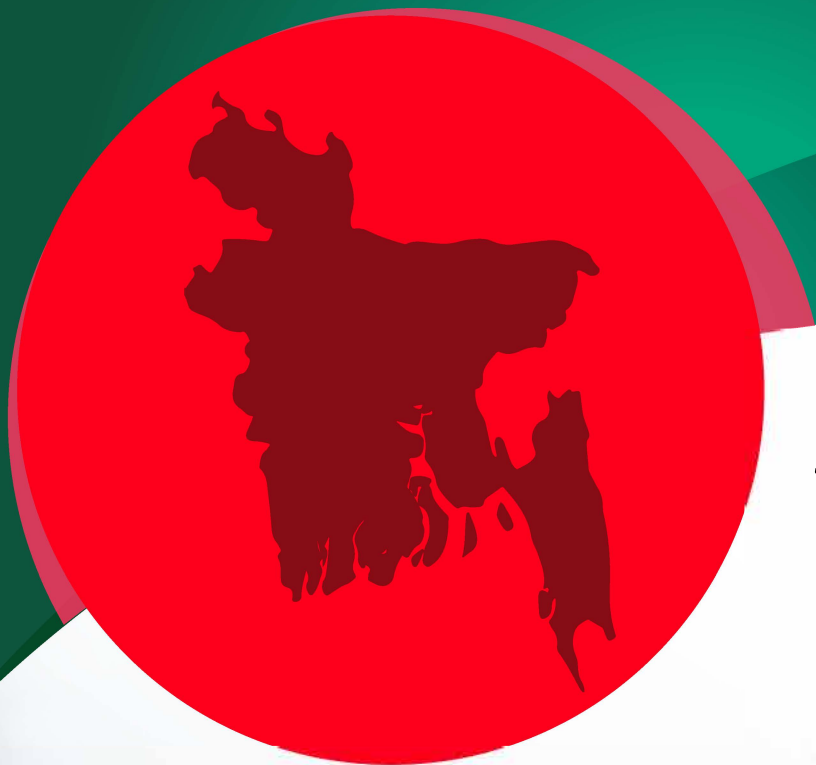


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FROM THE EDITOR

With this issue of the *Journal of Bangladesh Studies*, we will have completed the fifth volume. Interest in the journal continues to grow as we have begun to strengthen our partnership with institutions such as East West University in Bangladesh, and Penn State Erie, the American Institute of Bangladesh Studies, and Bangladesh Development Initiative in the United States. Scholarly contributions from universities and research organizations, worldwide, have also continued to come in steadily. By highlighting key development issues pertinent to Bangladesh on the basis of conceptual and empirical analysis, we hope to continue providing visionary and intellectual leadership to address the challenges of development in Bangladesh.

While we are pleased with the global interest in Bangladesh and its affairs as reflected in the submissions from various countries, it needs mention that a perplexing situation exists in the country that is worrisome, demands introspection, and requires far-reaching measures. During my sabbatical in Bangladesh as a Senior Fulbright Scholar, I began to note how the universities in the country, both public and private, seem to have made little progress in promoting a research culture. This conclusion is drawn from several observations: Informal visits to faculty offices and the offices of research institutes will reveal more often than not how few of them are involved with any meaningful research (applied or basic; qualitative or quantitative), there are hardly any Bangladeshi journals of international stature reflecting state of the art research, and a visit to the libraries will indicate how few are the products of local scholars adorning their shelves and how seriously deprived the libraries are of current academic materials or their electronic versions, the availability of which might be instrumental in motivating, inspiring, and inducing academicians to pursue the meaningful and useful art of knowledge generation. In addition, where available, especially in the universities, the research budgets are deplorable, funds to support travel to conferences are nearly non-existent (often available only to those who have clout), and the number of symposia, seminars, and conferences organized in the country is not commensurate with the number of higher education institutions. Even the lack of in-house informal exchange of scholarly views is depressingly lacking.

In an era when the world is talking about knowledge economies and the knowledge revolution, lack of attention to and interest in research and, consequently, indigenous knowledge generation portends serious ramifications. While for science and technology the matter is somewhat different, the lack of knowledge

generation is particularly serious for the social sciences because relying on borrowed knowledge and applying them to our circumstances without any attempt to test and replicate their appropriateness can be disastrous and could have far-reaching adverse consequences.

On the flip side, teachers are teaching full load (27 credits per academic year in many private universities) and more, much of this knowledge transmission based on texts and materials developed in other countries. Consequently, what students are getting is a context-deprived education that is far removed from their own environment and may have only peripheral relevance. For example, talking to students in the business schools, it is amply obvious how far removed they are from reality as the books they study and the examples and cases that teachers often use are about IBM, United Air, Ritz Carlton, or Dominos!

Informal discussions with faculty members indicate their desire to teach additional courses within their own campuses or, when such opportunities are unavailable, in other campuses because it brings guaranteed money to their pockets. Thus, while course loads are tied to one's remuneration package, knowledge generation—i.e., research—is not. The incentives are clearly misplaced and their effects on the knowledge creation environment cannot be positive. With all the Ph.D. holders we boast about in the country, the amount of local knowledge generation is simply not commensurate and it is time we delved into why the conduct of research is treated with such abhorrence and how such anathema can be reversed. In short what I see is an impending and debilitating knowledge crisis in Bangladesh that cannot be good for the country. In fact, at the initiation of a research forum called the Research Adda, a prominent academician deplored the quality of research produced in many of the institutions of higher learning: he felt that much of the research could at best be billed as "pseudo research."

Of the knowledge generation that takes place in the country, much of it is funded by external organizations and agencies that have their own agenda. Much of this research is not available to academia for further evaluation. There are instances where these studies report results but guard their methodologies strictly. How do we know these methodologies are not flawed and, hence, should these results be accepted if the process of getting the data is not fully explained?

Issues such as these need closer monitoring, most aptly by the higher education institutions; otherwise the government may be compelled to adopt policies based on research that has not been subjected to careful scrutiny.

Proof of such claim lies, for example, with rare studies such as the Education Watch reports which show us how far removed government data are from reality. And who funds these studies whereby government statistics are produced? It is the task for the intellectual community to question the knowledge base that is used to generate and implement policies. And that's a good reason why we need to promote the growth of a vibrant research culture in the country to serve as the eyes and ears of society and guide it towards the fruits of development.

In this issue, we present four thought-provoking articles. Salim Rashid examines the prospects of meeting certain *poverty reduction* targets by 2005 involving both the economic and social aspects of poverty. While showing that some of the social goals are on their way to being met, he doubts whether the income targets will be met. In his view, export-led growth will not be adequate and needs to be supported by growth in entrepreneurship and infrastructures (compact townships to be precise), as well as improvements in family planning. Simple but far-reaching institutional changes, such as computerizing land records are also needed. In the ultimate, however, as the author suggests, poverty reduction will require increasing income growth as the primary object of policy.

M. Mahmud Khan and Shamsul Huda address intra-household inequality in consumption and inequality in the distribution of workload among household members. Their study compares the workload of men and women in rural Bangladesh for the years 1984-85 and 1998-99, focusing on market work, time spent on social activities, and hours devoted to home activities in the context of changes in the average family size and higher involvement of women in market activities. They show how work hours of women exceed those for men in both 1984-85 and 1998-99, implying that women in rural Bangladesh remain the most important players in the aggregate production of market and home activities. Also, with improved socioeconomic status of households, male members tend to reduce their market work while the work hours of women tend to increase as men move away from market production to social status enhancing activities. In contrast, types of work done by women remain almost identical for all socioeconomic groups. Therefore, improved economic status of households does not provide any significant benefit to women in terms of their workload or work pattern. These insights have significant implications for designing gender equity strategies by policymakers.

Choudhury M. Shamim looks at the socio-economic survival of the poorest women in Bangladesh, most of whom are single and range in age from 15 to 45. As construction workers, one of the criteria of their employment was that they had to be destitute, often with many dependents. The article demonstrates how such disadvantaged women can overcome social taboos (such as *pardah*) and work outside the home for their survival. Importantly, the article catalogues the social skills that the women have learnt, traces their economic growth in terms of property and money, and highlights their political development, as some women have contested the local government elections...and won!

Prosenjit Chakraborty, Syed Ferhat Anwar, and Mahjabeen Ahmad assess the future of the pharmaceutical industry in Bangladesh under the WTO regime. The study indicates that if Bangladesh fails to formulate strategies both at the macro and micro levels by the year 2016, it will lose its competitive edge that it has been maintaining in this region since 1982.

We continue to look for manuscripts that are innovative, insightful, and incisive, focusing mainly on development issues of Bangladesh. The articles are expected to provoke debate and challenge policy makers, development planners, international agencies, donor countries, and non-government organizations by reviewing existing practices and seeking innovative solutions to bring about "real" change and "real" development to uplift the conditions of those who need it most...those in the cruel clasp of poverty.

I would like to take this opportunity to thank once more a wonderful team of editors and manuscript reviewers who continue to provide selflessly of their time. To a large measure the growth of JBS is the result of their diligence and hard work. Thanks are also due to Sue Pennington of the School of Business at Penn State Erie for attending to the typing and formatting of the papers and to Erin McCarty for finding the big and little mistakes many of us make while bringing a manuscript to life.

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BANGLADESH POVERTY: THE NEED FOR A "BIG PUSH"

Salim Rashid

ABSTRACT

Bangladesh has agreed to meet certain *poverty reduction* targets by 2005, involving both the economic and social aspects of poverty. The prospects for meeting these targets are examined. It is shown that the social goals are on their way to being met, but the chances of reaching the income poverty targets with current policies are slim. The long-run growth rate must be raised and this requires focusing upon the long-run, and upon economics, narrowly considered, to a much greater extent than is currently done. Export-led growth will not be adequate. Entrepreneurship and infrastructures will have key roles to play, as will family planning. Simple but far-reaching institutional changes, such as computerizing land records are needed. Poverty reduction requires a return to income growth as the primary object of policy.

Introduction and Thesis

This essay takes poverty reduction as the primary goal of current economic policy in Bangladesh and asks if the Government of Bangladesh (GOB) will meet the poverty reduction goals it has committed itself to; if not, what are the most acceptable options? The consequences are not just economic. While Bangladesh has often gained attention as a "Test case of Development", recent events have also noted the example of Bangladesh as a bulwark against political extremism. The State Department has already praised Bangladesh as a 'moderate Muslim democracy', but if the projected poverty and population growth continues, extremism is being provided a fertile ground. It should also be noted that Bangladesh is an ethnic and religious 'border state'. Immediately to its east are peoples who differ both in ethnicity and religion; even those areas currently part of India were historically under the influence of the Burmese, and some of these people have been in revolt for decades. Once there is turbulence, it is not easy to predict the outcome. The economic development of Bangladesh is not just in the interest of the Bangladeshi's.

This essay is also concerned, as part of the inevitable process of deciding practical policy, with setting orders of magnitude for the various aspects of poverty. That poverty is a hydra headed monster is one of the truisms of our day. Which head should we tackle first? And how can we keep the other heads of the monster at bay? Given the targets to be achieved, it will be argued that the only relevant poverty measures to be *actively* implemented involve income growth, supplemented by a renewed attention to family planning. There are many other desirable goals, but they are all more readily tackled or are already on the way to being met. It may seem to be taking a step back in time, but this makes the problem of poverty *primarily* an economic one, in the narrow sense.

It will be argued that some vision of the long run must come to dominate economic thinking since both the GOB and the donors have been overly occupied with the short-run. This makes floods and cyclones, political turmoil and global recession--- survival till the next crisis-- the only future! It fails to instill hope, the first requirement of good policy. This paper will argue that the magnitude of the problems facing Bangladesh is such that only a 'big push' will be adequate if poverty is to be reduced. The usual categories of agriculture, industry and services do not throw new light on policy, and export-led growth seems unlikely. Rather, the emphasis should be on institutional changes that foster *entrepreneurship* and on *infrastructures*. The measures needed for these goals are straightforward and relatively simple. Once the long run is seen as being stable, the short-run will cease to agitate us.

A word on references and supporting material: The published scholarly literature on Bangladesh is so dated as to be useless for most policy decisions¹. As a result, working papers and reports as well as the Internet are the most useful way to get to the relevant facts. Brevity requires a minimum of data, tables and graphs---but I have tried to provide full references for each item. Having worked constantly on Bangladesh since 1996, including two sabbaticals in Dhaka, several views are just the result of accumulated experience. For all these reasons, the paper will read as being more opinionated than it is meant to be². There is simply not enough space to justify all opinions and I chose those I consider to be central for exposition.

It is convenient to begin with the multiple goals the GOB has committed itself to, and then to summarize the main theses of this paper. The Partnership Agreement on Poverty Reduction, (hereafter PA), between the GOB and the Asian Development Bank

(ADB) lists the achievement of the following seven goals as desirable by 2005: These are: 1) Reduce by 25 per cent the proportion of people living below the poverty line. 2) A 50% reduction in the proportion of children 6-10 not attending school. 3) Eliminate gender disparity in access to basic education. 4) 20% reduction in the proportion of children under 5 who are malnourished. 5) Reduce maternal mortality by 35 per cent; 6) Reduce infant and child mortality by 30 per cent; 7) 50% reduction in the proportion of women of appropriate age not having access to reproductive health services. Which of these goals have been met so far and what is the likelihood of meeting the targets under current policies? If some goals are not going to be reached, what should be done?

The first goal is to reduce the poverty count by 25 per cent by getting GDP to grow rapidly. The goal set is ambitious as this is much higher than the historical trend of poverty reduction achieved hitherto. The empirical estimates of past poverty reduction suggest that a GDP growth rate of about 10 per cent is needed for the PA goals to be reached. Whether such growth is feasible is a difficult question to answer and will occupy much of the paper. But let us look at the social goals before providing an overview of the main thesis.

The remaining goals of the PA, from the second to the seventh, deal with Education and Health, or the Social Sector. There are no theoretical grounds for assessing the impact of income on say, gender equality, so the extrapolation of current trends is taken as the basic method for studying these issues. Bangladesh made encouraging progress in social development during the last decade. Between 1992 and 1998, the country's Human Development Index (HDI) increased by 49 percent along with improvements in key social indicators.³ *At current rates of progress, all the social goals set for 2005 appear to be achievable.* For example, the GOB has made very notable gains in extending education and in making it more equally accessible to girls. This is true of all the other social indicators of poverty.

One can argue that perhaps the standards for health and education should have been set higher, but that is not only a different question, it is one that is perhaps irrelevant in view of the deficient economic growth and the stalemate over family planning. Indeed, the omission of family planning as an explicit goal in the PA is a serious lacuna. The failure of *total fertility rates* (TFR) to come down further means that the population may grow beyond 250 millions, instead of stabilizing at 200 million. And this in a country with

55,000 square miles! High population growth can easily negate the effects of greater GDP growth. Population estimates also influence proposed spending requirements in Education and health. On every ground, it is urged that family planning be urgently drawn directly into the agenda of the PA.

The current Government, elected in October 2001, faced several budgetary and foreign exchange crises. The World Bank was firm about not increasing aid unless *state owned enterprises* (SOE's) are privatized and corruption is curbed. The losses from SOE's are enormous---about Taka 30 billion in the last fiscal year. But simply dismantling SOE's will increase unemployment in a sector where labor is strongly organized. Without suggesting concrete alternatives, how can a Government move? As for corruption, simply urging that it be ended is idle sermonizing. What is needed is a nuanced approach that develops concrete alternatives. Unless people have hope for the future, they will continue to maximize their short-run individual payoff---because this is what their individual self-interest tells them to do.

What can we learn from the immediate past that will help to sharply increase the growth rate? There has been good progress in agriculture, industry has been relatively static, and the service sector has provided background support for both employment and income. What are the prospects of any or all of these sectors providing the thrust for a significantly higher growth rate of GDP?

Agriculture is dominated by the production of crops, and this sector is unlikely to be such a leading thrust sector. It is highly dependent upon the weather, the demand for crops is inelastic and increasing portions of the output of agriculture consists of non-farm output, whose potential is more properly considered under small and cottage industry. Agri-processing may have potential, but this can be realized only with more favorable exchange rates. Industry has not shown dynamism so far and *foreign direct investment* (FDI) has not been forthcoming in requisite amounts. Services have mostly been a residual catchall, and, given the low levels of skill and literacy, this is likely to continue. These cautionary statements are supported by a direct study of some prominent sectors, particularly those that bear on export-led growth.

If domestic entrepreneurship is to be provided a secure base from which to operate, even as it seeks to spread its wings internationally, domestic economic performance has to be sustained at a high level while the bases for international competitiveness develop.

This requires a sustained thrust towards pro poor economic growth in the domestic economy. It is not just a question of raising incomes. Thus, gas exports will not do the job because of the highly capitalized production technology and the absence of linkages.

Infrastructures have been shown to have a significant impact upon incomes and to reduce poverty. However, the marginal impact of additional infrastructure under the current system appears to have noticeable diminishing returns. Most new poverty is urban poverty. This suggests that a scheme to 'capture' the growing urban poverty in secondary towns or rural areas through investment in infrastructure is likely to be the most promising avenue for sustaining a high growth rate of GDP and the simultaneous reduction of poverty. The growth of secondary towns and of market areas in the form of *growth centers* (GCs) has long been an item of the agenda of the GOB and it has received substantial donor support in this endeavor. It is suggested that this thrust be taken to its logical conclusion and the introduction of *compact townships* (CTs or dense rural settlements with modern infrastructure) be supported in selected areas.⁴ With the background of a large infrastructure program providing the promise of employment and secure utilities and transport, the seeds of entrepreneurial efforts need to be nourished by policy. Entrepreneurs will have to find profitable opportunities by themselves, but they need the rule of law and finances to exploit these. Sound governance is a prime requisite for stimulating the high levels of growth desired, and it will be argued in what follows that if an infrastructure program (whether involving CTs or some other concept) of the desired magnitude is adopted, this will alone provide much of the stimulus for good governance. The next item on the agenda, after infrastructural programs is the provision of credit: Institutional changes, such as those involving land records and sales, will at once reduce the litigation arising from land disputes, and provide individuals with collateral they can use for investment funds. The success of the garments industry shows that Bangladesh does not lack for entrepreneurship. The challenge is to provide for the entry of fresh new blood and to enable current entrepreneurs to aspire to higher accomplishments.

Growth for Poverty Reduction

The first item on the agenda in the PA relates to poverty. The Bangladesh economy has raised its growth rate from 4 per cent in the 1980's to just under 5 per cent in the 1990's. In the second half of the 1990's the growth rate has remained at or above 5 per cent. The decades of growth since the

independence of Bangladesh in 1971 have reduced the incidence of poverty from over 70 per cent in 1973 to 47 per cent in 1996. It is estimated to have come down to below 44 per cent in 2000. This reduction has been general over geographical regions, even though poverty is slightly higher in rural areas, and it is noteworthy that the poverty decline of the latter half of the 1990's was not accompanied by worsening income distribution (ADB 2000). We can consider the feasibility of achieving the PA goal by extrapolating from the past which, however, does not give much ground for optimism. If we look at the impact of currently achieved rates of growth on poverty reduction, and extrapolate them into the future, we find the following. Using the calorie intake method, the past rate of poverty reduction, between 1996 and 1999, was 1.7 per cent annually; while the rate required to achieve the PA target is 4.7 per cent--virtually a tripling of the growth rate!⁵ Finding ways to increase the growth rate of per capita GDP is the first priority in achieving the goal of reducing poverty.

Two facts could make the task somewhat easier. First, the impact of income growth on poverty--what is technically called the poverty elasticity--is significantly higher for agriculture and rural areas than for urban, industrial ones: the available figures suggest a pro-poor policy based upon rural areas and upon agriculture. Secondly, all the poverty reduction elasticities have been calculated for per capita growth rates and hence all of them depend upon population growth rates. If population grows at a slower rate, more poverty reduction is achieved. While the subsequent argument is framed largely in terms of the growth rate, this does not mean that the poverty elasticities should be considered rigid. Indeed, we can use higher poverty elasticities as an alternative to higher growth rates, or better yet, in conjunction with them.

Growth for poverty reduction differs from ordinary economic growth precisely because it examines how an increase in income will affect poverty. Gas exports for example are a much discussed policy in Bangladesh. Gas exports are being considered to provide (a) the foreign exchange to pay for the contractual obligations to the International Oil Companies, (b) resources for the development of downstream industries in the sector, and (c) cushion for the balance of payments. While these are all desirable in themselves, they do not bear directly on the reduction of poverty; indeed, given the capital-intensity and high skills needed in this industry, the direct impact on poverty will be small in relation to the expenditures.

Since per capita growth necessarily requires a consideration of population growth, it is as well to note an inexplicable lacuna in the goals set by the PA: the role of family planning.⁶ The failure of fertility to continue declining, even if replacement fertility is attained in the next decade, means that the final size of the Bangladesh population is projected to rise to over 260 million, or double the present size. Why has the sharp decline in fertility of the previous decade has reached a plateau? The *Strategic Directions for Bangladesh National Family Planning*⁷ found that 50% of non-users of family planning did wish to use contraception. Why has there been such limited success in reaching them?

While the consequences of static fertility rates are grave, the problem itself is amenable to analysis. Indonesia also had a plateau in its fertility decline. This was an 'expected' outcome because the initial emphasis of its population program was on easy distribution methods. The contraceptive mix currently used in Bangladesh needs to be reviewed—sterilization, IUD and injectables need more emphasis (according to the officials at the World Bank, Aid Memoirs have been saying this since 1993.) But progress has stalled since 1995. It seems to be largely a management issue.⁸ Currently, doctors are under the Directorate of Health while Maternal Health is under the Directorate of Family Planning. There is an uneasy unification at the lower (Thana) level but it is separated again at higher levels, leading to adversarial relations between two complementary parts of the health program. Because of the partial implementation of the sector-wide approach, (following the Cairo Population conference guidelines), the system of home visits by family planning workers has been facing a stop-go status, without putting in place any alternative system of community-based health clinics. This is a good example of how an otherwise well-meaning plan can go astray because of lack of ownership and good governance. These problems do not need more money for a solution; they need more carefully crafted decisions.

Short-run Strains, Long-run Impasse

The overall stability of the macroeconomy is quite good. While my principal argument deals with the long-run, a brief glance at the short run issues of 2001 will be useful to provide a perspective in which to view Bangladesh's economic policy. High growth in agriculture had led to a high growth rate for the economy as a whole: about 5.7 % for 2000. Gross savings rates had increased from 16.7% in 1995 to

21.3 % in 2000. Inflation had been contained to the low single digits despite an increase to 8.9 % in 1999 due to the floods. Inflation was low between 1996 and 2000 as the government exercised restraint in borrowing, revenue collection improved, with an annual increase of 15% and good agricultural harvests have contained the most volatile aspect of costs. In 2001 the early macroeconomic trends appeared very promising. The index of industrial production rose by 11 percent, compared to the similar period of the previous year. A continuation would give rise to the highest annual growth in industrial production since 1994-95. Similarly, export earnings registered a 16 percent annual growth in the first three quarters of 2001, compared with 8 percent growth during 1999-2000.⁹

These favorable indicators hid some deeper strains. Government expenditures increased in 2001 while tax collections did not keep pace. To further sustain the SOE's, despite their losses, the Government borrowed large amounts and injected much liquidity into the financial system. Combined with the non-performing loans of the banking system over 40% and the low levels of foreign exchange this has made for a fragile financial framework within which the macroeconomy has to operate. The excellent export growth of as much as 25 per cent between July and December of 2000 slowed down considerably in 2001 and the global slowdown, combined with unrest at home, produced further sharp declines.

The major area of weakness was the low and declining level of foreign exchange reserves, which currently stands at about \$1 billion. Of greater concern, foreign remittances, somewhat inexplicably, became virtually stagnant after having grown rapidly in the previous years. The errors and omissions item in the foreign accounts has grown considerably, suggesting capital flight, and foreign aid disbursements have declined sharply. Hence the usual means of increasing foreign exchange reserves are not at hand.

A spending spree from the development budget just before the election (Jan-May 2001), raised Government borrowing sharply, thereby posing risk to external balance and macroeconomic stability. The Government financed a large fiscal deficit from domestic sources. As a result, the interest burden on Government debt is rising sharply. Despite the recent increase in efficiency of revenue collection, Bangladesh has one of the lowest tax/GDP ratios in the world, so the interest burden on the debt will start crowding out investment in other sectors. It has been widely noted that a lack of fiscal discipline was the

main underlying cause of the above short-run problems. The short term requires budgets that are more balanced, more oriented to development, combined with a competitive alignment of exchange rates to promote exports.

These macroeconomic strains have been contained, despite some loud grumbling from the Finance Minister about the high-handedness of the donors. Assuming short run problems can be similarly managed in the future, how will the pattern of growth exhibited till 2001 affect poverty reduction? The policy of the "Washington Consensus" is being followed, but is it enough? Shahid Alam has shown how those who followed the "approved" policies did not grow as fast as those that showed nationalistic aspirations and Leah Greenfield has made the same point by historical analysis in a very recent book.¹⁰ The simple extrapolation done above suggests that more than just the 6-7 per cent growth proposed by some donors is needed, demanding as it already appears. How is this growth to be achieved? After reviewing the performance of specific sectors such as agriculture, industry and services, it will be suggested that none of these—or exports such as garments or information technology—will suffice to provide the basis for such rapid growth. Therefore, the critical thrust must come from infrastructures.

The excellent performance of agriculture in recent years has been a pleasant surprise. Agriculture has been the leading sector of growth, achieving self-sufficiency in rice and producing a record 25 million tons. While agriculture grew at a slow average of 1.6 per cent in the first half of the nineties, it picked up considerably in the latter half, from 3.2 per cent in the 1998 to 6.4 per cent in 2000. What has accounted for this remarkable performance and can it be expected to continue? Why has the cautious pessimism of the World Bank (2000) been mistaken? The weather has been unusually favorable, something that cannot be extrapolated. Even the severe floods of 1998 were followed by a bumper harvest and did not affect the trend. There has been adequate supply of key agricultural inputs such as fertilizer, seeds and diesel, at stable prices. The Government had also reduced the import duty on a variety of agricultural equipment such as power tillers. By such means the inputs to agriculture have been kept within readily calculable reach of the farmers. On the output side, procurement prices have been slowly increased, from Tk 1100 to Tk 1250 for Aman and from 1125 to 1300 for Boro and from 750 to 880 for wheat, thus providing farmers the right incentives to use the higher productive inputs. To enable marketing and planning, agricultural credit was provided much more

freely. Overall, agricultural policy has been consistent, coordinated and steady. The question is, how long will the gains continue? We typically distinguish between reaching one's production capabilities and being able to expand them. By easing input supply, raising output prices and enabling credit, the farmers have been able to reach their potential; now it is time to expand the farmer's frontiers, something normally beyond the capacity of individual farmers. The success in crop production has been the most noted feature of agriculture. However, the demand for crops is inelastic and studies suggest that the fertility of land is decreasing.¹¹ Furthermore, crops are very dependent upon the weather, so it is too much of a gamble to rely upon traditional agriculture as a thrust sector.¹² Hence further progress in agriculture has to come from non-crop sources, particularly agri-processing which seek out high value and high quality products. According to the World Bank, this is most affected by having competitive exchange rates.

Industry, on the other hand, has been sluggish. While Industry grew at 7.5 per cent in the first half of the nineties, it has now slowed down to 5.6 per cent from a high of 8.3 per cent in 1998. This lackluster performance has been attributed to a "slowdown in the pace of implementing sector specific reforms, severe infrastructure bottlenecks, especially of power and ports, social and political unrest, and weak corporate governance."¹³ The weakness of the financial sector, especially the high percentage of non-performing loans, has been a staple of all commentaries upon the Bangladesh economy. Under these circumstances, it is hardly surprising that foreign investors have also been deterred from investing in Bangladesh. While the pattern of import growth in 2001, with capital machinery and industrial raw materials playing a big role, suggests a good rebound, the problems of the financial sector and of governance remain.

It is convenient here to note that the service sector, which is now the bulk of the economy, provides a vital source of employment. What is misnamed the 'informal' sector is actually a hotbed of indigenous entrepreneurship, which is why it has been subsumed within 'entrepreneurship' in a later section and is not treated separately. There are about 570,000 establishments in the 'informal' sector and they employ over 70 per cent of the manufacturing labor force. Of equal significance is the fact that the landless rural population, which consists about 26 per cent of the total number of households, spends almost as much time in non-agricultural activities as in agricultural ones—48 per cent labor days in non-

agriculture versus 52 per cent in agriculture.¹⁴

Export-led Growth?

A great deal of hope is placed in popular discussion upon the beneficial effects of liberalization and globalization. While international markets are probably the most fruitful source of demand over time, there are few grounds for relying heavily on this avenue. As this may sound unduly negative, it is worth considering some specifics. We can consider the prospects for continued entrepreneurial success in two popular sectors, Ready Made Garments (RMG) and Information Technology (IT), and the prospects of expanding into India, the most promising market for Bangladesh.

There is no doubt that the first two decades of RMG in Bangladesh have been a grand success. Bangladeshi entrepreneurs have convincingly shown that they are capable of utilizing profitable opportunities in the world market. Presently, the industry occupies the enviable position of being the largest manufacturing and export business in the country, employing nearly 2 million workers, 90 percent of whom are women. The response of the industry to a natural disaster is revealing. The floods that affected Bangladesh between July and September 1998 were among the worst natural disasters impacting the people and the economy of Bangladesh in recent history. The 1998 floods directly impacted thirty million people for three long months. The negative shock to the economy reduced GDP growth significantly¹⁵ and created a crisis for the tightly scheduled export industry; but the industry and the individual firms responded creatively. As a result, exports were steady, in terms of both value and volume, during the July-August 1998 period when the country was in the grips of widespread flooding; production and export capacity were also minimally impacted by the floods. This is a remarkable achievement.

The share of apparel products in total exports has steadily risen for several years. In both absolute and relative terms, the industry dominates the modern economy of Bangladesh. In addition, the positive sociological, demographic, political and economic impact of 1.5 million workers employed in the manufacturing sector is huge. The knitwear sector has been especially dynamic in recent years. Given the fact that the market for knitwear exports is unprotected by quotas, this bodes well for the post MFA future of the industry. Unfortunately, other potentially promising exports from Bangladesh—leather, jute goods, and frozen foods—have not fared

as well over this period. This has accentuated the already narrow export base of the country and is a matter of concern. Limitations of Bangladeshi entrepreneurship are seen in the fact that the large buying houses in Dhaka are now controlled by Indians and Sri Lankans. Originally many Bangladesh firms had direct contracts but they could not maintain the quality or the schedule. Now that a backward linkage industry has gained a foothold, it is asking for protection. The biggest threat to exports, which in practice means the RMG industry, comes from the financial sector, which is characterized by a weak banking sector with little transparency or central bank control. Elements of crony capitalism and moral hazard are certainly present in Bangladesh, especially in the nationalized banking sector and in credit markets.¹⁶ According to a World Bank-Asian Development Bank report, the financial sector in Bangladesh remains fragile with 33 percent of the portfolios of the nationalized commercial banks (NCBs) and domestic private banks in the non-performing category.¹⁷ Notwithstanding the fifty billion taka of taxpayer money that was used to re-capitalize the NCBs in the early 1990s, the system-wide capital inadequacy today is very large since the default rate, which was over 40 per cent in 1999 is still at about 35 per cent. This situation could cause the entire banking system to collapse under foreign or domestic shock. One important lesson from the East Asian crisis is that moral hazard and the resulting financial panic can be very costly for an economy, even when the fundamentals are sound. Other potential hazards include an overvaluation of the taka compared to the currency of its competitors. Despite the repeated devaluation in the recent past, according to the World Bank, the taka had remained overvalued in real terms. This could undermine the long-term competitiveness of the industry. It is too soon to know the effects of the recent float of the taka. Finally, in the year 2004, under the Uruguay Round Agreement on textiles and clothing, MFA quotas will be phased out. Bangladesh will lose its preferential access to its most important markets and will have to compete with India, China and other apparel exporters in a truly global competitive environment. Many apparel firms in Bangladesh are not ready for this change, although the more efficient larger firms that have diversified their products and markets are expected to do well in the post MFA world. These limitations are being stated only to remind us that the RMG will be struggling to keep up with past success, and cannot be relied upon as the source of the additional thrust needed to boost the growth rate to ten per cent.

The limited entry of Bangladeshi entrepreneurs into the higher end of the value chain—which involves

marketing abroad—is a limitation that could be usefully tackled if Bangladeshi products could readily penetrate the nearest foreign markets and thus gain the experience and self-confidence that would enable them to try for the global consumer. This requires a closer look at the Indian market, where trade is supposed to be on a level playing field. The balance of trade between Bangladesh and India has been greatly in favor of India. Not surprisingly, the continual growth in the India-Bangladesh trade gap has taken large political dimensions in Bangladesh. Despite several formal and informal bilateral and multilateral meetings on regional cooperation and opening its economy, the impression in Bangladesh is that Indian politicians and bureaucrats have steadfastly discouraged imports of finished products from Bangladesh. A study of the disaggregated pattern of import sources shows that Indian exports to Bangladesh are largely of import substituting nature.¹⁸ They serve to help Bangladesh's overall trade flows and preserve the value of the Taka. It is not so much India's imports into Bangladesh that call for explanation as the lackluster Bangladeshi exports into India. The Bangladeshi entrepreneurs urge that it is not just their own limitations but also the persistent bureaucratic hassle imposed by Indian officials that limits their perception of India as a market.

The 'policy' of building a surplus in trade with Bangladesh has continued despite shifts in political power and a move towards liberalization at the center in India. Bangladeshi policymakers have reluctantly come to realize that trade with India now is not on a level playing field. This partly explains the resistance to selling natural gas to India and providing new road access to Bangladeshi ports for Indian products. Throughout Bangladesh, there is a general perception of Indian commercial imperialism. This is true not just in Bangladesh media but is supported by those with no axe to grind, such as the eminent diplomat Mukhund Dubey, who said "Unfortunately, the most natural and easily accessible market, India, still remains by and large closed to Bangladesh. India is following a short-sighted, niggardly and over-cautious incremental approach towards opening up its market to imports from Bangladesh. A Bangladesh request to grant duty-free access on a non-reciprocal basis for a list of 25 product groups has been under consideration for more than two years now...This is also despite the fact that among external suppliers, India has been the biggest beneficiary of Bangladesh's policy of trade liberalization."¹⁹ Indian imports are undoubtedly valuable to Bangladesh. However, at present, it seems that Bangladeshi exporters are unfairly limited by bureaucrats and businesses in India. This strategy is essentially short

sighted since much more than trade is involved in these economic relations. Bangladeshi entrepreneurs must be able to look upon the subcontinent as one market. The government of Bangladesh can help change current stagnant viewpoint by nurturing exports to India and by working at the political level to achieve a fair playing field for such exports. However, the onus of reform lies on the Indian side. The Indian politicians and bureaucrats must rise to the challenge of exercising benevolent dominance and make a genuine attempt to ease the flow of goods from the Bangladesh side. Whether they have an interest in doing so is a question yet to be answered. As always, the enlightened sections in the Indian business community can help foster this change in strategy.

The phrase 'Information Technology' has acquired something of the aura of a silver bullet among the LDCs. For any LDC to succeed in such a strategy it has to establish a comparative advantage. This is precisely what is hard to do in a world of globalized trade where everyone, from Venezuela to Vietnam, is aware of a new profit opportunity. In other words, there are no longer gains from secure export markets, such as Taiwan and South Korea enjoyed for awhile, both because of their special relationship with the United States and because they were first-comers in exploiting the 'export first' strategy. However, it is only repeating the obvious to state that no one eats, wears, or lives in software. Information Technology is worthwhile either directly, as in the production of software, or indirectly, when it increases the efficiency of other production processes. Many enterprising individuals have started obtaining code writing contracts and training low level workers in the skills necessary for such tasks. Soon Bangladeshis will be joining Indians in Silicon Valley in the army of temporary workers who do software on contract basis. The question is whether the impact will be of sufficient magnitude.

Three facts stood out in India's favor in her recent rise to prominence in IT. First, India's educational system, specially in the sciences and mathematics, is second to none in quality; secondly, a legacy of British rule is that India is fluent in English, the primary language for IT in global business; and thirdly, that significant numbers of Indians were already in prominent positions in the US business world and were looking for ways to help the motherland. To state these reasons is to understand why Bangladesh should not hope for too much success in direct production of IT wares. Bangladesh lacks the educated manpower, both in quantity and quality, to make a significant thrust in, say, software;

Bangladesh has spent a decade neglecting English as a language and hence many graduates lack the understanding of idiom so essential to communication with a potential client; and Bangladeshi managers in the upper echelons of the corporate west is a very recent and still rare phenomenon. These reasons limit the quantitative gains to Bangladesh in Information Technology even if it could obtain the requisite contracts.²⁰

Since neither agriculture, nor industry, nor exports appear able and willing to bear the burden of raising the growth rate to ten per cent, some other means must be found. It is argued that this consists of enabling domestic entrepreneurship to grow and for infrastructure programs to be initiated that will immediately stimulate domestic demand and support the eventual entry into world markets.

Entrepreneurship

In view of the stagnation of heavy industry, the first step is to examine the potential of smaller manufacturing units. Small and Medium Enterprises (SMEs) can play a critical role in bringing economic development and reducing poverty in developing economies. *The role of Small and Medium Enterprises in generating pro poor economic growth will be clear from the fact that such enterprises are usually labor intensive, easy to enter (and exit) and have low capital requirements.* They are the most fertile breeding ground for future entrepreneurs. In view of their potential, this is a sector worth describing briefly. In Bangladesh, where small means 10-50 workers and medium 51-99 workers constitute over 80 percent of manufacturing establishments, SMEs provide backward and forward linkages with micro and large enterprises, and form part of core business activities. The bulk of SMEs are small in size (89 percent), many of which overlap with micro and cottage type of activities, while 11 percent are medium enterprises. Most SMEs are located in major cities and in peri-urban areas, are very varied in their activities, and were involved in 209 types of manufacturing activities out of 213 at the 3-digit level. Two major industrial categories combined – food, beverage and tobacco manufacturing (33 percent) and textile and leather production (20 percent) – comprise over half of SMEs.²¹ From the ISS data, share of SME (defined as 10-100 workers) relative to their larger cohorts (more than 100 workers) shows that SMEs make up for 85 percent of the establishments; they have 48 percent of the fixed capital, 33 per cent of the gross investment and 40 per cent of the sales. Significantly, the Net value added and returns to capital for SMEs are 37 percent and 43 percent respectively of the total value of

private manufacturing units.

Subcontracting between large and small firms is a pattern common to most developing countries and has been particularly significant in Japan. Such networks are usually a good sign since they not only enlarge the pool of skilled labor and entrepreneurship, but are also capable of fairly complicated and delicate production operations. An important development over the last decade has been the emergence of a small number of large firms, with a large number of small firms which feed the larger ones through subcontract arrangements (JOBS, February 1998). The larger units identify the marketing chain, and expect the smaller units to focus on production. This behavior is common in footwear and the readymade garments sub-sectors.

A recent World Bank study (November 1999) concludes that the majority of manufacturing enterprises have experienced efficiency gains, or positive total (factor) productivity growth between 1992-93 and 1997-98, averaging 29 percent over a five-year period or 5 percent annually. The small and medium sized firms, as well as the large firms, enjoyed improvements in Total Factor Productivity (i.e. better use of all inputs) but failed to close the gap with the best practice firms in terms of technical efficiency. In other words, this sector shows great vitality and potential. Perhaps the major impediments to realizing it's full potential is the existence of significant transaction costs, both in setting up and in continuing operations..

For example, the procedure for setting up a formal sector enterprise is lengthy and can be cumbersome. Multiple licenses, approvals or permits are required. The business registration process entails obtaining a trade license. According to the Factories Act 1965, all manufacturing enterprises employing 10 or more workers are required to register with the Office of the Chief Inspector of Factories and Establishments. The Chief Inspector is expected to monitor the safety and working conditions at the factory sites. Registration with the Joint Stock Company is mandatory for all private limited companies. SMEs engaged in import, production of goods or services, and are subject to Value Added Taxation (VAT), are required to obtain a VAT registration. SMEs are required to obtain Tax Payers Identification Number (TIN) at the time of (a) opening a letter of credit for the purpose of import; or (b) renewal of a trade license; and (c) submission of tender documents for purpose of supply of goods or services, execution of a contract or for rendering of services. A clearance from the Department of Environment is required of all manufacturing

enterprise, ensuring that anti-pollution and safety measures are adhered to. This listing is not exhaustive, but demonstrates how many governmental agencies a business establishment has to encounter in order to start a business. Smaller enterprises are particularly more frustrated by such lengthy processes as they often do not have the resources or expertise to comprehend, much less comply, with the procedures.

Poor governance discourages business in general. For example, the amount of time that businesses have to spend as well as the side payments they have to make to complete any simple transaction—such as getting a passport, registering a land title, obtaining a building permit, obtaining utility connections or a phone connection or licenses—are enormous (Table 4.2).

Businesses in Bangladesh have to face corruption in every phase of operation—from obtaining a trade license to performing day-to-day business activities to expanding a business. Apart from all these legal requirements, another aspect of poor governance is that entrepreneurs have to pay monthly tolls to local

mastaans (hoodlums) simply to maintain steady production as well as in expanding a business.

Very small firms, say with less than 10 workers, are hardly worth anyone's time, whether it be the tax collector or the local gangster. This keeps them somewhat insulated from illegal payments. Small firms are vulnerable to 'bandits', and not strong enough to buy security, which large firms can arrange. Large firms thus end up with less illegal payments per unit of production. Figure 4.2 shows that a small firm poised for growth, at point b, faces the highest per unit cost of corruption: hardly the best way to be a catalyst for economic growth!

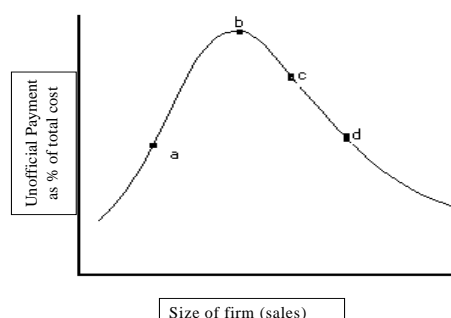
Some simple forms of discrimination against SMEs are probably unintended. Currently, an individual, if sufficiently wealthy, has to pay a wealth tax but a company (the usual legal form of a large business entity) is not required to pay the wealth tax. Since small enterprises usually take the form of sole proprietorship, they become liable for wealth taxes on their business capital. Thus, the fiscal policy of Bangladesh does not extend much support to SMEs. It has to be recognized that both Japan and Taiwan made much use of these small but flexible production

Table 4.2: The Hidden Cost of Service

Service	Standard Time	Waiting	Informal Payment for Faster Service
High Tension Electricity Connection			Taka 100,000-150,000
Low Tension Electricity Connection			Taka 10,000-15,000
Gas	3 months		Taka 40,000
Water	3-4 months		Taka 14,000-20,000
Phone	10-12 years		Taka 50,000-70,000
Trade License for a Garments Factory	1 year		Taka 5,000-8,000

Source: Government That Works, Reforming the Public Sector, The World Bank, 1996

Figure 4.2: Unofficial Fees as a share of Total Production Cost by Firm



Source: Data International, 1999. The Small and Medium Enterprise Sector in Bangladesh.

units during periods of rapid growth. Despite the discouraging growth rates available for the SMEs it is this sector that has the greatest potential for advancing pro-poor economic growth.

Credit and working capital have consistently remained major bottlenecks to industrial growth in Bangladesh. Availability of electricity is also ranked close to credit as a serious problem. Unlike India, utility rates in Bangladesh are the same for both large enterprises and SMEs, usually too high for the smaller enterprises. A recent survey shows that finance and marketing assistance are the two highest-ranked support services desired by entrepreneurs. The SMEs can also use guidance from accounting and management. Stable utility supplies at predictable rates and government policies aimed at promoting SMEs are looked for, but the sorts of training and consultancy support so often offered are not much in demand. What is more critical is enhancing quality through improved technology. Efforts to improve quality, not just the introduction of new products, are vital as this will give access to export markets and make local outputs serve as import substitutes.

Given the seriousness of the credit constraint, the Government can make wealth more usable. In technical terms, it can 'liquefy' existing wealth, by allowing more transparent and transferable forms of property. Land and housing are at present the 'sinkholes' of accumulation. The GOB and the donors have been trying for a decade to implement change. The land management system has been characterized as 'dysfunctional' in an ADB study while the World Bank Legal and Judicial Capacity building project characterized the judicial system as follows: "The system lacks transparency, accountability and the capacity to plan and manage its own affairs; it limits access and is inequitable and, perhaps most vexing, it is subject to excessive delays." The document goes on to ask for reform of the land laws, as above, and to seek alternative judicial systems.²²

The roots of entrepreneurship need to be fed by enabling people to use their own capital more freely and for the financial system to aid those who are resourceful with the funds to take on new challenges. Bangladeshi society is much like England in the 18th century, where family loyalty took precedence over other obligations; hence the freeing of family wealth is the first source of liquid capital for potential entrepreneurs. Land and housing, the two most potent ways of obtaining capital and the legal framework, can be enormously enabling here. The medium term goals for achieving the desired income growth should

be:

- Lower taxes selectively so that tax revenues are increased and entrepreneurs are not harassed.
- Liquefy wealth so as to increase the capital available for investment

The current Government is explicitly committed to taking itself out of business; what needs to be done to implement the two proposals above is neither complex nor costly.

Infrastructures

The process of nurturing entrepreneurship, both for domestic and foreign markets, may take some time to bear fruit. In particular, the changes in governance may require several years to become effective. In the intervening period, poverty reduction must continue and the people prepared for the challenges facing a new generation of entrepreneurs. The other major task is to pull the social framework together while growth accelerates, and to provide the new generations with the facilities to continue growth. There are two broad methods for reducing poverty. The first is to arrange for income growth; this is an indirect way of reducing poverty, but it is perhaps most effective in the long run. The second is to raise the capabilities of the poor through health and education and then rely on an enabling environment to help the poor escape poverty. Or poverty can be directly addressed by targeted employment such as provided by microcredit; or income transfers can be used to provide a social safety net. Before going on to direct policies which will sustain a high rate of growth, it is worth noting the possible impact of the two direct measures frequently used to influence economic growth towards the poor: Microcredit and targeted programs.

Microcredit programs of public sector agencies promote income and employment opportunities along with training and other support activities. The Bangladesh Rural Development Board (BRDB) disbursed more than Tk. 10 billion as microcredit to 1.6 million beneficiaries during 1991-1998. Microcredit is also distributed by different Government ministries, departments and agencies (estimated at Tk. 20 billion until 1999/00).²³ The Nationalized Commercial Banks (NCBs) channel microcredit, the cumulative disbursement being Tk. 47 billion till 1999. Microcredit is very good at pulling the very poorest out of extreme poverty, but as it reaches those in higher incomes it loses effectiveness. *It is excellent at poverty alleviation; it*

*is not an instrument of continued economic growth.*²⁴

The same comment applies to the aid provided to specifically targeted groups. Much good is done, but what next? Thus, the share of food grains distributed under the programs in the Public Food Distribution System (PFDS) rose from less than 40 per cent in the early 1990s to over 80 per cent in the late 1990s (GOB 2000). The programs largely attract the vulnerable poor due to self-targeting nature. The temporary and seasonal nature of the programs, however, limits their ability to generate sustainable incomes for the poor. In infrastructure development projects, not only do the poor benefit from participation in construction and maintenance activities, it is the poorest who appear to gain the most. Thus, infrastructure needs to be examined more carefully for its effectiveness.

Infrastructures not only benefit the poor directly, but, through the provision of education, health and electricity, enable the poor to enrich themselves over time. The following facts are of fundamental importance in this regard. Ahmed and Hossain, based on data on the most- and least-developed villages in Bangladesh, estimate the provision of good infrastructure could result in the average household income rising 33%. Specifically, income from agriculture increased by 24%, from livestock and fisheries by 78%, and from daily wages by almost 100%. Income from business and industries, however, rose by only 17 percent. The distribution of the increases revealed that the functionally landless and small farmers gained a larger share of the increase from crops, wages, and livestock and fishers, while the large landowners captured the smaller increase in business and industries. Another recent study indicated that, on average, the incomes of households in villages with good roads and electricity are around 13 percent higher than those of their counterparts in villages with underdeveloped infrastructure.²⁵ This suggests significant diminishing returns to infrastructure under the current pattern of provision and indicates the need for new approaches to infrastructure development.²⁶

One has to absorb the magnitude of the problem facing Bangladesh in order to appreciate why new approaches should be tried out. The most striking reason is employment. By 2020 another 45 million people will be added to the population and another 50 million to the labor force! If we remember that Bangladesh was formed in 1971 in the land that was a new country in 1947, it is clear that we will have to employ *another* East Pakistan in 20 years! In 40 years we will have to employ another 80 million—or

another Bangladesh!

In order to fully understand why a new system for providing infrastructure has so much potential, one has to know that Bangladesh is one of the very few countries without nucleated villages. What is called a village is almost always a dispersed collection of homes brought together on paper for administrative purposes. The high productivity of infrastructure arises from economies of scale in production and in distribution; however, providing infrastructure under the current pattern of housing makes use of neither of these economic characteristics. People locate where they please and the Government promises to bring roads and electricity to them. It sounds like a really backwards approach, especially since the Government cannot afford to keep such promises. Populism is a convenient way to get votes but a poor bargain for the economy.

The situation with rural roads is particularly vexing. Bangladesh is a land-scarce country, a fact that scarcely needs repetition. Due to its topography, soils and floods, road building costs in Bangladesh are among the highest in the world. One would think that Bangladesh would economize on rural roads. Yet Bangladesh has the highest density of rural roads in the world.²⁷ What is this due to, if not the dispersed village homesteads? The facts suggest stressing rural and agricultural development; infrastructures will provide employment, slow urban growth, and assist the growth of rural manufacturing and agro-processing. Most of the world is familiar with the susceptibility of Bangladesh to floods and cyclones—to these, arsenic has become a threat for some 60 million Bangladeshis. Simply in order to meet these natural hazards in a cost-effective manner, people need to be placed in more dense living quarters anyway. All the goals come together by using Compact Townships (CTs).²⁸

A Compact Township is an agglomeration of houses, hospitals, schools, markets, rural industries and local governmental units that provide all basic services to a population of about 20,000. It is to be largely self-governing and, once the government provides the enabling laws and demonstrates the concept with some pilot projects, substantially self financing. The size is small enough for traffic within the CT to be of non-motorized variety and for motorized traffic to be thus isolated from the CT itself. The CT will thus be well connected to markets yet environmentally friendly. As the size is small enough to provide effective protection from floods, the CT's will permit Bangladesh to do with many fewer embankments and thus encourage the re-emergence of a wetlands

environment, as well as serve to stimulate the renewal of freshwater fisheries. The general idea of a CT is simply a combination of integrated rural development with the idea of a growth pole, or its spatial equivalent, a growth center. The principal difference lies in the conjoined scale, scope, and purpose of the CT.

The optimistic scenario has population stabilize at 200 million by 2040. Let us assume the larger urban areas will accommodate 60 million people by 2050, over double the current level. If infrastructure is provided, and moving into the CT is voluntary, perhaps 20 million people will choose to continue to stay in their present homes; to house and provide opportunities for the remaining 120 million will need some 6000 CTs over the next 50 years. If we build 150 CTs a year this will take 40 years. If we assume that each CT is built over a two-year span, an average of 300 CTs will be in process each year. Employment will average 4000 per CT: a total of 1,200,000. I have been unable to find figures for employment multipliers, but if this is around 2 then the CTs will employ so many people that we will see something like a labor shortage! Hope is the best contraceptive and steady employment gives the most hope. So, the best single argument for CTs is that they will provide for full employment, that this will in itself reduce population growth rates, and provide the best prospects for future economic development. In addition, the CT can be provided with flood proofing, water can be cleansed of arsenic, small industries can be provided with power and telecommunications, and the community can be provided with web portals for education, business and health services.

All moves into the CTs will be voluntary. No force will be used. The only inducement will be an indirect one. No Government can be asked to support that which is beyond its means. It can be asked to provide education and health, but only in an affordable way. Those who choose to move into the CTs will have easy access to education, health, banking, family planning etc. Those who do not so move are still eligible for such benefits, but it will be much harder for them to gain access.

This brings up the all important question of financing. The important point to bear in mind is that all the benefits proposed such as education or health are no innovations. These promises have already been made to the people. The expenditures upon them are due. The real question is: How can we effectively do what has already been promised? The exact numbers I provide below are not of primary significance, only the orders of magnitude are.²⁹

At current costs, with modest flats for each household, each CT requires about \$30 million for its construction.³⁰ Can we finance a reasonably large number of pilot CTs? To suggest feasibility, let us consider the savings in roads, electricity and marketing that will arise from the CTs. One will not have the obligation to take electric lines into the interior at Government cost, smaller village roads can be left in an unfinished state and preserve the environment and the countryside. Using data from the Local Government Office (LGED) and the Rural Electrification Board, a preliminary analysis conducted in 1999 suggested a potential savings of \$4.5 billion. This money can be used to initiate the process of developing pilot CTs, about 150 of them. Redirecting expenditures from their current pattern allows a nationwide trial for at least three years; the difference between the two patterns of expenditures—the current one of taking infrastructure to the people and that of inviting people to the infrastructure—is that the CTs look directly to the future and hold out more hope than the current scheme.

If the initial trials show promise, but donor aid is not forthcoming, the challenge of deficit financing or borrowing from abroad has to be faced. Such infrastructure investment is worthwhile because it is a precondition for future growth. Suppose it leads to higher inflation and a greater role for the state. While balanced budgets and low inflation are undoubtedly best, if the goal is economic growth, let us remember the following: There is no evidence that moderately high inflation, say 25%, will adversely affect growth; there is much evidence that infrastructure investment "crowds-in" private investment; and that a sustainable budget deficit can be maintained through the growth dividend of infrastructure investment. So financing the CTs should not be an issue for the short run when funds can be diverted from less productive uses, and, if the trials show promise, in the long run, since borrowing and deficit financing are both legitimate means to provide infrastructure.³¹

There will be many ancillary benefits. Consider some possibilities in physical planning. There are some 68,000 villages and 13,817,000 households in rural Bangladesh with .07 acres of homestead per household. There are a total of 1,949,000 ponds. Suppose only 80% of the villagers agree to enter the CTs, thereby 10,000,000 households will free up about .05 acres each, (since they need .02 acres each in the CTs), this will save 500,000 acres for fruits and vegetables. Similarly, we free up about 1,500,000 ponds available for scientific fisheries instead of homestead use. What large implications can this have

for nutrition, micro-nutrients, and the general health of the populace?

In summary, the first item on the agenda is a growth rate of ten per cent. In the long run, such growth can only come from a vibrant entrepreneurial class. It is entrepreneurship that must lead the way in a market economy. But domestic entrepreneurship can just as easily be stifled as fostered by uninhibited competition. The goal is to stimulate entrepreneurship mostly in those areas where all competition is local, such as non-tradables, and let this serve as a breeding ground of hope for the future.

Social Sectors: Stated Targets Being Met

There is no doubt that social facets of poverty, such as education and health, are of primary importance. Both are amenable to increased expenditures; the difference lies in health being available to people even without any programs, public or private, while education has to be provided for people to acquire. In other words, health programs try to save us from harm, while education tries to raise us to a new level. They are closely linked however. Without good health, we cannot be effectively educated, without education we cannot appreciate many health preserving measures or raise our incomes to ensure future health. The economic gains are relatively greater for poor people, who are typically most handicapped by ill health, even in the short run; in the long-run, education assume equal importance in sustaining economic growth.³² Bangladesh has increased spending on social sectors in recent years and real budget expenditures on social sectors have increased faster than the total. However, since this reallocation has taken place during a time when public investment was curtailed in directly productive sectors (manufacturing and irrigation in crop agriculture) and many agricultural subsidies were withdrawn, such fiscal adjustments are no longer available. It seems both fortuitous and convenient that, simply carrying out current policies, with no necessary additional expenditures on either education or health, will be a satisfactory way of achieving the desired goals of poverty reduction.

Education: Education receives the highest priority in public social spending. This is justified by the argument that education is both a consumption good, contributing directly to the well-being of those who attain it, and an investment good, in that it contributes human capital for future production. Educational facilities for both primary and secondary levels have expanded rapidly since the mid-1980s. The number of primary schools increased by more than 50%,

enrollment expanded by 75%, and gender disparity declined. Similar trends are noticed for secondary education, with the number of schools increasing by 55% and enrolment by 138%. The number of colleges increased by nearly five times with more than a five-fold increase in the number of students. Bangladesh has three important achievements in basic education: increase in adult literacy rate, narrowing down of gender gap, and expansion of primary school enrolment rate. If we look at the indicators proposed in the PA, it is easy to be complacent about pro-poor economic growth in Bangladesh. Between 1997 and 1999 the enrolment rate has increased by 4 per cent. This is already halfway to the desired goal. As for gender equity in enrolment, since net female enrolments are 95.6% and male net enrolments are 96% there is no statistical reason for believing that gender disparity in education still continues.

The GOB has been more open to including NGOs since the 1980s. The NGOs have experimented with a variety of delivery mechanisms to cater to the basic educational needs of the poor. NGO schools currently enroll around 8% of the total primary school enrolment. These efforts, in particular BRAC schools, have gained international attention. Since the early 1990s, the Government has also allowed more mainstream primary schools to be setup by NGO's. This fruitful partnership between the GOB and the NGOs can do with further strengthening.³³

There are several potential sources of increased efficiency which should be explored extending thoughts to increased spending: First, the growth of salaries in the education budget needs to be contained. More careful monitoring of educational expenses seems vital. This will increase teachers' productivity through complementary measures (e.g. reducing absenteeism, increasing the teaching load, and rationalizing the recruitment process to attract well-trained teachers). The potential efficiency gains can be seen from the fact that the number of hours of classroom teaching per year is 444 in Bangladesh as against 1235 in China and 1100 in Indonesia; in grades 3 to 5, 47% of scheduled classes are not held. The primary school curriculum, which should take three years to complete, requires five years on average. This wastes students' time as well as their parents' investment. Only 37.8% of participants at secondary level complete the education cycle.³⁴ While the Government's Primary Education Development Program (1997-2002) aims to focus on many of these critical areas, the latest budget gives much emphasis on teachers' salaries at the expense of training, supervision, and facilities.

Second, higher education needs to take a back seat. Public spending per student is low in any case; indeed Bangladesh spends only half as much per capita on education as India or Pakistan, and one-third that of Sri Lanka; it is especially so in primary education, where public spending per student at primary level is around US \$13 which is one of the lowest in the world. On the other hand, 95% of expenditures of public universities, where the students generally come from well-off families, are borne by the Government. Third, technical education, now a small part of the budget, deserves support; but, as it is in the interest of the entrepreneurial class to foster such skills, they should be encouraged (by providing tax-free status to such social investment, for example) to provide a skills development fund to expand technical and vocational education. The potential for distance learning and IT education are areas still being explored.

Health: The goals here are malnutrition, infant and child mortality and maternal mortality. Drastic reductions have occurred in infant mortality rates (IMR) since 1990 (119) through 1999 (58); similarly child mortality rates have been reduced significantly from 1990 (106) through 1999 (89). If we take the cheap solution of extrapolating these reductions in a straight line, the desired goals are met. Maternal mortality decreases are also apparently being met, but since there is disagreement on the data, I will not press this point. The accepted measure for monitoring acute malnutrition is weight-for-age, as it is more sensitive to rapid changes in food availability, etc. The latest data show a dramatic decline in both severe and moderate malnutrition among children less than five years of age.³⁵ The decline between early 1997 and early 2000, was from 20.6% to 13.1% for severe, and from 56.3 to 47.8% for moderate malnutrition. So, most of the decline was among severely malnourished children. Again a simple extrapolation shows the desired goals being met. Of course, future changes may not be linear, but since we have no real idea how they will go, this is a good working hypothesis.

The simple straight-line extrapolations will be reinforced by income growth. Thus, in a sample of 58 developing countries, a 10% increase in income per capita, all else being equal, reduced infant and child mortality rates by between 2.0 and 3.5 percent and increased life expectancy by a month. If the income growth targets are met, this alone will provide gains in infant and maternal mortality of about 20 and 35 per cent respectively by 2005. So the policy suggestion is: "Continue the current policy thrust. If doubts arise, do a rapid assessment. If the goals are

not being reached, target new programs directly at the hardcore poor. At the margin, the hardcore poor are twice as helped by each dollar, so this will double the effect of each dollar spent." This strategy has an excellent chance of still reaching the goals of the Poverty reduction Agreement by 2005.

The results of the latest CIET survey (1998-2000:) suggest that gender equity in access to health services is not so much a general concern as one limited to specific issues:

- ◆ Gender is apparently not a factor in the choice of service used: 56% of government health service users are female, and 56% of private health service users are female. Some 60% of family members, ill but not using any service, are also female;
- ◆ There is no difference between male and female service users in their likelihood of paying extra money to the health worker(s), or paying unofficial registration fees;
- ◆ Nearly all women (94%) who received any antenatal care for pregnancies in the last five years rated the quality of the service they received as 'good', irrespective of area of residence, service providers, literacy, age and economic status.

Instead of pouring new money into health programs in order to meet the goals of the poverty reduction program, the following facts suggest that large gains are feasible quite cheaply with just some targeted expenditure on awareness.³⁶ People need to know just how important it is, as a practical matter, to secure health services and to know how and where to obtain them:

Considering pregnancies

- In the last five years, 59% of women had at least one antenatal care (ANC) visit and 54% had at least one visit in the first 6 months of pregnancy. Among those who received ANC, the median number of visit estimated was 1.7, which was very low compared to the recommended 4 or more. Is it ignorance of its importance, or some other factor, which is responsible for the low levels of ANC?

About child health

- Child mortality (2-4) remains higher among girls; moreover this mortality differential has not reduced during 1998-2000. This stems from differences in child care:
- Following the very rapid increases in immunisation rates in the late 1980s, levels have essentially reached a plateau recently.

Immunisation rates were slightly higher for male than female children (56% vs. 52%).

- A complementary BCC strategy targeted to mothers with low education is also needed in view of the high drop-out rates from DPT1-3, and the low coverage of measles vaccine in these areas and in children of poor, and uneducated mothers.

And finally, regarding malnutrition

- Some 50% of the households suffering from malnutrition have adequate food. The underlying causes of malnutrition, therefore, tend to be associated not just with food security but with behavior, social attitudes, and a lack of understanding and knowledge of nutritional needs.³⁷

Conclusion

Poverty reduction involves gains in income, education and health among its many facets. This paper has argued that current policy should focus all its efforts upon reaching the income growth target. This involves stimulating entrepreneurship, providing enabling laws, building infrastructure and keeping the macro framework stable by 'balancing' budgets and 'floating' exchange rates. The other goals of education and health will, in all probability, be met just by effectively implementing current policies. In particular, given the constraints, the emphasis on increased allocations for education and health is perhaps overmuch: *The emphasis throughout should be on rearranging existing expenditures and maximizing efficient utilization.* What is most important in these sectors now is the quality and composition of public investment. A simple but telling measure suggesting what can be gained lies in the fact that, of the 46 ADB projects evaluated, only 37% were classified as 'generally successful', compared with an ADB average of 54%.³⁸ Just attaining the average ADB success rate would imply a 50% improvement!

Now we turn to income growth, as this is really the hard policy question. The popular suggestion of export-led growth is not really tenable. Readymade garments (RMG) have provided sterling examples of dynamic entrepreneurship. However, a harsher international environment has now replaced the initially favorable international conditions and the RMG sector will be pressed to stave off collapse, let alone keep up its past rate of growth. Information Technology (IT) has made a good start, but Bangladesh lacks both the educational base at home and the expatriate contacts abroad for it to rely upon IT as a major player in the near future. The

diversified successes of SMEs, which helped countries such as Taiwan, are few, since the SMEs are hit by weak governance at home and by increased intensity of international competition. Globalization has provided a stimulus to a few industries, which have weathered the initial storm and become internationally competitive. A closer look at the pattern of trade with India, the nearest and most potentially most promising trade partner, shows that export gains are likely to be modest. This is unfortunate as India is the best ground for testing out Bangladeshi entrepreneurship. India imposes several non-tariff barriers and the Bangladeshi entrepreneur still lacks the expertise to look upon the Indian sub-continent as one market and plan accordingly.

Donors' insistence on imposing balanced budgets and the like is correct, but quite inadequate. The demand side must come *slightly* ahead of the supply side because people are spurred on by hope. Exports are good, but no one can rely on them. SOEs are a big loss, but since much skilled manpower and bureaucracy is needed to engage in devolution of government, why not ease them into new jobs? Simply firing people is not a good option, either economically or politically. The error of the donors lies in two basic points, one analytical and the other institutional. Analytically, donors underplay the importance of demand. For example, banks in Bangladesh have been able to raise interest rates because of the purely temporary stimulus given by Ramadan. Institutionally, donors overemphasize the possibility of spontaneous entrepreneurship if the 'preconditions are right'.

To provide for the needed income growth, aggregate demand needs to be boosted to increase employment directly, as, in a chain of multiplier effects, does investment. The way to achieve this goal is by heavy concentration of domestic infrastructure. Since most poverty is rural and since infrastructure is vital to economic growth, the GOB should redirect infrastructure support to *growth centers* and *rural settlements*. Such massive investments will be most productive, i.e., will not get swallowed in corruption, if accompanied by good governance. Good governance supports the poor with access to those public services essential for their well-being and for which they have a right to, and is vital to encouraging the latent entrepreneurial talents of individuals so that they will be able succeed economically and foster economic growth. It has been well stated that, "Lack of good governance is perhaps the single most important impediment to accelerating the pace of poverty reduction in Bangladesh. Since effective and efficient delivery of public services matters most to

the poor, weak governance hurts them disproportionately.”³⁹ Administratively, good governance will be best achieved if there is a simultaneous devolution of financial authority to municipal and local governments.

In conclusion, it has to be reiterated that the primary goal for poverty reduction must remain economic growth. A careful re-examination of the East Asian Miracle (Quibria 2002) shows that the social sector indicators in these miracle countries were low *prior to and during* the initial periods of rapid growth. Once rapid growth has been induced, the people themselves form the strongest lobby for good health and quality education. In other words, given the constraints and endowments facing Bangladesh, economic growth at 10 per cent is the most pro-poor outcome Bangladesh can aim for.

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http://www.cpd-bangladesh.org/fy03_interim%20report.PDF

IMF Concludes 2003 Article IV Consultation with Bangladesh; July 11, 2003

<http://www.imf.org/external/np/sec/pn/2003/pn0384.htm>

Bangladesh: Statistical Appendix; Country Report No. 03/194; July 11, 2003

<http://www.imf.org/external/pubs/ft/scr/2003/cr03194.pdf>

Centre for Policy Dialogue

Competitiveness Environment in Bangladesh 2003 and Global Competitiveness Report 2003-04

http://www.cpd-bangladesh.org/gcr_press.PDF

CPD Dialogue Paper

Exchange Rate Policy of Bangladesh – Not Floating Does Not Mean Sinking

By Dr. Mirza Azizul Islam; January 02, 2003

http://www.cpd-bangladesh.org/dp_020103.PDF

Achieving Replacement Level Fertility in Bangladesh: Challenges and Prospects

Professor M Ataharul Islam, Professor M Mazharul Islam and Professor Nitai Chakraborty

<http://www.cpd-bangladesh.org/cunfpa18.htm>

Endnotes

¹ With the possible exception of those from the Center for Policy Dialogue. A two page summary of this argument appeared in the July 2003 issue of The Executive Times.

² As an expatriate, I will often use ‘we’ for policies suggested to the GOB

³ Despite these improvements, both performance indicators and levels of public spending are still low compared to most South Asian countries.

⁴ Such settlements may be dictated in arsenic ravaged areas in any case, because of the need to provide safe water.

⁵ Even if we use the Cost of Basic Needs (CBN) method, we find the past rate of poverty reduction to be 2.5 per cent, which still requires an increase in the growth rate of almost 90 per cent. For a valuable review of poverty in the mid-90's, see Khan and Sen (2001).

⁶ The 1999/2000 survey produced an estimated national TFR of 3.3. That level of fertility would be expected to give a Crude Birth Rate of around 27 per 1,000 depending on the age structure of the population, especially of women of reproductive age. The Crude Death Rate is around 7 or 8 per 1000. The net effect is about one child above the GoB target of replacement fertility by 2005.

⁷ Ministry of Health, Dhaka, 1996

⁸ The changed efficacy seems to have little to do with the sector wide approach of HPSP per se. Initially Family Planning works well as vertical project, FPHP, but with time it requires an integrated approach.

⁹ For good reviews of the Macroeconomy which point out both data deficiencies as well as open questions, see Bhattacharya(2000) and Khan (2001)

¹⁰ Shahid Alam, Poverty from the Wealth of Nations, (MacMillan,2000). Leah Greenfield, The Spirit of Capitalism, (Harvard,2003)

¹¹ World Bank 2000.

¹² The subsidies given for both fertilizer and for electricity are somewhat inexplicable. It may be easier to attain Food self sufficiency by buying from abroad and storing the grain rather than growing it at home.

¹³ Country Assistance Plan, 2000, p1

¹⁴ Mahmud,2001, pp12,20

¹⁵ Quddus and Rashid (2000)

¹⁶ Akhter Hossain and Salim Rashid, “Financial Sector Reform,” in M.G. Quibria (edited) The Bangladesh Economy in Transition, Oxford, Delhi, 1997, 221-274.

¹⁷ The World Bank and The Asian Development Bank, Bangladesh, Economic Trends and the Policy Agenda, May 1998, 15-16.

¹⁸ Table 5 in Rahman and Rahman, 2001. More details are to be found in Molla, Quddus and Rashid (2003)

¹⁹ The Hindu, March 28, 2001. In November 2001, the Indian Government has reintroduced charges of dumping against batteries---one of the few manufactured goods Bangladesh can export to India.

²⁰ Quddus and Rashid (2000)

²¹ This section relies on an unpublished ADB report of Najmul Hossain who notes that the database for dealing with SME's is weak and information on changes within the sector is spotty.

²² The Janakantha ,May 6, 2001, states as its headline that over 80 per cent of litigation is land related.

²³ Implementing microcredit programs by almost every ministry and their agencies, as well as the NGO's, has become a cottage industry. See GOB 2000.

²⁴ This is contentious, but the Wall Street Journal piece on the Grameen bank (Nov 27 2001) points out many of the limitations of micro-credit. For a scholarly query see Basher (2001)

²⁵ Sen,2000,p12

²⁶ The GOB does have a rural infrastructure program at present, which supports the building and maintenance of rural roads, bridges and culverts; small scale irrigation structure; development of trading facilities in rural markets; and creation of trading network. The details are spelled out in the Mid Term Review of the Fifth Five Year Plan. It has been claimed by the previous Prime Minister (Daily Star, May3,p11) that even this limited effort at providing housing and accompanying infrastructure has halted the creation of urban slums.

²⁷ Bangladesh Rural Infrastructure Strategy Study (World Bank, 1997).

²⁸ The following section summarises an elaborate discussion that extends through two issues of Asian Affairs.(nos 1 and 2, 2000) It will be best to start the CT's as a Pilot project on reclaimed (khas) lands or in arsenic affected areas or in cyclonic belts.

²⁹ Albeit on a smaller scale, such plans have been drawn up for countries like India and Italy. For a valuable review, see Rosenstein Rodan (1981)

³⁰ This calculation excludes the cost of land. As the CT's are to be in rural areas, the cost of land will be a small part of the total. I am grateful to officers of the construction companies, Concord and ShelTech, for information, as well as faculty in the Civil Engineering department.

³¹ For evidence of the positive impact of building expenditures upon growth see Wen (2001)

³² The following sections rely on unpublished ADB reports by Haider (Health) and Mujeri (Social Sector).

³³ Excellence in the overall trend however masks several persistent weaknesses. In particular the low quality of education and the wastage of resources through high dropout and repetition rates give most concern for the future. Despite recent increases, Public expenditures on education in Bangladesh are low compared to other developing Asian countries and averaged around 2 per cent of GDP in the 1990s. The fruitful partnership with NGO's has promise for the future. Planning Commission 2000.

³⁴ See World Bank (1999).

³⁵ Demographic and Health Survey 1999/2000

³⁶ The fact that the targets will be met should not to suggest a rosy picture of the Health Sector. Access for the poor can be quite limited. The recently conducted Mid-Term Review (MTR) of Fifth Project HPSP that of NGOs .It makes a sufficient case for intervention to observe that, for several selected health indicators, the poorest 20% and the richest 20% differ by as nearly one hundred per cent ! Demographic and Health Survey 1996/97 P39.

³⁷ The general framework has been well stated in the ADB Report for Health Sector Reform in Asia and the Pacific (1999) (see pp106 and 107). It states that for each illness we need to know a) What are the relative costs of prevention vs cure? b) What are the relative costs of Traditional vs Non-Traditional approaches? This section draws on an interview with Mr G S Kang of the World Bank

³⁸ Country Operating Strategy, ADB,p8.

³⁹ Country Assistance Plan, ADB,p24. , Since poor households cannot evade the pervasive influence of Government, what does such contact cost them in their daily lives? Siddiqi (2000) examined 3117 households and concluded that, on an average, such families paid an estimated average cost of corruption

and misgovernance of TK 1501.83; about two-thirds, or TK 1001.5, is due to corruption, and the rest is due to misgovernance.

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SOCIAL DIFFERENTIATION, GENDER AND WORK: CHANGES IN THE TIME-ALLOCATION PATTERN OF MEN AND WOMEN IN RURAL BANGLADESH

M. Mahmud Khan and Shamsul Huda

ABSTRACT

Intra-household inequality has two distinct dimensions: inequality in consumption and inequality in the distribution of workload among household members. A number of studies have examined the intra-household inequality in consumption, but these ignore the unequal distribution of workload within the family. This study compares the workload of men and women in rural Bangladesh for the years 1984-85 and 1998-99. Hours devoted to market work increased by 72% for men and 78% for women over this 15-year period. Time spent on social activities increased six-fold between these two survey years, possibly due to the advent of electricity in rural areas. The hours devoted to home activities have also increased in rural Bangladesh despite the reduction in the average family size and higher involvement of women in market activities. Excluding the social and supervisory type activities, work hours of women exceed those for men in both 1984-85 and 1998-99. This implies that women in rural Bangladesh remain the most important players in the aggregate production of market and home activities. With improved socioeconomic status of households, male members tend to reduce their market work while the work hours of women tend to increase. The work pattern of men shows a clear shift from actual involvement in market production to social status enhancing supervisory activities with improving socioeconomic status. In contrast, types of work done by women remain almost identical for all socioeconomic groups. Therefore, improved economic status of households does not provide any significant benefit to women in terms of their workload or work pattern. A further implication of this result is that any discussion of political and social conflict in a traditional rural society will be incomplete unless the workload and social responsibilities of men and women are considered explicitly.

Introduction

Inequality in the distribution of income and wealth has significant political and economic implications. Although perfect equality is neither feasible nor desirable, the degree of inequality in income and wealth distribution beyond a certain acceptable level is considered morally wrong and socially unjust. It has also been argued that the degree of inequality may be related to the frequency and intensity of political protests (Scott 1976, Papanek 1980). Therefore, policy interventions for reducing inequality should help long-term economic and social development as well (see Aghion et al. 1999).

Social and economic inequality is often analyzed by examining the inter-household distribution of income and assets. It is implicitly assumed that the households allocate the resources among their members in a more or less equitable manner. In fact, the starting point of almost all household behavior models is to assume that the household is the basic decision making unit. There are some advantages in treating households as the unit of analysis in economic and social research. Households appear to manage their productive assets in a joint manner and many household relations are guided more by altruistic motives than market-based self-interests (Becker 1981).

However, the institution of household is not a perfectly egalitarian entity. Inequalities in the distribution of income and consumption within the household are well known. There is ample evidence to indicate that age- and gender-based discrimination within the household is much more serious than originally thought (see Abdullah and Zeidenstein 1982, Arens and Beurden 1977, Cain et al. 1979, Chen 1983, Chen 1986, World Bank 1990). For example, when nutrient requirements by gender are compared, male members usually get a much higher food allocation than female members (Pitt 1990, Sen 1981, Arens and Beurden 1977). Similarly, girls receive less food, medical care and education than boys. The probability of survival of girls, in relative terms, is also lower than that of boys in poor rural societies (Dreze and Sen 1989, Das Gupta 1995, Das Gupta 1987, Kaiser and Dewey 1991, Engle and Nieves 1993, Haddad 1992, Harris 1990, Rogers and Schlossman 1990).

The intra-household allocation of resources usually examines food consumption and medical care utilization by members. However, intra-household inequality has two distinct dimensions: first, the inequality among members in terms of resource use and consumption, and second, the inequality among members in terms of workload in the family. Even if the food items are distributed among the members in a just

manner, unequal sharing of home and market activities will make the household fundamentally inequalitarian. The inequality within the household in terms of workload is rarely discussed. Only a few studies explicitly considered the workload of men and women in explaining inequality in food consumption and access to other resources (see Pitt et al. 1990, Becker 1965).

The purpose of this study is to examine the role of men and women in performing the workload of households and to analyze the changes in their time use pattern over a period of about fifteen years. During this 15-year period, the economy of Bangladesh experienced rapid progress. By comparing the time allocation patterns in two points in time, this study should be able to indicate the effect of changing economic and social environments on workload as well as differential impact of economic development on time use patterns of men and women. Just like the intra-household food distribution pattern, the work performed by men and women may also vary depending upon their socio-economic status or class position. In order to examine the role of economic status on workload of men and women, the study will compare the time use pattern for five different economic and social groups in rural Bangladesh.

The structure of the paper is as follows. Part II describes the methodology followed by the two surveys to collect information on time use patterns of men and women in rural Bangladesh. Part III is a description of time use pattern of men and women and how the pattern has changed between these two survey periods. Part IV provides conclusions and policy implications.

Survey Methodology

This study compares the 1984-85 (Khan, 1987) time allocation patterns of men and women in rural Bangladesh with the patterns observed in 1998-99.

The first time-allocation survey (carried out during 1984-1985) selected one rural area of Bangladesh for data collection purposes. A combination of cluster and multi-stage stratified sampling was used to identify the households for the survey. At the first stage, a number of rural areas (thanas or police stations) of the country were identified which had similar demographic, social, and economic characteristics to that of "average" rural Bangladesh in the early 1980s. One of these areas was selected for the survey. In 1984-85 survey, the area chosen was Kalihati thana (sub-district) of Tangail district. The sub-district consisted of 15 groups of

villages called unions. One union out of these 15 was chosen randomly for the study. The official union level count of households in the union (Bangra) was 3482 in early 1983. The villages in Bangra were again grouped into eight clusters so that each cluster would be representative of the Bangra union in general in terms of religious composition and occupation of the residents. A cluster was chosen at random from the eight clusters defined. The selected cluster consisted of three villages.

A census of all households in the cluster was conducted and information regarding land ownership, principal occupation, and religion was noted. The households were then categorized into seven land ownership groups and two occupations. A 30% random sample was drawn from each category, which resulted in a sample of 73 households. All these 73 households were surveyed on a daily basis for 371 days over the period April 1984 to May 1985 to collect data on time use patterns of men and women. Over the yearlong survey, data were collected on more than 49,000 person-days, about 25,000 of these from women. Each morning and evening, the enumerators visited the surveyed households and asked the members about their time allocation to various activities during the last 24 hours. The survey design considered alternative methods of data collection including direct observation and random visit but decided to adopt the 24-hour recall method due to its simplicity and relatively low cost. The 24-hour recall ensured that the error in reporting would be quite small. A number of other time allocation studies in Bangladesh also used 24-hour recall method (Farouk 1980a, Farouk 1980b, Khuda 1982).

The 1998-99 time allocation survey adopted a different methodology. It selected six sub-districts or thanas from the whole country and within each of the sub-districts, two to three villages were randomly selected for data collection purposes. The sub-districts were chosen in such a way so that all the major geographic divisions of Bangladesh will be represented in the survey. From the census list of households, 60 to 70 households were chosen at random for the survey. Men and women from the surveyed households were asked about their time use patterns in the previous 24 hours. In the 1998-99 survey, 2,255 women and 1,887 men were asked about their time use patterns. Since the survey was conducted over a period of nine months, the average hours of work should be more or less independent of seasonal biases.

Structured questionnaires were used to obtain the time allocation data, assets, and income position of households. Although the questionnaire and the coding

guide listed many time use categories (more than 100), the enumerators did not use the list to query about hours spent on specific activities. Rather, the household members were asked to report their activities in a sequential manner from early morning till evening. Since the concept of hours and minutes may not be clear to many of the individuals surveyed, especially for the survey in 1984-85, time spent in various activities were approximated by referring to certain time-dependent phenomena or activities, such as call for prayers, sunrise, sunset, and school time.

The time allocation data were collected from all adult members in the household. The 1998-99 survey did not try to collect any information on time use patterns of children, although the 1984-85 survey collected some information from children aged six years and above. However, the time use data for children were found to be quite unreliable and it was decided not to use the information in the study.

For the analysis of the data, hours spent on various activities were aggregated into weekly totals. Some of the time categories were also lumped together to reduce the number of separate activities. For example, cooking, cleaning the house, and repairing the floor or the wall of the house were defined as home activities. Similarly, washing, bathing, and free time were aggregated into the personal care category. The major time use categories used in the study will be discussed in more detail in the next section.

Time Use Pattern in Rural Bangladesh

To describe the time allocation pattern of adult male and female members, all activities were aggregated under five headings: market work, other market activities, home activities, social activities, and personal care.

Any activity which earns an income, produces marketable output, or maintains capital equipment or assets is defined as market work. By this definition all crop production activities, livestock maintenance, fishing, handicrafts making, selling various products and services, or working as a wage laborer fall under the category “market work”. Note that the market work is not necessarily performed in the formal market; many self-employment activities like feeding cattle and poultry birds, drying paddy straw, vegetable gardening in the home-plot, and processing of crops are also considered market work. The “other market” category includes supervisory type of work and hours spent in schooling, including studying for school. Schooling,

although it creates human capital, is quite different from market activities. Market activities produce or maintain directly marketable items while schooling improves future productive capacity of an individual. Home activities basically include household maintenance, cooking, serving meals, childcare, nursing the sick, and repair of the house. Note that home activities can potentially be performed through the market but, unlike market outputs, home outputs are not usually marketed or can not be marketed easily. The activities which require participation of a number of individuals and in which the social aspect is more important than individual necessity are grouped into the category “social activities”. This category includes the following: attending social functions, meetings, visiting friends and relatives, informal social gatherings (*adda*), religious activities or functions, and watching TV or games. Personal care activities satisfy individual-specific needs. A number of social activities may also satisfy personal needs and in that sense a clear demarcation between these two becomes difficult. In this study, the personal care category has been defined narrowly to include only those activities which satisfy basic personal needs only. Therefore, this category includes washing, eating, rest, free time, and sleeping.

Table 1 compares the hours allocated per week by adult male and female members to five categories of work defined above. The table also presents the average hours used in each of the five time use categories for the two surveys. Comparison of the time allocation patterns of these two surveys indicates the changes in the work-load of individuals over the last 15 years. In 1984-85, total time allocated by men to market work in a week was about 30 hours, which increased to 56 hours in 1998-99. Clearly, the opportunities of market work have expanded significantly in Bangladesh over the period 1984-85 to 1998-99. During this period, the average rate of growth of GDP was more than 4% per capita per year (BBS 2001) and it appears that the higher economic growth has created employment opportunities for men at a rate of about 6% per capita per year. The market hours of work for women also increased significantly, from 12.1 hours per week to about 19 hours, a rate of growth of 4% over the 15-year period.

In 1984-85 men allocated about a quarter of their total time in market and “other market” related activities while women spent only about 10% of their time in these activities. Adult male members in Bangladesh in 1984-85 spent a significant part of their productive time on supervisory and school activities, almost eight fold higher than the time spent by women in this category.

As women faced more stringent social restrictions in the mid-1980s compared to those in the late 1990s, participation in supervisory and educational activities remained very low for them in 1984-85. The only market activity in which both men and women spent almost equal amounts of time was handicraft making (not shown in the table). Men often collect or buy the raw materials and other inputs needed for handicraft making rather than actual participation in the production process. Since handicraft making can be performed within the house by easily combining it with other household activities, it is especially suitable for women who do not or cannot participate in the formal labor market.

Due to increased demand for labor in productive activities including schooling, men spent more than 40% of their total time in these activities in 1998-99 compared to about 24% in 1984-85. Women also increased their time allocation to productive activities from 8% in 1984-85 to 14% in 1998-99. Note that average home activity hours of both men and women increased over the years, although the increase was much higher for women than men. In home activity (including child care), women allocated more than 40 hours per capita per week compared to only 7.5 hours allocated by men in 1984-85. Women performed about 88% of total work-hours spent in home activities by household members. Even in 1998-99, women performed 86% of total home activities. Therefore, in rural Bangladesh women constitute the predominant supplier of labor to household maintenance and childcare. On the other hand, men performed more than 75% of market work of the household and the ratio remained almost unchanged over the decade. This implies that male members tend to specialize in market work while the women members specialize in home production activities. Men in Bangladesh performed less than 15% of home activities in both the survey years while women performed 25% of total market work of the household. Therefore, women play a very significant role in both market and home activities, although men remain relatively more specialized in market work.

The hours spent on religious and social activities were quite low for both men and women in 1984-85, about 2.4 hours per person per week. After 15 years, per capita hours in social activities (including religious activities) increased by about 600%, the highest rate of increase in hours allocated to a category among all the activity categories defined. Although the 1998-99 survey did not separate religious activities from other social activities, it was clear from the field visits that the

time used in religious activities was a relatively small part of total time allocated to social activities. In Bangladesh, rural electrification has created opportunities for extended hours of market and non-market work. During 1984-85, when most of the rural villages were not electrified, households rarely participated in any productive work or social activities after dark. With the advent of electricity, it has become quite common to visit neighbors in the evening, arrange meetings at night, or to spend time in informal gatherings in tea stalls and shops furnished with fans and television sets.

Note that the increase in the hours spent in market and social activities have reduced the time allocated to personal care. In 1984-85 men allocated 123 hours per week on the average in personal care activities compared to 114 hours for women. In 1998-99, these hours declined drastically to 77 and 81 for men and women respectively. One possible explanation of lower personal care hours may also be related to the improved access to water for bathing and washing, thus reducing the time needed to perform these activities. Again, the advent of electricity has converted a significant part of personal care activities in 1984-85 (going to bed immediately after dark) into social and market activities in 1998-99.

It should be mentioned here that although we have defined five aggregate categories of time use in this analysis, the actual work performed within each category was quite different for men and women. For market activities, men were usually involved in productive work taking place outside the house while most of the market activities of women took place within the home-plot. The home activity category for women is mostly cooking and childcare but for men it usually means repairing the house.

Table 2 shows the hours of work performed by adult male and female members by household economic status. For the analysis of time use by economic class, we have defined five categories of households. The group "very poor" consists of households who do not own any agricultural (arable) land and whose main source of cash income is the wage received from the market supply of labor. Due to the lack of access to land, this group must depend on wage labor for subsistence. The "poor" households own some land, usually less than one acre, but without additional wage income they can not meet the consumption needs of the household. Middle income households are usually self-sufficient in food production or their regular income is usually more than the minimum subsistence level.

Upper-middle households have some surplus production or income and they can supplement their income by about 50% from their own wealth and savings in case of emergency. The members of this household category do not supply any labor in the wage labor market, but they often work in their own land or businesses. The rich household category usually generates significant surplus income or production. In most cases, this group depends on hired labor force for organizing their production activities. The members of this group rarely participate in manual work.

Table 2 shows that the hours spent by men in market activities declined with improved socio-economic status of households. In 1984-85, the male members from the poorest category spent about 44 hours per week in market activities, while it was only 17.0 hours for men belonging to the rich category. For middle-income households, however, hours used in market work was not lower than the hours for the very poor. This represents an exception to the general rule of declining market hours with improving economic status. One explanation of this anomaly could be related to the lack of access to cash for middle-income households. Cash constraints restrict labor hiring and the household members have to fall back on their own labor supply to properly use the productive assets. The home production activities and school hours also tend to increase with economic status. Hours spent in personal care, free time, and sleep, also increase with higher economic status of households. It is interesting to note that the 1998-99 survey also shows a similar pattern of declining hours of work for men in market work. Hours spent on other market activities tend to increase with economic status due to higher allocation of time in schooling and supervisory work. Hours spent by men on social activities also show an increasing trend with socioeconomic status of households.

Contrary to the pattern obtained for male members, women show a very different workload by economic strata. With better economic status of household, hours of market work for women does not tend to decline even when the hours spent on supervisory work and schooling is excluded. Home activity hours remained more or less constant across household classes in 1984-85 but increased from 43 hours per person per week for the poorest group to 54 hours for the richest in 1998-99. If we compare the market work and home activity hours (excluding other market and social activities), total hours of work for men tends to decline with economic status while the total hours tend to increase for women. Hours allocated to market activities increased at a much higher rate for women from the poorest two

socioeconomic strata compared to the increase for other groups. Economic progress has allowed women from poorer households to participate in outside market work much more intensively than was possible in the 1980s. Describing the situation of women in the 1980s, a World Bank report argued that “despite the critical need for increased family income, culture and tradition constrain women’s capacity to work” (World Bank 1990). The success of family planning programs and improved health and nutritional status of children may have helped in converting unused slack time into productive hours. In general, lower family size or reduced incidence of childhood diseases did not lower the hours allocated to home activities, but the presence of children or sick individuals severely restrict the ability of women to work outside the home.

From Table 2 we can conclude that the improvements in the class position of a household significantly affect the workload pattern of its members, especially the hours of market work for men. The market and home activity hours for men show a declining trend with improved socio-economic status. However, improved socio-economic status of households appears to increase the workload of women. In rural areas of Bangladesh (in contrast to urban areas), hired helps are usually involved in market activities rather than working in home production activities. The types of work women do also remain more or less similar despite significant improvements in economic status of households. As the economic and social status of households improves, agricultural and other market work increases significantly. To cope with the higher economic activities, men substitute their market hours by hired help and supervisory work. Although the hours of work for women also increase with higher agricultural production, excepting few relatively rich, households rarely hire enough women workers to help reduce the workload of women. If workload and work patterns are considered, household economic status has no significant welfare improving impact on women, but men clearly benefit from a higher socio-economic situation.

Concluding Observations and Policy Implications

The time allocation surveys presented here clearly demonstrate that a significant part of economic activities in Bangladesh are performed by women and over the last 15 years the role of women in economically productive activities has increased significantly. The workload of men also increased rapidly over the years but women spent a higher number of hours in direct market work (excluding

supervisory type of work and schooling) and home activities compared to men in both the 1984-85 and 1998-99 surveys.

The empirical results show an interesting pattern of workload for men and women with the improvements in socio-economic status of households. Economic status of households clearly affects the workload of men by reducing the hours in market work but increasing the hours in supervisory activities. Since a higher degree of participation in supervisory-type work enhances social status, better economic status of households helps to improve the social status of men through its impact on work patterns. For women, the actual hours in direct market work and home activities increase with the improvements in economic status of households. In other words, in terms of work hours, women do not benefit as much as men when the economic status of household improves.

The changes in the work pattern of men and women with socio-economic status indicate that the degree of inequality in a society can not be fully understood without examining the intra-household allocation of work. This paper clearly demonstrates that the gender differences in consumption or access to resources provide only a partial picture of overall societal inequality. Estimating the degree of gender inequality in the society should also compare the workload-sharing pattern between men and women. This dimension of gender inequality is often ignored in the literature.

This paper compared the average time utilization and time-allocation patterns of men and women using two different surveys. The methodologies used by the surveys differ quite significantly and it is possible that the observed time use pattern, to some extent, was influenced by sample selection and data collection procedures. The important issue to examine is the degree of potential bias introduced by the survey designs. Although the bias is likely to be present, it appears unlikely that the differences in survey methods distorted the average numbers or patterns by a wide margin. For example, the study by Farouk in the late 1970s collected time use data from women in six villages of Bangladesh (Farouk 1980b). In his study, he found that the time allocation pattern of women did not vary significantly across the six villages, although the villages were selected from different regions of Bangladesh. Therefore, at least for women, the time allocation pattern in Kalihati (the location of 1984-85 survey) should not be significantly different from other regions of the country. The fact that the pattern of work of men and women remains more or less comparable

between the two surveys of this study implies that the bias created by research design is likely to be relatively small.

Another important result of the study is the apparent absence of significant substitution possibility among the four activity categories (excluding personal care), especially for women, both within a survey and across the two surveys. Increased hours of work in market activities did not reduce the hours used in other categories of work in both the 1984-85 and 1998-99 surveys. For example, in 1984-85, hours of market work for women from middle-income households was seven hours higher than that for women from the poorest income class but there was no impact of this on hours allocated to home or social activities. In the longer run, the process of development tends to reduce home activity hours as households try to substitute home production by market work (Landefeld and McCulla, 2000). The time use pattern derived from the two surveys is not consistent with the observation that economic progress reduces home activity hours by organizing many of the formerly household activities through the market or by introducing labor-saving technological progress in the home sector. In Bangladesh, hours spent on home activities like cooking, childcare, and household maintenance have actually gone up rather than declining, despite significant reduction in the average family size. Since the hours allocated to home activities increased for all socioeconomic groups, excepting the poorest, over the 15-year period, it is possible that the time requirements in home activities have increased in Bangladesh. If this is true, women from the poorest group could not keep up with the increased home activity needs due to their much higher involvement in market work in 1998-99 compared to that in 1984-85.

The conclusion that women in Bangladesh see almost no effect of improved economic status of households on their workload and work pattern may have significant social, economic and political implications and should be explored carefully in the future. With the improvements in economic status of households, work hours of rural women tend to increase while the work hours of men tend to decline. For both men and women, higher allocation of hours in market work happened at the expense of personal care activities. As the hours in personal care shrinks, further increase in market work will affect home and social activities

adversely. Lower hours allocated to these activities may actually lower the housing quality or quality of care received by children, especially among the poor households. Therefore, it is important to develop low-cost ways to improve labor productivity in home activities so that women from poor households can fully participate in market work without affecting home production activities significantly.

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TABLE 1
Time-use Pattern of Men and Women in Bangladesh 1984-85 and 1998-99
(Hours per week)

Type of work	Time use in 1984-85		Time use in 1998-99	
	Women	Men	Women	Men
Market-oriented work	12.1	30.5	19.5	55.6
Other market activities (supervisory and other types)	1.0	9.1	3.8	12.5
Home activities	41.4	7.5	49.4	8.0
Social activities	2.2*	2.6*	13.9*	14.6*
Personal care/sleeping	111.3	118.3	81.4	77.3
Total available hours/week	168.0	168.0	168.0	168.0

Source: 1984-85 Survey in Tangail district of Bangladesh and 1998-99 survey of six sub-districts.

Market-oriented work: activities that produce marketable output or generate income.

Other market activities: activities related to productive work such as supervisory activities, schooling, etc.

Home activities: repairing the house, cleaning, cooking, childcare, etc.

Social activities: religious activities, attending cultural and social gatherings, visiting neighbors and friends, watching games or TV, listening to radio, etc.

Personal care and sleeping: washing, cleaning, bathing, nap and sleeping, rest and leisure time.

* Differences between the average hours of men and women within the survey were not statistically significant.

All other averages were significantly different for men and women at 5% level or better.

Table 2

**Time-use Pattern of Men and Women in Bangladesh by
Socioeconomic Status of Households
(Hours per person per week)**

Time Use categories	Socioeconomic status of the households				
	Very poor	Poor	Middle	Upper-middle	Rich
(for women in '83-85)					
Market work	7.8	11.2	14.5	14.2	11.0
Other market	0.8	0.5	0.5	0.6	1.1
Home activities	43.1	40.3	41.9	41.1	41.2
Social activities*	2.1	2.1	2.3	2.9	3.5
(for men in '83-85)					
Market work	43.7	32.2	37.2	23.2	17.0
Other market	0.7	4.7	9.7	10.2	14.7
Home activities	6.3	7.8	6.4	9.8	10.0
Social activities*	1.8	2.1	2.6	2.7	2.8
(for women in '98-99)					
Market work	20.8	18.2	17.4	16.7	17.1
Other market	2.8	3.5	4.0	4.8	6.8
Home activities	43.1	50.8	52.4	53.4	54.1
Social activities*	13.4	13.3	14.3	15.5	14.7
(for men in '98-99)					
Market work	60.8	62.2	60.0	44.7	37.0
Other market	4.1	7.7	10.2	24.9	32.5
Home activities	6.9	7.9	7.9	10.0	9.3
Social activities*	12.5	13.1	15.2	18.6	18.9

Source: 1984-85 survey of Tangail district and 1998-99 survey of six sub-districts of Bangladesh.

* Social activity hours between men and women within the survey were not statistically significant. Social activity hours among the household categories were not statistically significant for 1984-85. The differences for all other activities were statistically significant.

POOREST WOMEN IN BANGLADESH: ECONOMIC PATHS TO SOCIO-POLITICAL DEVELOPMENT

Choudhury M. Shamim

ABSTRACT

This article looks at the socio-economic survival of the poorest women in one of the poorest countries of the world. It is based upon 57 in-depth interviews of these poor women who serve as construction workers on the roads of rural Bangladesh. A majority of these women are single and range in age from 15 to 45. One of the criteria of their employment was that they had to be destitute, often with many dependents to feed. All of the above women had to overcome social taboos (such as *purdah*) to work outside on the road as common laborers. Moreover, they were paid the equivalent of one US dollar a day and had to work 6 days a week. This program was initiated by an international NGO and financed by a three-way arrangement between local government, the Central Government of Bangladesh and Canada, offering foreign aid to the project. This article traces the development of a number of these road maintenance groups who have already finished their tenure. It catalogues the social skills that the women have learnt, their economic growth in terms of property and money, and also their political development, as some women have contested the local government elections.

Introduction

For the poorest women in a poor country, life can become what the 17th century philosopher Thomas Hobbes said in *The Leviathan*, “Nasty, brutish and short.” This article explores the lives of a group of destitute women from Bangladesh. They won the battle for survival. It tells a powerful and moving story of how these women fought great odds and lifted themselves from the depths of poverty and hunger to economic self-sufficiency, social status and in some cases to political office.

It is important to remember that these women are not city-folk but rural people, who were also illiterate and poor. And they live in Bangladesh, which is the world’s most densely populated country with 133.4 million living in an area of 144 thousand square kilometers. The average density was 1,025 people per square kilometer in the year 2001. Bangladesh is about the size of the state of Louisiana, with similar kind of deltaic topography and humid climate. But Louisiana has less than 5 million people. Thus, Bangladesh has a population density that is 25 times greater than Louisiana. Many classical economic development theorists believe that such high population growth is one of the root causes of poverty. Indeed, Bangladesh was once a rich country some three hundred years ago. Human resource development can once again put her on the path to prosperity.

In this crowded and impoverished milieu, Bangladeshi women are even more disadvantaged because the country is patriarchal and male-

dominated. Religion dominates the social roles of its men and women and the division of power. Most women live in the rural areas and suffer not only from gender subordination but also class inequality. The deprivation of women in Bangladesh is the result of many forces, such as lack of political decision-making, economic access, social status, and traditional and cultural values. According to Ahmed (1987, p. 1), “The cumulative deprivation of Bangladeshi women is incorporated and perpetuated by a complex arrangement of social institutions, rigid role expectations, and prevailing cultural values.”

Things are getting better, albeit slowly. Many forces of change are at work. This article shows collaboration at three systemic levels – local, state and the world system - to alleviate the sufferings of the extreme poor. The Rural Maintenance Program (RMP) is being funded by the local government, the central government of Bangladesh, and foreign aid from Canada. The importance of non-state actors like NGOs becomes evident as CARE, the relief agency, was responsible for the implementation of the Food-for-Work Program in the 1970s, and was thus the precursor of the RMP project.

This author believes that the struggle of these poorest women in Bangladesh cannot be seen in isolation. It must be placed in a much larger framework within a global context. Furthermore these rural women were trained by educated women who were themselves working for many Non-Governmental Organizations. These NGOs in turn are aided and influenced by the international economic and political system. Thus I have sought to provide in this article, as a theoretical

framework, the various streams of feminist political thought. Not all of these streams of “feminism” are equally relevant to these poorest women. A short literature review of the articles regarding women and development, particularly those relevant to poor women, is included with the hope that they are parallel strands in search of a common destiny.

Women and Development: Theoretical Framework

This article looks specifically into the lives and the struggle for survival of a number of destitute women in Bangladesh who are engaged in a rural road maintenance project starting in the 1980s. But it is important to set their struggle within the broader theoretical framework of feminist political thought and women’s development. As Molyneux (1998, p. 219) notes, “The debate within feminist political theory and the field of development studies have pursued parallel paths with little real engagement with each other.” So there is a need to build bridges between feminist theory and development studies. Some of the famous feminist thinkers are Jane Adams, Mary Wollstonecraft, Simone de Beauvoir, Catherine Mackinnon, Judith Butler and Nancy Fraser. Broadly defined, “Feminism opposes the political, economic, and cultural relegation of women to positions of inferiority. That is, feminism critiques laws, customs, and beliefs positing that women are inferior to men, contribute to discrimination against women, privilege men over women, and value men’s freedom and well-being over that of women. Feminism critiques historical, contemporary, national, and cross-cultural practices that deny women power over their own lives and thereby attempt to take away from women the possibility of living as free, self-governing individuals” (Grigsby 2002, p. 1). In particular, women have suffered the following: They have been denied *equality* of resources, political power, educational opportunities, basic health care, respect, protection from violence, and protection by the state (Grigsby 2002, pp. 131-133).

In the context of such widespread deprivation, four main schools of feminist political thought have emerged and include:

Liberal Feminism

Liberal feminism is the oldest and most passive of the major feminist theories. It applies the same principles of liberalism, primarily individual rights and legal reform, to women and women’s issues. The writings of the English philosopher Mary Wollstonecraft

(1759-1797) serve as the roots of liberal feminism. Wollstonecraft’s book *A Vindication of the Rights of Woman* drew on classical liberal ideology and attacked the logic of ‘patriarchy’ (Grigsby 2002, p. 134). This theory indicates modification of the current global economic order to correct gender inequalities. Critical to the transformation are education, financial intervention, an increase in women’s access to resources, and development agencies which are more responsive to women’s needs (Gatlin 1989).

Socialist Feminism

Socialist feminism is essentially a modification of Marxist theory that confers a principal role to women in the struggle between capitalist and laborers. Socialist feminism conceptualizes capitalism and patriarchy as mutually reinforcing. This theory proposes an anti-capitalist framework for development. The revolutionary changes include a restructuring of power relationships, redistribution of wealth and land, and an end to Western capitalism in Third World nations, especially exploitation by multinational corporations. Socialist feminists believe that addressing class and gender inequalities simultaneously is imperative for real change to occur.

Radical Feminism

Radical feminism concentrates on the sexual class division as the most fundamental of all class divisions. This theory revolves around the condemnation of ‘Patriarchy’ and the concept of personal relationships as necessarily political. “*Patriarchy* is a term used by many feminists to describe the rule of men as a social group over women as a social group. A patriarchal system is a system based on a sexual hierarchy, whereby men exist in positions of superiority and women are accorded positions of subordination and dependency. According to many feminists, patriarchy has existed across various cultures and time periods.” (Grigsby 2002, p. 131) In regards to development, radical feminist theory advocates women’s independence as the primary goal. Central to this principle is control over reproduction. Radical feminists aspire to transcend women’s biological nature, not only by gaining rights to contraception and abortion, but also by discovering artificial methods of reproduction. They reject the idealization of woman as mother and housewife. They engage in critiques of masculine culture and search for a totally separate female culture. Radical feminism regards dependence on men as the foremost obstacle to gender equality in the developing nations of Asia, Africa and Latin America.

Global Feminism or Multicultural Feminism or Diversity Feminism

Alison M. Jagger and Paula S. Rothenberg write about two different strains of feminism, “global feminism” and “multicultural feminism” (Jagger 1993). Ellen Grigsby combines these two and calls it “Diversity Feminism.” This strain appeared when a number of feminists viewed other forms of feminism, especially liberal feminism as primarily concerned with articulating the interests of white middle class women. “Diversity feminism draws on the experiences of women from multiple ethnic, racial, cultural, and international backgrounds. It opposes the privileging of any single ethnic, racial, cultural, or national perspective on women’s issues” (Grigsby 2002, p. 137). Diversity feminism takes a cross-cultural and international perspective to women’s issues. It also maintains that these issues can vary from one culture to another. It seeks to expand feminist ideology to include an awareness of race, ethnicity and culture. As Ellen Grigsby notes: “Whereas Anglo feminists have often seen women’s traditional roles in the family as restricting women’s choices, African-American and Latina women have been more inclined to see the family as an institution that helps hold their ethnic communities together and protects them from the debilitating effects of racism.” Diversity feminism is of particular relevance to developing countries like Bangladesh because it acknowledges that illiteracy and poverty are major impediments to women’s development and are therefore feminist issues. It thus challenges other forms of feminism.

Focus on Gender

Not only in Bangladesh, but “in most of the developing world, full participation in the nation’s political and economic systems is a particular problem for women” (Ethridge 1994, p. 458). Afshar (1991, p.1) makes a similar argument: “The process of development in the Third World has, by and large, marginalized women and deprived them of their control over resources and authority within the household, without lightening the heavy burden of their ‘traditional duties’.” While some Third World women who have attained university education do enjoy a middle-class lifestyle, the vast majority of the female masses have not benefited from socio-economic development. As Cammack (1988, p. 183) notes: “In many ways, men have been the agents and the beneficiaries of ‘modernization,’ and women its victims.” Hence focusing on gender has theoretical and critical relevance.

It is illuminating in four ways. First, the focus on gender relations is valuable in itself. Secondly, it is a perspective which focuses on personal relations and the lives of the majority of the population from a different angle. Thirdly, it is a critical perspective that provides its subjects a vital and fruitful scrutiny. Finally, it generates a framework within which the political and economic issues can be considered to some extent separately for reasons of analytical convenience.

Women and Development: Literature Review

Former U.S. Secretary of State Madeleine Albright argued that “when women’s voices are heeded, societies are better able to break the chains of poverty.” She emphasized that the advancement of women is “the right thing to do” and stressed that United States’ “overseas programs today include many projects designed to help women gain redress, achieve success, and make progress” (Albright 1999, pp.4-7). Buvinic (1997) notes that poor women are forming a “New Global Underclass.” Women worldwide are facing similar obstacles to “increasing their economic power.” These obstacles differentiate the work experiences of men and women, exacerbate women’s poverty, and sustain a vicious cycle of impoverishment from one generation to next. Martha Chen (1995) writes about the feminization of poverty. She notes that the international women’s movement was officially launched in 1975 at the historic Mexico City meeting for International Women’s Year. But in the mid-80s it was recognized that “the interconnected dilemmas of debt, trade, and the environment have not only global dimensions, but also particular consequences for women.” She explains why “many women today are maintaining families virtually on their own” and how in some parts of the developing world, “one out of every three households is headed by a woman.” In other parts of the developing world, “this figure is as high as one in two (Chen 1995, p. 23). Amartya Sen, the Noble Prize winning Bengali economist, in a talk at Harvard University, focuses on women’s survival and the problem of “missing girls.” The preference for sons manifests itself through the neglect of female children, selective abortion, and female infanticide. Sen (1989) estimates that, “4 million girls are missing in India alone, while globally the estimate is more than 100 million women.”

Poor Women and the Rural Maintenance Program (RMP) in Bangladesh

In 1974 Bangladesh was ravaged by a severe food shortage. It was the culmination of a number of local,

regional and global forces at work since the independence of Bangladesh. In 1971 Bangladesh fought a war of national liberation in which 3 million people were killed and 10 million refugees had fled to India. Another 20 million were internally displaced. Much of the infrastructure of the country was damaged, including many road and rail bridges which were blown up during the war. The agricultural and the industrial sectors were equally devastated. After the war in 1972, the economy was weak and refugee rehabilitation was a major undertaking for the new and inexperienced government of Bangladesh. Global systemic conditions were not very helpful either. In October 1973, the Arab-Israeli war began. The Arab countries led by King Faisal of Saudi Arabia imposed an Oil Embargo on Western countries which also quadrupled the price of oil. While it was intended to bring pressure on the supporters of Israel in Europe and America, it also did severe economic damage to those non-oil producing developing countries like Bangladesh. Environmental factors also militated against the country's economy. Devastating floods followed up within a few months in 1974. This confluence of forces produced the "perfect storm" and soon famine conditions prevailed in certain parts of Bangladesh.

Food for Work Program

Some of the many relief programs initiated to alleviate the famine became long-term programs. With food aid granted under PL 480, United States Agency for International Development (USAID) began a massive 'Food for work' program. This program was implemented by the Non-Governmental Organization (NGO) and relief agency CARE. The operation began during the lean months between two crops, when there was no work to be had in the rural areas. Hundreds of miles of rural non-metalled roads were built by many thousands of women and men who were paid with American wheat.

Rural Maintenance Program (RMP)

By the 1980s through lack of maintenance and heavy monsoon rains these networks of rural roads had deteriorated. In order to keep these roads usable year-round a pilot project was started in 1983 combining the concepts of road maintenance and women's development. It was a poverty alleviation project that provided employment for destitute women.

The RMP targets destitute women who have no other assets, except their physical ability to work. To be included in the program, women have to be either a

widow or divorced or abandoned. If married, her husband has to be disabled or handicapped, and therefore she is the principal earning member of the family.

The RMP crew is selected through open lottery from women who meet the above criteria. Each RMP crew forms a Road Maintenance Association (RMA) consisting of 15 women under a group leader, responsible for the repair and upkeep of 20 kilometers of rural road. Each RMA enters into a contract with the Union Parishad [Union Council]. Currently, each RMA consists of 10 women only. The selection criteria has become even more rigorous.

RMP wages are calculated to be about 75-80% of the going rate of daily wages, partly because these women work six hours a day rather than eight. The women work six days a week, they don't work on government holidays and festivals, and they are paid 365 days a year. At official exchange rates the RMP wages come to about one US dollar a day. The purchasing power of a dollar in rural Bangladesh is high. Using Purchasing Power Parity (PPP) and using World Bank methodology, each woman gets about four dollars and fifty cents per day. This coincides with the Bangladesh average per capita income of \$370 and PPP of \$1680 for the year 2001. (World Bank WDR 2003, p. 234) To avoid corruption, a leak proof system of payment has been developed: The salary of the RMP crew is deposited directly in the bank, and the group collectively draws the money.

Budget and Structure of the RMP

Ever since its inception, RMP was funded by the Canadian International Development Agency (CIDA) and supported by the Bangladesh Government. In 1983, RMP was started as a pilot project in a very few locations. Today it covers 90% of rural Bangladesh. From 1983 to 1995, Union Parishad (UP) [Union Council/Local Government] paid 10% of the project cost, and CIDA paid 90%. From 1996 UP share did remain constant at 10%, but the Government of Bangladesh (GOB) began financing 55% of the budget by the year 2001, while CIDA share came down to 35%.

The RMP employs 41,000 destitute women heads of households. Currently each woman can only work for 4 years in the RMP, after which she graduates. In these 4 years RMP aims to bring a permanent qualitative change in the lives of these women. It provides training programs. The RMP training

strengthens the women's ability to repair roads and to work together as a group. It also provides 'awareness seminars', instilling the knowledge of human rights and women's rights. In their 4th year, the women are provided training on saving and managing money. They are taught how to start and operate small businesses. They learn to keep track of capital and profits, and above all to maintain control over their built-up assets.

Unique Features of RMP

The RMP is an innovative program. Some of the unique features of the Rural Maintenance Program are:

- RMP targets destitute women without any other asset except their ability to work; RMP also ensures a steady income.
- To be included in the program, women have to be either a widow; or abandoned or divorced; or have a husband who is infirm: therefore she is the principal earning member of the family.
- The RMP crew is selected through open lottery from women who meet these criteria.
- A unique leak proof system of payment has been developed. The salary of the RMP crew is deposited directly in the bank, and the group collectively draws the money.
- The program ensures continuous maintenance of rural roads.
- At the end of tenure, the business capital that the women receive is saved from their wages over the years.
- Union Parishad is made responsible for the development activity.
- Appraisal of roadwork is performance based.

Evaluating the Success of the RMP

By 2001, approximately 65,000 women graduated out of the RMP. All women were trained to develop capabilities to sustain income-generating activities (IGA) on their own. The aim of the RMP is to permanently remove poverty among 60% of its beneficiaries. Annual evaluation studies done since 1993 show that most of its objectives have been reached. It has been found that after graduation more than 70% of the women do not return to destitution but earn the same amount or more than what RMP paid them.

Apart from the economic gain, as a spin-off, the RMP has achieved major social change as well as political development for these women. RMP women have more self-confidence and self-esteem. The

community members now recognize their abilities and successes. These women have become advisers and role model in their communities. Their political development have become manifest by the fact that during the 1997 Union Parishad elections, at least 72 RMP graduates and working crew ran for office. Out of these 36 won in the elections, albeit on a shoe-string budget, and have taken their seat in local government. Many more were looking forward to contesting future elections.

The Poorest Women: The Struggle in their "Own Words"

To understand the plight of poor women around various parts of Bangladesh, consider the stories of Sakhina of Tangail, Aasea of Narsindi, Hamida of Kushtia, Bharati of Bagerhat, Bhanu Bibi of Barisal and, Nurjahan of Kishoreganj. This article would be incomplete if I did not include the 'voices' of these destitute but successful women. It is instructive to hear about their struggle in their own words. With 57 in-depth interviews of these women, it was a difficult task trying to get a representative sample, for each woman's tale was unique. Every attempt was made to retain in these interviews, the flavor of the original voice, although much can be lost in the translation from Bengali to English. Only 6 of the 57 cases are included here.

Sakhina

Union: Mogra
Thana: Tangail
District: Tangail

From a maid to becoming a Union Parishad member, it was almost an insurmountable hurdle; but not for Sakhina. "I could do it only because of the Rural Maintenance Program," said the 35 year old primary school educated Sakhina, who has seen the darkest side of life and the worst in people. After she passed grade five in primary school, her family arranged her marriage to a day laborer, the laziest person that Sakhina had ever seen. It is no wonder that the family never had enough to eat, or a well repaired thatched roof over their head. In the meantime Sakhina had two children. She realized she should not extend her family anymore. So she went to the local Family Planning Clinic for a more permanent solution. While at the clinic she was told that for every person that she could bring in to accept a permanent method of birth control there is money to be earned.

So Sakhina started motivating women with more children than they could handle, to go for ligation, the permanent method of family planning. Then trouble

started with her husband, and she saw no other way to survive than to leave for her father's home. Her father gave her 10 decimal land, and Sakhina tried making ends meet with her two children.

In 1983, she felt lucky to be included in the 15-member Rural Maintenance Program crew; soon she was made the leader. At that time the wages were Taka 10 a day with compulsory savings. In the beginning the community's opposition to the women's work seemed at times to be unbearable. The crew was looked down upon and social and personal stigma was attached to the Rural Maintenance Program's manual work. The behavior of the neighbors was at times difficult to bear. Some women left, to be replaced by others. Sakhina stuck to the job for dear life. Her answer to all the criticism was silence, for which she survived. "Training given by the Rural maintenance Program helped," said Sakhina, "And my parents did not desert me."

She started raising chicken and ducks as a means to meet the daily needs. Whenever she could save Taka 100, she'd invest it in the Pension Deposit Scheme. All these she learnt at the Bank, where all the crew members would have to go every fortnight. As the leader of the team, Sakhina would draw the fortnight's wages and divide it up equally among themselves. While at the bank, she heard of different ways to save money, and the DPS struck her as a very profitable and risk-free way to save.

With time, the community's attitude changed; women started coming to her for advice, and even men came to her for help. Sakhina, who had once been at the bottom of despair, tried to help others with all her ability. Somehow she tried not to remember that these were the same people who were so cruel and unkind to her only a few years back. Sakhina's frugal ways and her charitable and helpful attitude bore results. In 1997, she withdrew her DPS, which had accumulated Taka 26,344. Her Escrow Fund also amounted to Taka 18,000. She sent her older son to Saudi Arabia to work, and her younger son was apprenticed to a motor repair workshop, where "he is learning by practice how to repair motor vehicles." "No, no I'm not sitting idle," she protested when it was suggested that she can take it easy now. "With the capital I kept aside, I get sarees from Tangail weekly *haat* [market] and sell it in the village, going from house to house."

In fact, her door-to-door business and wide contacts in the community was instrumental in her being elected as a Union Parishad member. Her opposition's campaign focused on: "How can a

woman from the streets sit on a chair at the same level as the UP Chairman?" Sakhina's answer was, "Next time I will contest for the position of the Chairman, because no one knows this community the way I do. I have been poor; I have starved many days in a row, and I know how tough it is. If I am Chairman, no one will hesitate to approach me; neither will I be unreachable to anyone. Being a woman, I understand a woman's problem the way no man will ever understand. I feel the Rural Maintenance Program has opened a window in my heart and I could reach the wide open outside world that was totally closed to us. I would like to open this window for others like me."

Aseea Khatun

Union: Dogarchar

Thana: Raipura

District: Narshindi

Aseea Khatun was married young to Shaidullah, son of a land-owning farming family in the same Dogarchar Union in Narshindi District. The couple was fairly happy with their lives; they had two sons and a daughter, until Shahidullah fell ill with dysentery and fever. The village doctor tried but could not save him. After he died, the whole household openly blamed Aseea for his death. It was her fate for which their son had to die. Living in that house became untenable, and her parents were in no condition to take the four of them in. Aseea was in a dilemma, when one of the villagers offered her a corner of their yard, where Aseea could put up her hut and stay.

Narshindi produces most of the handloom products of Bangladesh. She started a business of buying handloom products from the producers in Narshindi, and taking them to the capital city Dhaka to sell at a higher price. The business idea worked well, but Aseea Khatun being a single woman, soon fell prey to ogling males. These people took advantage of her vulnerability. On the way to Dhaka, sometimes they would snatch her stock or make indecent proposals. When she tried to protest, more people came to know about the incidents. It invariably went against her. Whatever the situation, it was always Aseea Khatun's fault. Ultimately she was always the suspect.

One day she came back home to find that the shelter she was given was no longer there. For reasons unknown Aseea was evicted from the corner of the yard. Aseea and her children found themselves without a shelter, no money and no place to go. At this juncture, there was an announcement in the village that the Union Parishad Office was going to

recruit destitute women to work in the rural maintenance program. Aseea applied for a position. She was not only recruited but was made the group leader.

A person like Aseea, with nothing in the world to call her own, was not spared by her in-laws. Her late husband's uncle started saying that it was demeaning for the daughter-in-law of such a respectable family to work on the road. Everyone stopped talking to Aseea. All these generated a feeling of shame in Aseea. The first day she went to work on the road, she felt, "As if someone had tied chains around my legs when I work on the roads. My condition was rock bottom; no one ever extended a hand to help, and now everyone is out to prove how bad I am. Rural Maintenance Program is my savior. I will have to work as if my life depended on it."

Aseea started to work in the Rural Maintenance Program in 1984. "The Taka 12 wage per day was not much to begin with. But earning every day of the week, 365 days a year does mean something, especially when one is wise with money". Aseea started saving a little from the wages. And with the training she received, she expanded her business. Working on the roads, going to different offices in the town, and her visits to the Bank, Aseea soon became a known figure in the village. Now that she possessed money, her fame was no longer negative. Aseea also was, by nature, very helpful towards others. As leader, she looked after her group very well and cared for their interests. Soon, in the village, anyone with a problem, would come to her for advice.

When the UP elections were due, everyone in the village came and asked Aseea to run for office. And sure enough, everyone helped with what they could; some with labor, the rich people with food, *paan* and *bidhi*. Aseea was elected a Member of the Union Parishad without dipping into her capital. She is very happy now and wants to work for the development of her area, especially in projects aimed at the helpless poor.

Hamida

Union: Khoksa
Thana: Khoksa
District: Kushtia

Hamida's father used to sell *paan*. The green betel leaves would be washed carefully, cut with a scissor and stacked. When someone wanted a 'Khili,' he'd smear the green paan with white lime paste, soaked brown *khat*, a few slivers of betel-nut, a couple of

seeds of coriander, and if the customer wanted, tobacco and sweet masala. With dexterous hands, Hamida's father would roll it all in a cone, and hand it with a side order of soaked lime on the tip of a paan stalk. He would then wipe his hands clean on a piece of wet 'Lal Shalu.' Hamida never got tired of watching her father go through the ritual. The family had enough to eat, but no more than the bare necessities of life. Still Hamida remembers a happy childhood, which ended at fifteen with marriage.

A year after she was married, at sixteen, her husband left her and never came back. She tried supporting herself and for three years fought a losing battle. On the verge of giving up, Hamida heard that the RMP was hiring destitute women. She went to the UP office and was one of the 15 who got the job. Hamida started working in 1984. Later, the Chairman of the UP demanded a cut of their wages every month. In the beginning they complied, although none of them liked to give up a portion of their hard earned wages. After a while, all 15 women, with Hamida as their spokeswomen, went to complain to the Deputy Commissioner of the District. Their problem ended. It gave them courage to stand up against evil. Gradually, with a regular income, Hamida gained a firm financial footing.

In the meantime, Hamida met a man whose wife had left him with two small children. The two decided to get married. Hamida supported his biscuit factory and raised chickens and cows at home. Her new husband worked hard at the biscuit factory and tried to build a secure future for all of them. Everything was working out well. One day, when Hamida was at work, the eldest son became missing. They were sick with grief and frantically searched for him, with the whole village helping them. Even after this incident, Hamida's husband did not try to stop her from going to work. She felt grateful. After 4 months, one day the boy was miraculously found.

Hamida continued to build their future. They bought land and built a tin roofed house. She values education, and wants all her children and step-children to go to school. Her exposure to the outside world along with the training seminars at RMP helped her to understand and learn planning. When her work at the RMP ended, Hamida continued to raise chickens and cows. She supported her husband at the biscuit factory which now employed five people.

At this juncture the UP elections became due. Everyone in the village wanted Hamida to contest for one of the "women's seats." "Who knows better than

you how to fight against wrong; where to go for redress; and all the ways of the world that most women do not know. You can do justice to the position; you can help the poor; you were there once.” She contested and won a seat in the election. She now wants to help the poor and the helpless women in the area. “Before, no one thought about them; I want to correct the situation,” said Hamida. “It was all possible because of the Rural Maintenance Program,” says Hamida with a smile, “Do you know that the relatives who never seemed to know us are now inviting us to their homes? How things have changed!”

Bharati Rani

Union: Gowla

Thana: Mollahat

District: Bagerhat

In 1972, the liberation war was over and Bangladesh achieved independence. But the battle for survival for Bharati Rani had just started. The daughter of a land-owning middle class family, Bharati was in grade eight in school, when a proposal for marriage came. Her husband Amal Krishna Adhikari was the headmaster of a primary school and life was peaceful. They had two daughters.

But when her husband Amal was killed during Bangladesh’ war of independence in 1971, Bharati did not know how to support her family. With only eighth grade education and no work experience, Bharati did not know what she could do. With every passing day Bharati, who grew up in a well-to-do home, could feel that everyone’s attitude was changing. Bharati did not think of leaving Amal’s home, because it was not socially correct. But things became worse as time passed. After a time even the food stopped. Bharati started working for others to scrape up enough for the three of them.

One day in 1984, she heard that there were jobs for women at the local UP office. “It is only manual labor, not for you,” everyone told her. But that did not stop Bharati. She overcame all opposition just for the sake of a regular income. After joining the RMP Bharati was surprised. It was not only the money at the fortnight, there were more benefits. Working in a supportive group gave her strength. She learned how to open and maintain a bank account. By dealing with different Government and NGO officials she gained confidence that she did not have before. On top of it all, the RMP had different training sessions for the women. The various ‘*apas*’ taught her things that she never learnt in school. She was taught how to save money, how to calculate household expenses, how to

start a small business, how to keep control of your assets and capital, and more important, how not to invest in unproductive activities. She also took a course in midwifery.

Bharati graduated from the RMP in 1997. Using her escrow fund savings she bought more chickens and ducks, and also some cows. Income from these keeps herself and her five year old grand daughter-comfortable. She still meets her co-workers from the RMP days. Whenever anyone has a problem, they discuss it among themselves. They all look to Bharati, their group leader of 13 years (this tenure was under the old rules) to solve their problems, or at least to show them the right direction. Bharati values this group solidarity highly. “I’m not alone, it’s a great feeling, and can keep you going.” This sense of being in a group always helped her to gain and maintain confidence.

Confidence was her capital for contesting the Union Parishad elections, and with help from her RMP group and neighbors, and even her husband’s younger brothers, Bharati won the election. But she doesn’t see this as the end of her goal. She wants to guard the interest of the poor at the Union Parishad, to see that they get redress when needed. And in the future, Bharati wants to contest for the position of Chairman of UP.

Bhanu Bibi

Union: Char Dhankathi

Thana: Barisal

District: Barisal

Bhanu Bibi’s story is also unique. Seventy year old Bhanu Bibi’s son Abdur Razzaque Pintu is now the Chairman of Char Dhankathia Union Parishad. “I could not have educated him in Dhaka without the Rural Maintenance Program work,” said the proud mother.

Bhanu Bibi was the daughter-in-law of a *Moulana* who was *Alem* pass from Alia Madrassa. Bhanu’s husband was also a *Moulavi*, and the ration dealer of his area. On top of it all they had land. In her younger days, Bhanu Bibi supervised many women working in their home. But by a twist of fate, her husband’s long illness robbed the family of all worldly possessions. Everything was sold to finance his medical treatment. Still Bhanu Bibi tried her best to educate her sons and daughters. She traveled from Barisal to the capital city Dhaka to find work.

There was no opportunity in the village to earn a decent living. Later when the children grew up, she

went back to the village and started working in the local orphanage. But that was very hard work and age was catching up. Then one day the local UP Chairman offered her a job in the Rural Maintenance Program and she took it. She worked for three years in RMP. Then when she could no longer continue, her daughter-in-law was employed in her place.

With her Escrow Fund she paid for her son's education and rebuilt the home that her husband left. It was falling to pieces without repair. Pintu, her Chairman son said, "I have seen the worst of poverty and how my mother fought it bravely. When she took the job, it was against everybody's will; even I and my sisters thought she was demeaning us. But now I know better. It was only because of her courage that I have been educated. We are in a position to talk to you. I have been in politics since 1982; was imprisoned several times for my beliefs. This time I have been elected Chairman of the area. I want to work for poverty alleviation in my area. People are very poor. I would like to do something permanent that will help the people."

Nurjahan Begum

Union: Pumdi

Thana: Hussainpur

District: Kishoreganj

In Bangladesh at no age does a woman have the power of making a decision, "not even in matters that concern only herself." With age she gets wiser and exerts more influence, but in the traditional society, she seldom earns direct decision-making powers. Nurjahan Begum's father gave her in marriage to Kader, a small farmer. They had a daughter. Kader's aunt's husband was eyeing his plot of land for a long time and tried to grab it. Kader lost his head and murdered his uncle. At the trial he was sentenced to imprisonment for ten years.

In pain and shame Nurjahan decided to go back to her father's house. Only her father was not willing to support Nurjahan and her four month old daughter. So he tried to arrange another marriage for his already married daughter. Nurjahan saw no way to escape from the situation but to run away from home. She fled to her cousin's house, who was an UP Chairman. While there, she overheard her cousin tell his wife about the RMP, and that women would be hired for roadwork.

Early next day Nurjahan, the 15 year old mother of a daughter, sneaked out of the house. She asked a friend to baby-sit her daughter, and went to the UP Office to interview for roadwork. Her age was

against her. But she convinced everyone that she could work as much or more than an adult. Finally she was chosen. Nurjahan's inclusion brewed a storm in the area. She has joined without her father's permission. She was the wife of a convicted murderer. She was working on the roads in broad daylight without *purdah*. The verdict was that Nurjahan was worse than a fallen woman. She countered all these criticisms silently, never contradicting anyone. But she did not stop working. While talking about opposition Nurjahan also mentioned people's kindnesses to her. When the scorching sun and breast-feeding her baby made her thirsty, she would ask for a drink of water from any house that they happened to work near. Always the women were kind. They would give her a bit of *gurmuri* (snacks) with the water. And they showed sympathy for the pretty young mother working on the road. Her group members liked Nurjahan. They all looked after Nurjahan and the baby during their roadwork. The other 14 members helped her in any way they could. And time passed.

Nurjahan bought a piece of land and built a house for herself with the savings of her RMP wages. At the end of his ten-year sentence her husband came back from prison. They had another baby girl. But her husband hurt her again. He got married and had a second wife. This was a severe and painful blow to Nurjahan. But she bore it stoically. Because of her RMP training she had kept control of all assets and capital. She went on with her life. She sent her two daughters to school. The eldest was in grade 8 and the younger in kindergarten.

At the end of her RMP tenure of 14 years, Nurjahan started a medicine business. It provided her with an income of Taka 1500 per month, which was enough for her. She also had a small poultry farm at home, the income from which met her day-to-day expenses. She was also a member of the association BRAC. She also became associated with many other women's programs. Now that she is financially well off, she sends regular help to the father from whom she had to run away to avoid bigamy. But Nurjahan says she bears no grudge. She is successful and can afford to be kind.

Nurjahan is well liked by the people in her village. With their support she contested the UP elections, and won. Now she is a member of the Union Parishad. She has come a long way from the time she ran away from her father's house. "All of these have been possible only because of RMP. Now there is only one ambition in my life. I want my daughters to be educated and hold down jobs, and be independent women."

Policy Recommendations

The stories of these destitute women, in their own words, show that economic development leads to social and political development. Once the women were earning regular wages through the RMP project, they were able to reduce their physical vulnerability and improve their social status. It also contributed to their intellectual development and provided them with political ambition and desires. This article provides the following prescriptions that the state can undertake to further the development of millions of other poor women:

- The Government of Bangladesh should set out explicit guidelines for improving the status of women and girls and promoting equality in every sphere of life. The government is expected to address basic social, educational, health, and housing needs of the poorest women.
- Establish a Prime Minister's Council for Women to plan for the effective implementation of the special projects for poorest women, which will work with the NGO community.
- The government should begin many other projects like the RMP aimed exclusively for improving the standard of living of the poorest women. Specifically, economic policy would require a gender analysis.
- Some of the poorest women are indigenous women. The government must specifically target the needs of these indigenous women while respecting the need for "cultural diversity."
- Other poor women may be comprised of "migrant women." Government should not only address their economic vulnerability, but also attack the root causes that encourage trafficking in women and girls for prostitution, and other forms of commercialized sex.
- In terms of political participation the government should increase the quotas for women to at least 30% of the available seats. It should also promote the enforcement of women's legal rights.
- The government should be aware that these poorest women are often the victims of "globalization." It should take measures to safeguard these women from the excesses of the structural adjustment policies of the IMF and the ruthless competition of the laissez-faire economic ideal.
- These poorest women are against the poor

development policies of the past. They want new policies and projects that will help them. The Bangladesh Bank and all private and public banks should take new steps to promote access to financial credit for women. Prime Minister Awards should be given yearly to those enterprises that make outstanding contribution to poorest women.

- In times of scarcity and famine, which affects all, the poorest women have to bear a disproportionate share of the burden. In such times the government must take special care of these destitute women.
- Many of these poorest women work in the informal sector. This is due to lack of other opportunities, especially in the formal sector.
- The government must actively seek to prevent their marginalization in economic and social activities.
- Macroeconomic policies need rethinking and reformulation to address such trends as "globalization." These policies focus almost exclusively on the formal sector. The poorest women are the "losers" of globalization. The macroeconomic policies should not impede the initiatives of these women.
- Bangladesh can seek to get debt relief by highlighting the plight of these poorest women. Any debt relief should be used to improve the standard of living of these destitute women.
- The government of Bangladesh should collect systematic data on the amount of work people do that is unpaid and how it is distributed by sex.
- Finally the government should devise suitable statistical means to recognize and make visible the full extent of the work of these poorest women, and all their contributions to the national economy.

Conclusion

Investigating the history of struggle of each of these poor and destitute women provides far more insight into the realities of social and economic life in a rural village than the abstract models of economics and the dry manipulations of theoretical studies. The RMP focuses on one part of the growing movement of courageous women in Bangladesh who, with the assistance of aid societies, run profitable cottage industries, often risking severe reprisals. These

determined women are swelling the ranks of their village communities and are significantly raising the standard of living of all. They have not only turned their life around, but are producing a snowball effect that will substantially enrich others like them. A rising tide lifts all boats. These women are contributing to the formation of that rising tide. In the process they have fought against all the institutional factors that keep women behind, like seclusion, kinship, religion and marriage. They have struck at traditional patriarchal structures which now must accommodate them as coequals or face open rebellion. The kind of rebellion would depend very much on the confluence of global politics and national politics and their impact on the local communities.

These destitute women never had any motive of rebellion; rather they were involved in a life and death struggle. They left the seclusion of home and undertook to do manual labor as a battle for physical survival. They did not want to start any rebellion or revolution. But their efforts became part of a growing movement of women engaging in business in Bangladesh. Men must now accept women as coequals in business. In some cases, women are doing much better than men. After having achieved financial freedom, the RMP women have sought political power. Of the 57 poorest women in my sample, almost half of them ran for office in the 1997 Union Parishad election. Of those who ran for office, a little less than 50% of them actually won. So roughly 25% of the 57 women are Union Parishad members. These few have made a further transition from economic development to political power.

But there is still a long way to go as noted in the policy recommendations. The women who have been elected to office are finding that men still do not take them seriously when it comes to political decision-making in the Union Parishad. At every step of the way the women have to fight to prove their worth. Still, these RMP women can become part of a critical mass movement that will force the men of Bangladesh to truly accept their counterpart as coequals. When that will happen is difficult to predict. There can be a backlash against the women's movement, organized by the conservative, traditional and extreme religious forces in Bangladesh. However, I do not foresee a regime like the *Taliban* in power. While Bangladesh has a Muslim-majority, it also has a significant Hindu minority, a smaller Buddhist minority and a tiny but growing Christian community. Given this demographic make-up and the multi-cultural society of Bangladesh, it will be difficult if not impossible for the extremist religious

forces to play a big role in the political decision-making of the country.

Bangladesh society will never be like the societies of Afghanistan and Pakistan. It is closer to Malaysia and Indonesia in terms of cultural values and the make-up of the Muslim society. Further, both global forces and domestic factors will be at work in determining which way the women's movement in Bangladesh will turn. After the September 11 bombings of the twin towers in New York and the Pentagon in Washington DC, the only superpower has been hell-bent on eradicating International Terrorism. As a corollary, US foreign policy is also seeking to create open and liberal democratic societies world-wide, which will adhere to fundamental human rights. Women's rights are an integral part of these universal human rights. Any Government in Bangladesh will have to maneuver within the parameters created by America on the one hand and the Taliban/Al Qaeda forces on the other. The women's movement in Bangladesh will be affected by these external and internal forces. My prognosis and my hope is that, in time the male-dominated society of Bangladesh will give way to a more egalitarian and equal society, where gender will no longer be a major factor.

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STRATEGIES UNDER THE WTO REGIME: THE PHARMACEUTICAL SECTOR OF BANGLADESH

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ABSTRACT

This study was undertaken to assess the future of the pharmaceutical industry in Bangladesh under the WTO regime. The study indicates that if Bangladesh fails to formulate strategies both at the macro and micro levels by the year 2016, it will lose its competitive edge that it has been maintaining in this region since 1982.

Introduction

In Bangladesh the pharmaceutical industry comprises of about 286 large and small companies. According to BPI of December 2002, the market status of the industry is as follows. The market size is approximately Taka 25 Billion with a growth rate of approximately 13%. Domestic companies are currently dominating the pharmaceutical market. The local companies control about 78% of the total market. Although most of the global pharmaceutical giants do not operate in Bangladesh, Aventis, Glaxo-Smith-Kline (GSK), and Novartis control a significant portion (15%) of the local market share. The top ten domestic players are Square, Beximco, Acme, Opsonin, Eskayef, ACI, Drug International, Incepta, Renata, and Aristopharma. These ten companies together control almost 60% of the market share. The top ten therapeutic classes contribute to almost 57% of the market share of Bangladesh. They are as follows: Anti-ulcerants (13%), Cephalosporins & Combinations (11%), Penicillin (9%), Anti-rheumatic Non-Steroid (6%), Fluroquinolones (6%), Non-Narcotic Analgesic (3%), Anti-histamines Systemic (3%), Antacids Anti-flatulants (2%), Vitamin B Complex (2%), and Oral Anti-diabetics (2%).

The pharmaceutical market of Bangladesh has been protected by the Drug Policy since its implementation in 1982 (Bangladesh Drug Ordinance 1982). The policy restricted the manufacture of various medicines and banned the imports of drugs that were produced within the country. The policy also resulted in substantial decline in prices of medicine in the country (Hussain and Smith 1982, Zubaidur and Robert 1986). Before the Uruguay Round, Doha Declaration and Trade Related Aspects of

Intellectual Property Rights (TRIPS), pharmaceutical patents and other intellectual property rights on drugs were not recognized in many developing and least development countries including Bangladesh. In the pharmaceutical sector, some 40 countries do not provide patent protection for pharmaceutical products. Patent protection is not available for pharmaceutical inventions in these countries, primarily due to the fact that such inventions are considered very expensive for these nations to undertake. Hoen (2002) shows that individuals and companies of industrialized countries hold 97 percent of the patents worldwide, while 80 percent of the patents granted in favor of the developing nations belong to residents of industrialized countries. This implies that countries with low technologies have difficulty in claiming an intellectual property right on such products. As a result, copies of medicines protected by a patent in other countries are widely available, usually at a lower price than the original patented drug. The copies are either manufactured by local companies or imported from various sources, without having to ask the patent holders' permission (World Trade Organization 2002).

With the implementation of TRIPS, copies of patented drugs will remain on the market but it will no longer be possible to manufacture and market copies of new patented medicines in countries unless the original manufacturer has chosen not to seek any patent protection there (World Trade Organization 2002). Therefore, in Bangladesh, from January 01, 2016 (only for Least Developed Countries or LDCs), the local companies will not be able to sell on-patent molecules. Once a patent is granted, the patentee has the right to prevent others from "using, offering for sale, selling, or importing" the

invention without permission. This is a "negative" right (UNAIDS 2000). Although launching of new molecules plays a significant role in the growth of companies, as well as the industry, local patent holders may not enjoy a good market share as a result of implementation of TRIPS in Bangladesh.

Although Bangladesh and other Third World Countries will be included under the TRIPS umbrella from 2016, the problem may start as early as 2005. TRIPS will be implemented in developing countries from 2005, and Bangladesh gets most of its Active Pharmaceutical Ingredients (API) from the developing countries, which are presently engaged in copying all the molecules and may not have valid patent rights: even if they do, the prices may not be as low as they are today. Thus, raw material sources may be closed and local companies may not be able to manufacture the on-patent products, which contribute much to their earnings. This may not only harm these companies but may also have an adverse impact on nations of the Third World since this international law recognizes that TRIPS may increase exposure to diseases in these countries (Curti 2001).

Clearly, leading domestic pharmaceutical companies (branded generic companies) run the risk of losing some of their market share to the multinational companies after the implementation of TRIPS starting from 2005 and may stand to lose the entire market to multinational companies by 2016. In addition the price of pharmaceutical products in the local market is likely to increase as experienced in the pre-1982 period.

The objective of this paper is to evaluate the impact of TRIPS agreement on the pharmaceutical industry of Bangladesh and to propose strategies for ensuring the competitive edge of local pharmaceutical manufacturers in particular, as well as the competitive edge of the country in general in the post-TRIPS era.

This paper is based on qualitative approach. Only the major players such as physicians, representatives of pharmaceutical manufacturers, policy makers, academicians, etc. have been sampled. We assume there is homogeneity within the industry. Our policies are derived from one-on-one discussions with physicians, representatives of pharmaceutical manufacturers, policy makers, academicians, experts, and

pharmaceutical trade representatives. Secondary information was used to support the research substantially.

An Introduction to WTO, Patent System and TRIPS

The World Trade Organization (WTO) was set up in 1995 and is one of the youngest of the international organizations. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established after the Second World War (WTO 1999).

The past fifty years have seen an exceptional growth in world trade. Annual merchandise exports grew on an average by 6%. The total trade in 1997 was 14-times that of 1950. GATT and the WTO have helped to create a strong and prosperous trading system that has contributed to unprecedented growth (ITC 2001, Jeremy 1995).

The WTO's intellectual property agreement amounts to rules for trade and investment in ideas and creativity for WTO member countries (WTO 1999). The objective of the patent system is to encourage inventive activity as well as technology transfer and activities associated with the commercialization or marketing of an invention. The definition of a patent has been stated as follows: (UNAIDS 2000, WHO 2000)

"A patent is a title granted by the State in a specific country that gives exclusive rights over the manufacture and use of an invention to the owner of this invention in that country, in exchange of the disclosure of the invention to the public. A patent is national and applications for patents must be filed in every country (or regional offices, where they exist) where protection is desired for a specific invention. There is no international patent."

The criteria for a patent to be granted are that the invention must be new, involve an inventive step, and be capable of industrial application. The novelty criterion implies that the invention should not be part of the "state of the art" worldwide, but be a genuine innovation. When a company invents a new product or process, World Intellectual Property Organization (WIPO) allows the company a year to file patent applications for this invention in any other member state of the Paris Convention. This one-

year period is a juridical ploy to preserve the novelty of the invention during the time the company decides in which countries it wants to seek patent protection. It gives the company a right of priority over any party, which would file a patent application for the same invention during this one-year in any member country of the Paris Convention. In other words, the right of priority "preserves" the novelty of an invention in time, and preserves the novelty criterion necessary for a patent to be granted (WHO 2000).

Patent law is intended to provide protection, but to patent an invention is a double-edged sword for the patentee. It gives a fixed period of protection, but to get it, the patented invention has to be disclosed (Anwar 2002). The objects of intellectual property are the creation of the human mind - the human intellect - thus the designation "intellectual property" (WTO 2001). The WTO's Agreement on TRIPS attempts to strike a balance between the long term social objective of providing incentives for future inventions and creation, and the short term objective of allowing people to use existing inventions and creations. The agreement covers a wide range of subjects, from copyright and trademarks, to integrated circuit designs and trade secrets. Patent for pharmaceuticals and other products are only part of the agreement (WTO 2002).

Under the TRIPS Agreement, the members must make patents available in their own country for being recognized as pharmaceutical inventions of their countries, thus implying that for the patent to be effective and valid it has to be an origin of the country where the patent has been registered. A company that has invented a new pharmaceutical product since January 1, 1995, will be able to apply for at least a 20-year patent protection in any WTO member country. Under TRIPS the process parameter has been removed (Doha Conference 2001). Earlier the manufacturing process was also under the purview of patent; later due to pressure from the USA the process parameter was deleted.

The application of the TRIPS agreement, due to its transitional nature, takes into consideration all the member states at different levels of economic development. In developed countries it has already come into force from January 1, 1996. In developing countries it will be in effect from January 1, 2006 and in the least developed

countries it will be from January 1, 2016. The extra time provided to the developing and least developed countries is expected to give them enough time to implement the various TRIPS standards on intellectual property rights (copyrights, trademarks, patents, etc.) at the national level. However, if the patent is filed too early it will allow further product refinement by competitors; filed too late in order to maximize on patent time (maximum period- at least 20 years and additional of maximum 15 years) could result in others getting there before. It is important therefore to get the timing absolutely right (Doha Conference 2001).

According to the provisions of the agreement, patent protection will be introduced for products that have been invented after January 1, 1995. This implies that for a product to be considered under the patent protection, the patent application must be filed in a WTO member state after 1995. Thus, products already marketed by December 31, 1994 do not meet the TRIPS conditions. For developing and least developed countries, the agreement preserves the right of drugs that may be invented between 1995 and the end of the transitional periods. The countries not granting drug patents must have a "mail-box" system to store patent applications as from 1995 until the transitional period expires. In due time, all patent applications will be examined and granted. The patent will last for 20 years from the date of patent application (WTO 2002).

Patent Protection Issues of Pharmaceuticals in Bangladesh

In Bangladesh, patents of pharmaceutical products and processes can be protected under the Patents and Designs Act, 1911 (Altaf 2002). The patent is granted for 16 years from the date of application. But there is no active practice of patent protection in the country.

As a least-developed country Bangladesh has until January 1, 2016 to bring its patent regime into compliance with TRIPS and enforce the act by granting patent protection to pharmaceuticals products. The government is consolidating and revising the country's patent laws to make it more responsive to the need of the times and is planning for an investment-friendly patent regime (Financial Express 2002).

While implementing the Agreement, Bangladesh should carefully consider the economic, legal

and ethical aspects involved in patenting living materials or materials that do not fall under the category of invention. In fact it will be prudent not to give patent protection to living materials since it will be very difficult for a country like Bangladesh, which has a very poor research base in genetics and related field to prove such inventions. Furthermore, the implications of biological research such as cloning may not be very acceptable and ethically correct under the religious context.

India, one of the major sources of API for Bangladesh, has already made necessary changes in the patent law in light of the TRIPS Agreement (Karin and Togi 2000). The Patents (Amendment) Act, 1999 passed by the Indian Parliament on March 10, 1999 to amend the Patents Act of 1970 provides for establishment of the mailbox system to file patents and accords exclusive marketing rights for five years. The Indian Government is implementing a project for modernization of patent offices at a cost of Rs. 756 million incorporating several components such as human resource development, recruiting additional examiners, infrastructure strengthening and support by way of computerization and re-engineering practices, and elimination of backlog of patent applications (The Patent Bill 1999, TWN 1998).

For implementing the TRIPS Agreement and providing patent protection, Bangladesh has to focus on infrastructure development both in administrative support and testing facilities and services. Marketing of new molecules is much easier in Bangladesh under the prevailing law since flexibilities provided for registration of new drugs is fairly lenient compared to all the least developed and many of the developing countries. For marketing approval, a company has to submit only the invitro test results. No bioequivalence study is required in this regard, whereas it is essential in developed countries. Manufacturers are allowed to submit the published trial report of a drug during registration without prior approval of the originating company (the company having valid patent right for the drug). The flexibility of The Drug Authority encourages manufacturers in introducing the newest generics (that ensure high profitability) in the country. Introduction of testing facilities for bioequivalence tests will require both financial as well as technical support.

There will be no problem in manufacturing those drugs that were introduced in WTO member countries before January 1, 1995 (Annex One). The existing sources for the drugs will be able to manufacture the APIs and sell them. Hence the supply of respective APIs will remain secure after implementation of the patent act, especially in the developing countries. The total share of such drugs in Bangladesh as of 2002 amounts to approximately 65% (Annex 1). Thus, the industry should be able to sustain itself up to 2015.

A problem may arise for the molecules that are either in the mail box system, are yet to be invented, or are considered outdated or even banned after 2005. Under such circumstances the parent company may charge a premium price and in the worst scenario if the manufacturer is not operating in Bangladesh, the country may suffer due to severe shortage of medicines. However, this may be minimized under the emergency clause that permits the manufacturer to produce and market the specific medicine under special licensing with reasonable pricing and specified duration.

Many of the small companies, physicians, and almost all the drug store owners are unaware of the recent developments in the international market and policies. The government of Bangladesh is trying to undertake special measures through setting up of a WTO cell. However, the cell at present is more concerned about the RMG sector and is concerned little with the pharmaceutical sector.

The export potential of Bangladesh is excellent. At present Bangladesh is exporting to more than 20 countries in the Third World and developing countries. The qualities of Bangladesh medicines are considered very good and the price is very competitive. This scenario is likely to change by 2005 if proper measures are not taken.

From the non-commercial point of view, the availability of essential drugs at reasonable price within the domestic market of Bangladesh and other Third World and developing countries is likely to be seriously affected if the United States does not permit the change or flexibility in the compulsory licenses clause (Joseph 2003). During the Doha conference the United States pointed out that special licensing under the compulsory licenses clause should not be considered for the Third World countries since

they may take commercial advantage from this clause rather than genuine utilization during emergencies.

Recommendations

The strategy for implementation of the TRIPS Agreement can grossly be divided in two broad categories:

Strategy prior to 2016

Bangladesh should plan accordingly for effective and efficient utilization of the 10-year extension. The government of Bangladesh should play the key role in supporting the industry by formulating policies that ensure its survival and growth. Thus the advantage given to the Least Developed Countries is important for them to rethink the characteristics of pharmaceutical intellectual property law they want while still being able to import and produce generic medicines. This is possible in two ways, first the countries have the flexibility to strategically formulate their own patent laws to take maximum advantage from the period sanctioned to them under WTO and second they are getting time for experimentation and thus can influence the international bodies to make changes in the WTO laws to suit their purposes based on the results of these experimentations.

Capacity building in manufacturing of APIs: As most of the APIs required for domestic production are not manufactured in Bangladesh, the local companies should develop their own capacity to produce APIs. This strategy would provide local employment and also result in technology transfer. In Bangladesh the production cost is low, and this will lead to cost effective manufacturing of APIs. After 2005 countries such as India and China may not be in a position to produce APIs of new drugs within their countries at present prices, but can relocate production to Bangladesh. Bangladesh is preferred by the investors since among the LDCs Bangladesh alone has an impressive record of manufacturing and API production. They can also think of exporting from Bangladesh to those countries where patent law is not in force.

The government should provide special facilities for joint ventures especially with the developing countries. Investors can also consider joint ventures with domestic companies like Square, Beximco, Drug International, etc., i.e.,

companies having experience in API manufacturing. If Bangladesh could attract investors from these countries, it will definitely decrease the dependency of Bangladesh on foreign sources. This will also help in earning and saving valuable foreign exchange.

For capacity building, Bangladesh has to develop its own technical personnel in the field. For the success of API manufacturing, basic research at the university level should be encouraged. This type of research needs to be funded by the private sectors, as well as by the government. Assistance for technological collaboration from international agencies like the WTO, WIPO and World Bank targeted for capacity building needs to be sought. The government also can seek targeted assistance from members of the developed countries of WTO in accordance with their obligations under TRIPS Article 66.2.

Regarding Governance Issues, a report (Heritage Foundation 2002) by the US Department of State reports that “although the [Bangladesh] government has enacted some liberal investment policies to foster private sector involvement (mainly in energy and telecommunications), poor infrastructure, bureaucratic inertia, corruption, labor militancy, and a generally weak financial system discourage investment. Political unrest and a deteriorating law and order situation also discourage domestic and foreign investors.” Thus for the overall success of industrialization in the country the importance of governance cannot be ignored.

Ensuring supply of APIs from existing sources:

The prime sources of APIs for Bangladesh are India and China in the developing world and all the major developed nations. For example Bangladesh will not be able to manufacture the drugs Alendronate, Ceterizine, Loratidine, etc. from 2006 since Bangladesh does not hold the license. Under the existing patent law for products and processes, the patent holder can grant compulsory licenses under article 31 (Annex Two) to domestic producers for producing APIs of new drugs. The license provides for authorization where the law of a member nation allows a patent to be manufactured in another member nation, which does not have the original patent and, subject to special permission after fulfilling the local requirement, may export the same to other nations. This compulsory license is essentially to meet the domestic needs of the issuing countries.

Bangladesh will be benefited if patent holding countries are able to export the APIs to Bangladesh after fulfilling their domestic requirements. This can be done by requesting those countries to amend their patent law in such a way that the API manufacturer will be able to export to Bangladesh without the requirement of issuing compulsory license from both ends. This could be based on an agreed understanding or amendment of Article 30. However, the clause is applicable under negotiation with the right holder on “reasonable commercial terms” (Alan 2002, Hoen 2002).

Increasing export horizon: Export of pharmaceuticals from Bangladesh is increasing. According to a recent conference held under the first ever trade fair (2003) of pharmaceutical products in Bangladesh, the speakers indicated that the exports are expected to double by the year 2006. In 1982 Bangladesh was largely dependent on imports, in 1992 Bangladesh was exporting to five countries, in 2002 Bangladesh is exporting to more than 20 countries. However, the total quantity and the number of countries are still limited and most of the domestic companies are exporting and competing against each other in the same countries. Bangladesh should venture into other countries. For this, the first target should be the Least Developed Countries. Most of the LDCs have no manufacturing facilities for pharmaceuticals and many are not part of the WTO. These countries are mainly in Africa and they meet their needs through imports. Some South African and Egyptian pharmaceutical companies are exporting to these countries. Bangladesh should consider the unexplored market of Africa. The next stage will be penetrating the large generic market. Most of these markets are in developed countries. USA, Japan, Canada and Germany are the largest markets of generic drugs. At this end of the market, once the products are accepted, Bangladesh should be able to procure compulsory licenses after 2006.

Establishing world-class manufacturing facilities: Exporting to developed countries is not as easy as exporting to LDCs. Before exporting to countries like the USA and UK, certain conditions must be met, such as having world class manufacturing facilities certified by FDA in USA and MCA in the UK. US FDA (Food and Drug Administration) is the drug regulatory body of United States and UK MCA (Medicine Control Authority) is that of England. The

establishment of such type of manufacturing facilities involves huge investment and this should be undertaken by the private sectors. But domestic companies can easily offset the cost by selling their products at a high profit margin to those countries. It requires mention that Square Pharmaceuticals has obtained the approval of US FDA for its facilities.

Establishing bioequivalence test center: Test of bioequivalence of pharmaceutical products is essential for exporting products to European, North American and South African countries. In Bangladesh there is no such facility. The domestic companies, which are trying to export pharmaceuticals to developed countries, perform the test in either Singapore or England. Each test costs from US\$ 10,000-20,000 in Singapore. Lacking of testing facilities is, therefore, another constraint to exporting. The government should establish a bioequivalence test center in Bangladesh. It can seek assistance from WHO and the World Bank and also from developed countries under TRIPS Article 66. It should be noted that the funding agencies are keen to establish such an institution even in the private sector and there is no bar in establishing such an institution. In addition the government agencies under the Drug Administration should also be strengthened to undertake such tests. Furthermore, these agencies may also take necessary measures for seeking acceptance from FDA of USA and MCA in the UK.

Proper monitoring of impact of TRIMS Agreement: TRIMS is also known as Trade Related Investment Measures. Bangladesh has to implement it from January 1, 2006. According to this Agreement, Bangladesh cannot discriminate against member countries of WTO while importing from them and also cannot impose restriction on import with a view to protecting the domestic industry.

At present a 1994 imposed executive order of the Government (on the basis of Drug Ordinance 1982) restricts import of APIs from outside of Bangladesh that are manufactured locally in sufficient volume to meet the domestic need. But from 2005, domestic manufacturers of APIs will face stiff challenges, as rest of the world will be ready to supply the off-patent APIs probably at a competitive price. Consequently, investment in manufacturing of APIs in the private sector may be regarded as non-profitable until and unless such manufacturing is either done through joint

venture or through licensing agreements, or by allowing Direct Foreign Investment from countries such as China and India. Therefore, for successful tackling of the problem the government should start negotiation with WTO to get a waiver in this field at least until 2016.

More study and training of WTO Agreements: More study of the various WTO Agreements (like Agreements on TRIPS, WIPO, TRIMS etc.) is required to know how they can affect the domestic pharmaceutical industry.

Government officials and executives from stakeholders should be trained for interpretation and implementation of different agreements of WTO. Moreover, the government should form a special cell where these trained personnel are stationed at least till 2016 to ensure smooth transition. Already different organization like WHO, WIPO are organizing training on relevant subjects.

Formation of a taskforce: Government should form a taskforce on TRIPS. The members of the committee should necessarily represent different stakeholders groups. Only knowledgeable persons should be considered as members. The committee will assist the government in negotiation and dispute settlement issues. This should be a permanent committee.

Restructuring health policy: The government should formulate and announce health policy in line with TRIPS before 2005. In that policy the importance and a detailed outline of the pharmaceutical sector's involvement in the health care sector should be clearly mentioned. Government should declare updated essential health list considering national emergencies and requirements of new drugs. One must remember that under the provision of the Doha declaration (Allen 2002, Joseph 2003) a special provision for emergencies and list of essential drugs as perceived appropriate by the member nation was added. However, one must also bear in mind that the emergency and essential list will not remain for an unlimited time. Thus the health policy should keep in perspective the Trips Plus Provision, which refers to efforts to extend patent life beyond the 20-year TRIPS minimum limit.

Since the public health impact of TRIPS requirements has yet to be fully assessed, WHO recommends that both Developing and Least

Developing Countries be cautious about enacting legislation that is more stringent than the requirements set by TRIPS.

Registration of New Drugs: The registration of drugs new to the international market in Bangladesh will give an immense edge for future survival. The study indicated that some of the major companies have already pursued their strategy in this direction. However, it is very difficult to get permission from the drug administration. The government should understand that as long as these products are invented and marketed in countries that have strong quality control requirements, Bangladesh should allow registration of such drugs. The government must accept the fact that after implementation of TRIPS, it might be more difficult to pursue the registration of drugs.

Governance Issue: The private sector with support from the various trade bodies should emphasize the importance of governance in the country. The trade bodies may undertake special promotional initiatives to educate not only the business people but the public in general.

Strategy for post 2016

After the expiry of the transition period in 2016 for least developed countries including Bangladesh, the situation in Bangladesh is likely to change dramatically. One must keep in mind that the concession provided to the Third World nations will not be valid. The following strategies for post-2016 era can be considered:

Exclusive exports to LDCs: Domestic companies will have to obtain licenses from patent owners to import APIs for the manufacturing and marketing of drugs. The negative effects can be minimized if Bangladesh is able to issue compulsory licenses to import APIs. The country must remember that the implementation of TRIPS is expected to be tougher for pharmaceuticals compared to other products. This is because the amount of money spent for R&D in pharmaceuticals is unusually high compared to the manufacturing costs. In order to comply with TRIPS obligations, Bangladesh must provide patent protection for pharmaceutical products. Compulsory licenses may be obtained from countries that either issue compulsory license to export or allow the export of generic drugs and permit parallel importing. If by 2016, Bangladesh is able to manufacture APIs

that are under patent then it will be essential to obtain licenses from patent holders through proper Agreements. The agreement should be made based on the premise of marketing products to the LDCs, which constitute 10% of the world population (Hoen 2002). Bangladesh should stress low prices matched to meet low purchasing capacity of the Third World nations as an entry strategy. It is likely that most of the nations might not be interested to do business in this low profit zone.

A useful patent law: The government of Bangladesh is going to amend the patent law. The TRIPS Agreement gives the member countries the flexibility to formulate laws within specified constraints. During the amendment of the law the following ought to be incorporated for a useful and effective patent law after 2016:

1. Article 27.1 of TRIPS Agreement stipulates that patents shall be available for any invention, both products and processes. The TRIPS Agreement does not specify what an invention is. State laws may define the concept according to standards generally applied in this matter.

Bangladesh is not obliged to follow the concept of "innovation" accepted by developed nations.

For pharmaceutical patents, we may consider the followings as "innovation" -

- a. New indication of a known (available in Bangladesh by the period) product or process. This implies that products sourced from within the country and processed using indigenous methods prior to ultimate purification and manufacturing could be considered as new indications.
- b. The whole or part of natural living beings and biological materials found in nature, though in isolated or purified form. However, this requires

clarification that any biological or naturally available product will not be considered an innovation until and unless some biological or chemical intervention has been made.

- c. Presentation of information that makes the process or the product unique can be considered as innovation. This is practical for all types of local "Ayurvedic" and "Unani" medications that as of today have not been presented with detailed information leaflets. However, these must be compared with the present molecules and the processes presently available.
- d. Bangladesh may consider moving to research of "super generics". The term "super generic" is used to describe a patent-expired material that has been improved by reformulation, a new process or a new delivery system, and then subsequently re-introduced to the market as a product, which is better than original. It is a practice that is being adopted by the industry across the world. If worked by a generics company it is called a "super generic"; if produced by the originator it is called a "brand extension".

2. Emergency or crisis situations regarding public health should be made clear, so that no dispute arises during issuing compulsory licenses. For meeting emergency situations, there should be a provision for not giving any royalty

to the patent holder, considering the economic condition of Bangladesh.

3. When issuing patents, there should be a provision for full disclosure of information and the patentee should provide technical assistance and adequate support to Bangladesh to carry on the study of patented products or processes under compulsory license.
4. There should be a clear option for parallel import of drugs of certain therapeutic classes. This is important to reduce dependence on a single source. This will not only increase the flexibility to import finished products or APIs but will also help in obtaining compulsory licenses.
5. The proposed cell for TRIPS should be directly involved in developing the patent law of the country. They should try to consider all the stated WTO conditions with changes where applicable and with due rationale. Bangladesh should develop its patent act to represent primarily the suffering millions of least developed nations.
6. Patent should not be allowed for inventions that are injurious to human and plant life and as well as to the environment. One of the most unique examples involves pesticides that have resulted in substantial destruction of marine life in Bangladesh. Thus biological sources that have more unique characteristics may be considered.
7. Patents should not be offered for essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. This implies that processes that involve genetic engineering or fermentation technologies should be included while those involving grafting of plants should not be included. This implies that any technique, which

does not produce a new product, should not be considered.

8. While offering a patent, the product or process must have useful industrial application. The term "useful" should be clearly defined by the patent law of the country.
9. "Product by process" - should be out of patent provision. This implies that by-products of any process that are not in their refined form (for example protein produced from solid state fermentation) should not be patented in its crude form. This is because, first of all any crude form of a product cannot or should not be administered in the living body due to dangers associated with effects from other chemicals other than the active ingredient and, second, the ultimate benefit is derived from the refined product that can be produced using more than one process and has a greater value resulting in negation of the earlier patent.

Claiming waiver on domestically manufactured APIs: According to Article 66.1, Bangladesh should request WTO for extension of waiver on process patent beyond 2016. This will encourage domestic as well as foreign investors for investment in APIs. This will also ensure technology transfer to Bangladesh. This is very important for Bangladesh because we at present have a number of molecules (such as those extracted from local plants) available to us which are presently in crude form and can be refined if adequate time is provided. Therefore, if the process patent is extended, research in this area may be undertaken.

Formation of syndicate in APIs purchasing: Domestic companies can form a syndicate or partnership for purchasing patented APIs from patent holders. Purchasing in relatively large quantity will lower the price of patented drugs.

Conclusion

From the analysis it is clear that domestic companies in the Bangladesh pharmaceutical industry will not be affected as the supply of APIs of most of the best selling drugs will not be

affected after 2005. Only the sale of a few drugs under patent will be affected. But this is unlikely to affect the market share of domestic pharmaceuticals.

The introduction of new products is essential for maintaining the growth of domestic companies; it also helps in promoting the products of the companies. The launching of new products gives a company an edge over its competitors. The leading domestic companies take this issue very seriously and as a matter of prestige. After 2005, the companies need to go into contract with the patent holders and for this they have to pay substantial amount of money as royalty.

The companies may ask for distributorship or licensing agreement from the patent holders. Establishment of joint venture projects will also be profitable for Bangladesh, as this will ensure technology transfer. The government of Bangladesh has to do much (for example ensuring ethical practices, strengthening the testing facilities, further relaxation of repatriation of profits, etc.) in this regard for attracting foreign investments.

The pharmaceutical sector has the potential to emerge as the second largest export sector after ready-made garments (RMG) sector. To reap maximum benefits, the government should attract foreign investors to establish world-class manufacturing facilities and make bioequivalence tests mandatory after establishing a test center in the country.

Domestic companies should also be more careful in launching new products. They should plan for manufacturing of those products for which supply of APIs is ensured after 2005. Otherwise, non-availability of products those have to be discontinued due to lack of supply of APIs after 2005 will definitely impact public health adversely. Products for chronic diseases like cardiovascular diseases, diabetes etc., should be considered seriously in this regard. Domestic companies as well as the government should attach great importance to the prevention of antibiotics abuse. This is essential because abuse of available antibiotics can cause nationwide bacterial resistance and there will have little or no effect in prescribing them in the future. People will have to pay a premium price for new on-patent antibiotics.

The government has to announce a health policy considering the changed international scenario as soon as possible. The policy needs to include updated list of essential drugs. The government should also take necessary measures during formulating patent law so that the majority of people have ready access to essential drugs at affordable price. Finally, the government should constitute a panel of experts on TRIPS related issues so that Bangladesh can gain much from the negotiations and dispute settlements. The Committee should be permanent in nature and should be directly involved with development of the patent act of Bangladesh.

One of the most challenging obstacles the Bangladesh government faces in attracting foreign investment is lack of domestic political stability. The government along with the trade bodies needs to consider the issue of governance more seriously. This will ensure maintenance of an ambient environment for attracting foreign investment.

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Annex One

List of Generics Launched by Local Manufacturers

Company	Number of New Product Launched Between September 2002 to September 2003
Incepta	43
Square	31
Opsonin	23
Beximco	20
Acme	16

Source: Primary Survey

Annex Two

Description on Compulsory Licensing

"Compulsory licensing enables a competent government authority to license the use of an invention to a third party or government agency without the consent of the patent-holder. The patent-holder, however, retains intellectual property rights and "shall be paid adequate remuneration" according to the circumstances of the case (Article 31).

In the pharmaceutical sector compulsory licenses have been used to stimulate price-lowering competition and to ensure availability of needed medicines.

Most developed countries and many developing countries now provide for compulsory licensing through national legislation. A comprehensive patent regime should include adequate provision for the granting of compulsory licenses.

Grounds for compulsory licensing may include public interest, problems linked with national emergencies such as epidemics, public noncommercial use, or anti-competitive practices (Article 31). Whether or not compulsory licenses are issued, national legislation which provides for compulsory licensing allows governments to provide the medicine in the case of abuse of rights by the patent-holder, or commercial non-availability.

Any such use should be authorized predominantly for the supply of the domestic market of the Member authorizing such use (Article 31f). Compulsory licenses must be granted on a nonexclusive basis. Since the TRIPS Agreement provides for non-discrimination between locally produced and imported products (Article 27:1), a compulsory license may be granted for importation to satisfy local needs (Article 31).

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