. First, it is convenient for exploitation of local potentialities under optimum combination with an increased efficiency of capital, labour and other factors of production. Second, the concept of local planning and participation can be more easily translated into action over a viable and homogenous territorial unit without involving complexities which usual diversities of occupational, cultural and other conditions of projects spread over various geographic regions. Lastly, area development provides good mechanism for co-ordination.

59. Integrated Rural Development Programme (IRDP) is a striking departure from the tradition of sectoral planning approach to development. In this programme, major reliance has been placed on the development of farmers' organization at the grass root level with their affiliated federations at the thana level which is considered to be a viable unit of rural development administration in Bangladesh. Though integration is a sophisticated concept at an advanced stage of evolution, co-ordination of sectoral services at thana and district level to supplement each other and avoid overlapping and wastage is considered to be real test of success of development efforts undertaken presently. Recently, Rural Development-1 Project covering a total population of two millions in seven thanas of two districts have been launched. It involves some integration of agricultural credit, irrigation, intensive extension, livestock and services under the umbrella of a two-tier co-operative structure. A few other area development projects are also being prepared covering an approximately seven million

population in other areas. Besides the comprehensive area development through such projects IRDP are working out other projects with limited terms of reference. These are based on more intimate linkage among a limited number of factors of production like credit, irrigation, agricultural extension and supplies.

60. While poverty in Bangladesh, especially in her villages, presents a challenging task of the highest order to economic planners, Government's attention is being increasingly drawn to this problem.

61. The present status of rural institutional programmes may be summarized briefly as follows:

- i) The Ministry of Agriculture has agricultural extension officers at the union, thene, and district levels. In general most of these officers at the thene and union levels are poorly trained in agricultural science and extension methods. At the village level the Union Agricultural Assistant operates in/large area. His performance has been very poor. The present extension service cannot meet the demands of agricultural development programme envisaged in the First Five-Year plan.
- ii) There is a national co-operative credit bank with 62 central banks spread all over the country. At the village level there are 4,107 union multipurpose co-operative societies and about 25,000 agricultural co-operative societies. This set-up is primarily concerned with distribution of short-term farm credit. Its effectiveness has been very limited, only a small fraction of the total credit needs of the farmers is met by the co-operatives.

- iii) The former local government bodies were disbanded after independence. A new local government system is in the process of formulation which will start functioning within a short period. The Rural Works Programme is now primarily concerned with the massive task of relief and rehabilitation of the war ravaged rural areas. The concept of the Thana Training and Development Centre as a key institution for integration of rural development activities of different departments and training of local leaders is well thought out and useful.
- iv) The Integrated Rural Development Programme (the new two-tier co-operative programme developed by BARD, Comilla) has made modest progress in its expansion in new areas and consolidation in the existing areas. Uptil now, 162 Thana Central Co-operative Federations and 18,000 village co-operative societies are in operation. The village co-operatives have not been able to attract too many of the small farmers, share-croppers and landless cultivators. In many places the co-operatives are dominated and controlled by ^{the} relatively well-to-do and influential land owners, money-lenders and traders. The Thana Central Co-operative Associations (TCCAs) have yet to show signs of self-reliance and self-management.
- v) The procurement and distribution of modern agricultural inputs (irrigation pumps, HYV seeds, fertilizer) is the responsibility of Agriculture Development Corporation (BADC). The inputs are distributed through a system of warehouses and thana godowns operated by BADC, and co-operative societies, irrigation groups and private dealers at the village level. This system will have to be considerably improved to ensure

rapid and smooth flow of inputs as and when they are needed.

- vi) Marketing of agricultural produce is now handled by private traders through the existing market centres in the rural areas. The conditions of the rural markets and transportation are very poor due to long neglect and devastation during the war of liberation. However, lately the same TCAs have started marketing of agricultural produce on a limited scale.

62. The Government of Bangladesh has accorded a high priority to the rural development or integrated rural development programme. The whole emphasis of the integrated rural development programme has, however, been on agricultural development. Little or no emphasis has in practice been placed on industry as a component of the programme, although the role of industry in integrated rural development is officially recognized as important. Neither the Ministry of Industry nor any of its institution does directly play any part in the integrated rural development programme. Bangladesh, like most other countries of the ESCAP region, has, however, a programme for the development of small scale and cottage industries, which is not integrated with the rural development programme. As there are large numbers of marginal farmers and landless labourers in the country, there is a need to identify various types of non-farm activities and to diversify occupations. In addition, there is the necessity of emphasizing the policy of improving and developing small-scale industries based mostly on agriculture, along with handicrafts or cottage industries, and linking it with the integrated rural development programme. Some of the reasons for stimulating the growth of this sector in Bangladesh are given as follows:

- i) Bangladesh is relatively new in the field of modern industrialization and lacks in technological skill and know-how. Small-scale and cottage industries do not require

a high level of technology.

- ii) Small-scale and cottage industries are labour-intensive and do not require large capital. The energy of the unemployed and underemployed people must be used for productive purposes with an economy in the use of capital which is scarce.
- iii) Small-scale industrial projects can be formulated and implemented in a relatively short period and hence are needed for increasing production in the short run.
- iv) Bangladesh is rich in some agriculture, forest and extractive resources and hence small-scale and cottage industries can be based on the processing of locally available materials like timber, fishes, paddy, etc.
- v) The country has been experiencing a severe shortage of foreign exchange resources. The development of small-scale and cottage industries will make possible the saving and earning of foreign exchanges. The export of processed indigenous resources will ease her position in this respect.
- vi) Small industrial enterprises, whether modern or traditional, are really the training ground for local entrepreneurs and decision makers. It is through the process of the development of small industrial undertakings that industrial knowledge and skill could accumulate and spread in the country.
- vii) Small industrial enterprises create opportunities for the small men and their growth can bring about a more equitable distribution of income.
- viii) The growth of small-scale and cottage industries in Bangladesh will bring about economic stability in the society by diffusing prosperity and by acting as a check to the growth of anti-social monopolistic enterprises.

- ix) Above all in Bangladesh, the development of small-scale and cottage industries will create employment for the people in the rural areas in a country where the extent of unemployment and underemployment is remarkably high. This will tend to reduce the drift of the people from the rural to the urban areas in search of jobs. Some put the extent of unemployment at 30 to 40% of the total working population. Though exact figures are not available, it is estimated that the number of unemployed or underemployed people in the rural areas of the country will be around 7.3 million. According to a study conducted by the Planning Commission, the number of educated unemployed alone is about 478,000^{13/}
- x) Lastly, the development of small-scale and cottage industries will make possible decentralization and dispersal of manufacturing activities from the congested metropolitan to the non-metropolitan and rural areas. Decentralization and dispersal of manufacturing activities are an important feature of the industrial policy of the Government of Bangladesh.

The need for co-ordinated development

63. While there is little doubt about the necessity to stimulate the growth of small-scale and cottage industries or handicrafts in Bangladesh, there is also a need to co-ordinate their development with integrated rural development programme introduced in selected areas of the country. It is essential to identify the opportunities for non-farm or non-agricultural activities in these areas or extended areas and then to make necessary supportive services available to them for stimulating these activities including small-scale and cottage industries. The diversification of rural occupations in Bangladesh is an imperative necessity. Supportive services

^{13/}Paper submitted by the Director-General, IRDP, Bangladesh.

must be comprehensive and should cover various aspects such as technical assistance, financial support, marketing services, supply of raw materials and equipment, industrial research and advisory services, creation of basic facilities for small-scale and cottage industries in selected areas and industrial training programmes. It is, therefore, in the fitness of things that the Bangladesh Small-Scale and Cottage Industries is closely associated with the integrated rural development programme in the country so that it can support the industrial component of the programme in its different aspects. At present, this arrangement is lacking and should be introduced without further delay. The corporation which has already elaborate institutional arrangements should be capable of playing its expanded role in its field of operations in the context of the integrated rural development programme.

Some cottage industries

64. Having suggested that the development of small-scale and cottage industries and other non-agricultural activities must be brought in as a component part of the integrated rural development programme in Bangladesh, it is worthwhile to look at, very briefly, the present status of some small-scale and cottage industries in Bangladesh and the role of the Small-Scale and Cottage Industries Corporation in supporting and promoting them.

65. The rural and cottage industries in Bangladesh have a long history. The reasons for their development in Bangladesh are as follows:

- 1) Patronization from the Kings, landlords and other ruling class which led to the production of muslin, jamdani, kanchiberen (textile products), etc.

- ii) Favourable climate and social conditions led to the development of sericulture and silk industries in the northern region and the development of salt industry in the coastal belt of Bangladesh.
- iii) Habitation of concentrated groups of artisans in certain areas led to specialization and development of sericulture and silk industries in the northern region and the development of local skill, for example, handloom weaving concentrated in Pabna, Shajedpur, Tangail, Narayanganj, Mershingdi, Ramchandrapur, Shoverampur areas; pottery at Rayer Bazar and Bijoy Nagar areas; bell and brass metal industries at Islampur in Mymensingh, Shantosh in Tangail and Dharsai in Dacca, etc.
- iv) Rural industries grew in order to meet the local requirements, viz, paddy husking, grain milling, blacksmithy, jewellery, oil grinding, saw milling, etc.
- v) Industries also thrived on locally available raw materials, such as, cane and bamboo products at Sylhet, cigar and charoot at Rangpur and Cox's Bazar, coir products at Swarupketi, pati and grass mat at Sylhet and Khulna, jute products like twine rope and sikka at Dacca and Mymensingh, etc.

66. The decadent condition of some of these traditional industries has aggravated the unemployment problem apart from disrupting the stable social order in the village. Even then, according to the Ministry of Industries, Government of Bangladesh, there are more than 400,000 rural and cottage industrial establishments employing about 1.2 million people in rural areas^{14/} It is, therefore, of utmost importance that this industrial sector is reorganized and revitalized and new types of industries and activities are identified and promoted in an effort to diversify rural occupations so that the rural

^{14/} Letter dated May 29, 1976 to the Division of Industry, Housing and Technology, ESCAP, Bangkok

development programmes of the Government make a real impact on the economic and social conditions of the rural population by way of reducing poverty.

The role of the Bangladesh Small and Cottage Industries Corporation

67. The Bangladesh Small-Scale and Cottage Industries Corporation provides the principal institutional support for the development of rural and cottage industries in the country. The Corporation seeks to improve the existing rural industries by providing required services and common facilities to artisans, imparting training for upgrading their existing skills, creating employment opportunity for the freshers and organizing marketing for finished products as well as sales promotion. The Bangladesh Small Industries Corporation was established in 1957 both for promotion of small industries as well as cottage and rural industries. After liberation in 1971, a separate corporation, Bangladesh Cottage Industries Corporation, was created. Most recently, the two corporations have again been merged to create a single corporation, known as the Bangladesh Small and Cottage Industries Corporation.

68. The Corporation has a Design Centre for the development of industrial designs and prototypes through market research and study of consumer tastes and substantial work has been done in the following crafts:

- i) Handloom weaving and printing
- ii) Pottery
- iii) Ceramic products
- iv) Doll making
- v) Cans and bamboo works
- vi) Woodworks
- vii) Coir and coir products
- viii) Shell and horn products

- ix) Leather craft
- x) Jute handicrafts
- xi) Jewellery (gold and silver)

69. Further a special cell, namely, Rural Industrial Service, was created for providing services in plant counselling and for imparting training to the local artisans in different crafts to upgrade their skills and improve the quality of their products. The Rural Industrial Service extended their services to more than 5,000 units and provided training to 3,065 persons in the following fields:

- i) Textile weaving
- ii) Screen printing
- iii) Tailoring - sewing and knitting
- iv) House wiring
- v) Light engineering
- vi) Pottery
- vii) Management training
- viii) Woodworks
- ix) Leather goods

70. Furthermore, the corporation has diversified its activities and has established Common Facility Centres and Service Facility Centres for providing essential services to handloom weavers (dyeing, sized beams, calendering, supplying of raw materials) and to craftsmen engaged in cane, bamboo and coir production. It has established training and research institutes for sericulture, nurseries and demonstration and pilot units for salt, extension units, etc.

71. Finally, to organize the marketing of handicrafts and other products, the corporation established Sales and Display Centres in Dacca, Chittagong, Rajshahi and Rangamati and also a Handloom Goods Export Corporation as its subsidiary. To strengthen marketing further both at home and abroad, Bangladesh Handicraft Co-operative Federation, Ltd. was set up in 1975.

72. The reorganized Bangladesh Small-Scale and Cottage Industries Corporation has been continuing its efforts to consolidate the steps taken so far through the reactivation of the old programmes as well as through the development of some new sectors as mentioned below:

- i) Development of bell and brass-metal industry
- ii) Development of setranjee (dures - a kind of mattress) industry at Rangpur
- iii) Rehabilitation and propagation of blanket-making at Rajshahi
- iv) Development of nackehikenthe (embroidered quilt)
- v) Development of pottery (modern kilns)
- vi) Doll making
- vii) Development of cottage and rural industries in the Chittagong Hill Tracts
- viii) Development of cottage and rural industries in the Garo Hill area of the Mymensingh district
- ix) Silkweaving and printing at Rajshahi.

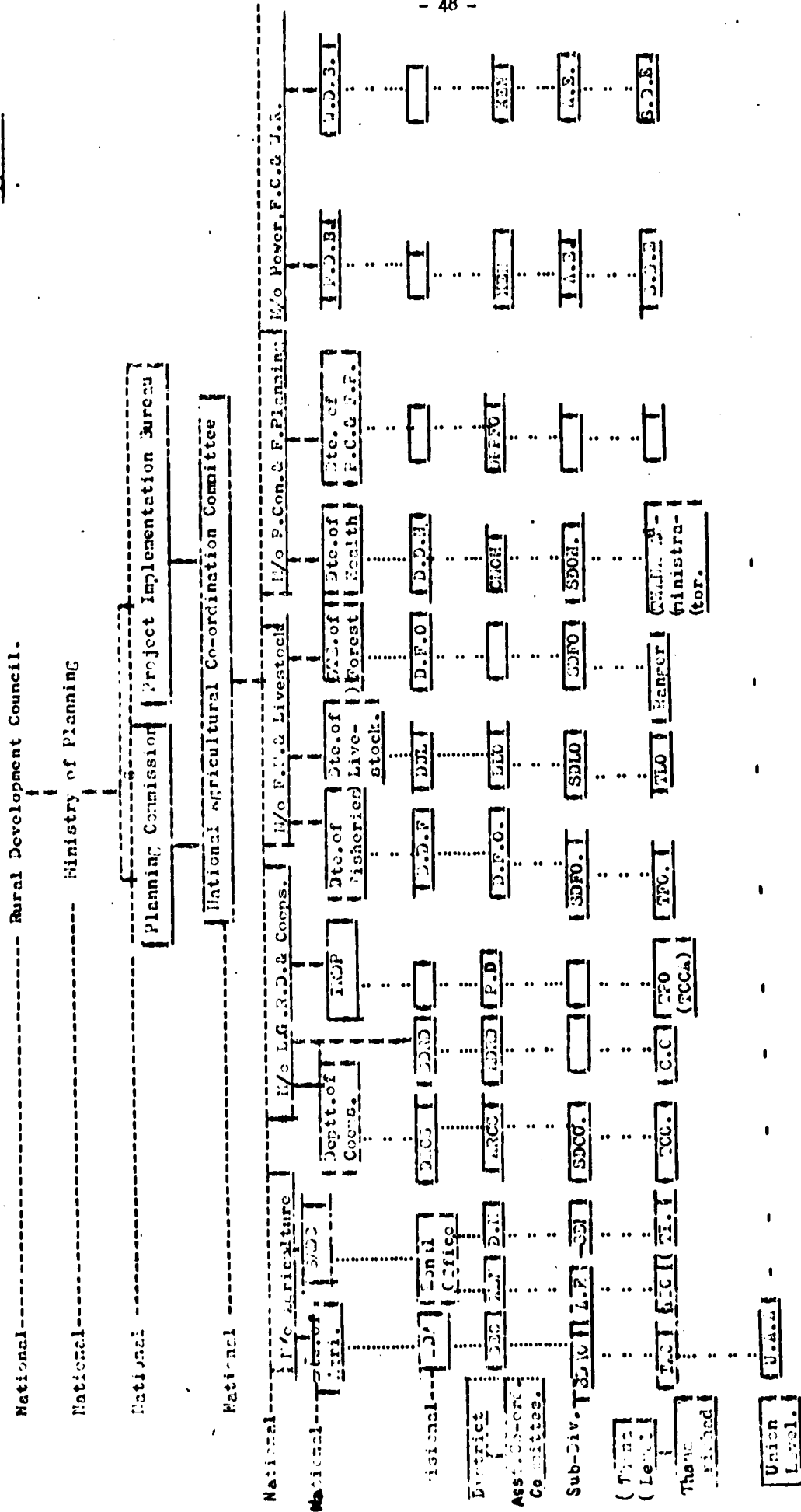
73. The efforts made by the Corporation have, however, been only a partial success. Efforts have not been sustained due to lack of resources. There is a lack of integrated and package approach and also of properly trained personnel. Credit and marketing facilities for rural industry

products are not adequate. What is needed for rural industrialization is an intensified, concerted and integrated effort for providing package services to both existing and potential industries and monitoring of plans and programmes accordingly.

Integration of industrial development with rural development

74. As already pointed out, the integrated rural development programmes in Bangladesh is now placing its emphasis almost entirely on agricultural development in selected areas. A programme for rural industrialization must be integrated with the rural development programme and in this process the Bangladesh Small-Scale and Cottage Industries Corporation can play an important role. The United Nations Industrial Development Organization can play an extremely important role in supporting and assisting the national institutions like the Small and Cottage Industries Corporation in the identification and utilization of industrial opportunities in the areas selected for integrated rural development, and in the formulation of industrial development programmes for the areas as indicated in part I of this paper. With the completion of the rural electrification programme taken up by the Government, it is expected that the tempo of an integrated development of agricultural and industrial activities in the rural areas will gain momentum.

75. Bangladesh has a long history of institution building and institutional reform related to rural and agricultural development. An understanding of the situation in Bangladesh will, it is hoped, be helpful to devising ways and means of giving industrial support to the integrated rural development programme.

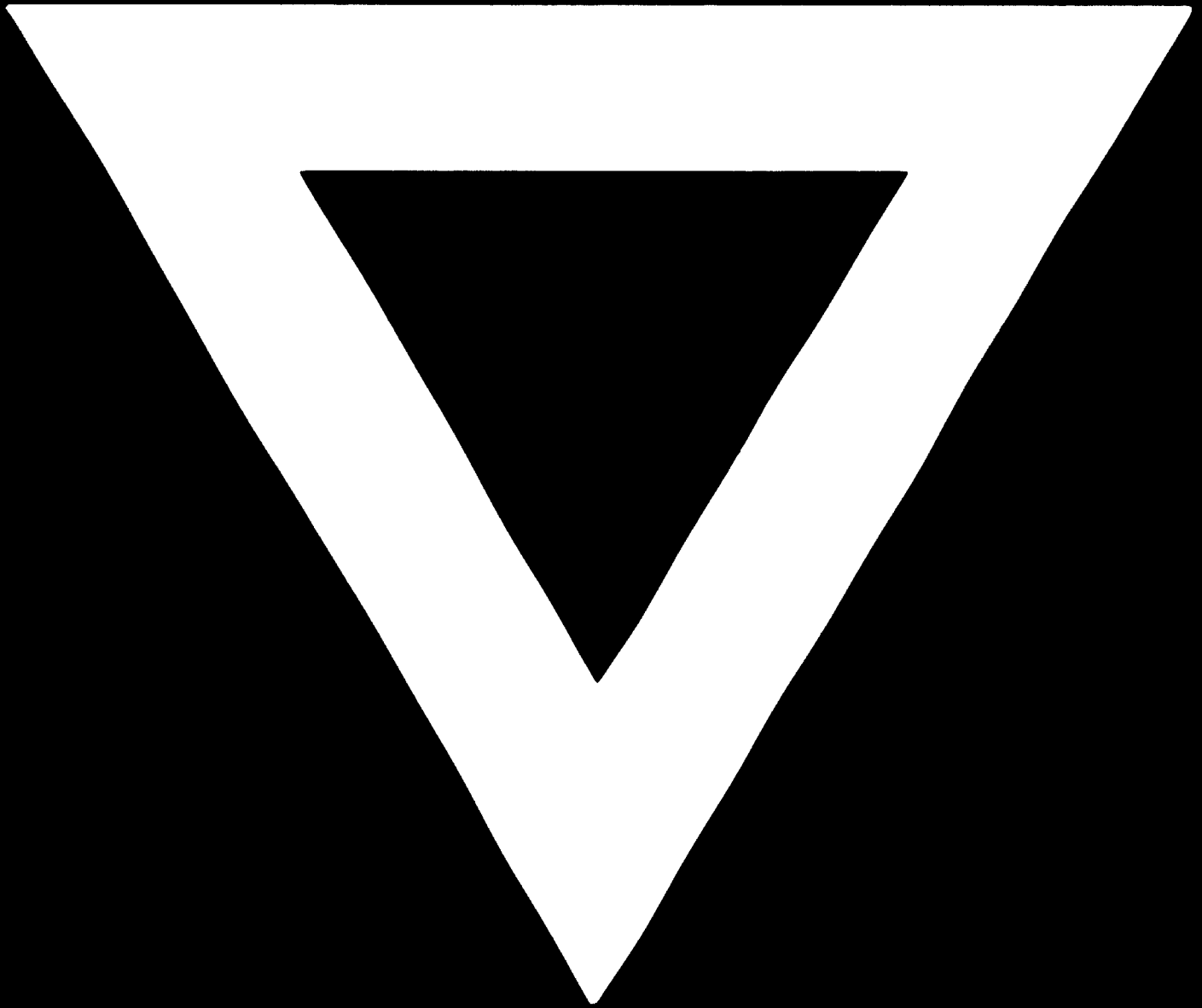


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