

Critical Study of Agricultural Co-operatives in Bangladesh

A STUDY REPORT



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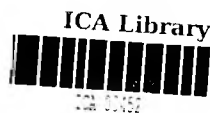
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Critical Study of Agricultural Cooperatives in Bangladesh

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Foreword

In Asia-Pacific region, agriculture is the mainstay of national economies. Cooperatives have been recognized as important institutional system for enhancing productivity of agriculture and promoting food security in the country. In some of the countries, co-operatives have completed a century of their fruitful contribution to agricultural development, particularly in the areas of input distribution, finance, marketing, processing, development of infrastructure development etc. The Government has adopted these cooperatives as its principal agency to implement the programmes of agricultural development. Although Government support resulted into noticeable growth and diversification of such cooperatives, it also adversely affected the democratic and autonomous character of cooperative enterprises and thereby blunting their competitive advantage. Effects of globalization and entry of multi-nationals in the agribusiness combined with lack of professionalism and member participation have further compounded the problems of agricultural cooperatives.

International Co-operative Alliance (ICA) in Asia-Pacific Region has been focusing on development of agricultural cooperatives through its Regional Office. It has adopted development of agricultural cooperatives as one of its Key Result Areas; in pursuance of which it has been implementing a number of projects for strengthening agricultural cooperatives in Asia-Pacific. One of such projects recently implemented by ICA Regional Office for Asia-Pacific (ICA ROAP) with the support of AGRITERRA of Netherlands targeted development of agricultural cooperatives in six countries of the region, namely: Bangladesh, India, Nepal, Laos, Thailand and Vietnam. The important outputs of the project were completion of critical studies of agricultural cooperatives in these countries and formulation of country specific action plans for development of agricultural cooperatives.

These studies were conducted through country consultants with the support of Mr B.D. Sharma, Sr. Consultant, ICA Domus Trust. I hope, the study will provide good insight into the problems of agricultural co-operatives and guide points for strengthening them in the changing times.

SHIL KWAN LEE
Regional Director
ICA ROAP

Preface

The cooperative movement of Bangladesh is a movement in the family of International Cooperative Alliance. It has shown progress and growth in agriculture and dairy segments. The cooperative movement was started in this part of British India in the year 1904 on the basis of the Nicholson Report in a hurry. In 1912 the act was amended. The cooperative societies in the village were popularly known as village savings and credit societies. Though these societies were organized at the initiative of the government the democratic values of cooperatives encouraged the people to become enthusiastic about their cooperatives. It came up as credit cooperative movement with dedications of members and leaders imbued with spirit of freedom of India from British. Mobilization of rural savings, growth of capital and proper investment and recoveries were the important features of these cooperatives backed by central cooperative bank and the provincial cooperative bank. Even the non-members mostly rich people, preferred maintaining deposit accounts with central cooperative banks which helped liquidity service for the agricultural credit cooperatives.

In 1947 at the time of partition of British India the cooperative movement here (Bangladesh) inherited 32418 number cooperatives of which 26644 were of agricultural credit having no apex organization. The Bangladesh Samabaya Bank was organized and got restoration on 31st March 1948.

After the liberation of the country in 1971 the cooperatives in Bangladesh have been functioning on two different system one under the sponsorship of Cooperative Department and the other controlled by Bangladesh Rural Development Board (BRDB). The system functioning since the beginning called general or traditional

is being promoted and supervised by the Cooperative Department. The other system "comilla model" under the sponsorship of BRDB has been functioning since 1971-72.

The cooperative credit through BSBL was interrupted in the year 1989 following the government's decision of withdrawing guarantee system. The government discontinued furnishing guarantee in favour of Bangladesh Samabaya Bank Ltd. in the year 1989 and Bangladesh Bank stopped providing credit facilities to Bangladesh Samabaya Bank Ltd. Because of such decision the functions of agricultural activities at primary level have been seriously affected. Besides, government declaration in the year 1991 for remission of loan up to Tk. 5000/- with interest and penal interest and subsequently non-implementation of that declaration in the case of cooperative farmers the activities of the agricultural cooperatives in the country has again suffered.

Cooperative movement is considered to be the most essential movement for the amelioration and alleviation of the poverty of the common people of the least developing countries which could attain a good success in promoting the socio-economic development of different communities both in the rural as well as urban areas. The fundamental principle of Cooperation is nothing but the establishment of economic democracy. No country could attain success in political sovereignty without its economic stability. Cooperative is always considered to be the greatest means of economic progress and socio-economic development of the community in the country which helps to generate employment opportunities in different fields and as such the vast magnitude of population will be able to achieve peace and prosperity in the country.

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Chapter 1

Objectives of the Study

Introduction

The People's Republic of Bangladesh appears as an independent and sovereign state in the world map through an armed Liberation War in 1971. Now the country is moving towards development under a democratic government. Bangladesh lies in the North eastern part of South Asia between 20° 34' and 26° 38' north latitude and 88° 10' and 92° 41' east longitude. The country is bounded by India on the west, the north and the north-east and Myanmar on South east and the Bay of Bengal on the south. The area of the country is 1,47,570 sq. kms. The limits of territorial water of Bangladesh are 12 nautical miles and the area of the high seas extending to 200 nautical miles measured from the base lines constitutes the economic zone of the country. Except the hilly regions in the north-east and the south-east, some areas of high lands in the north and north western part, the country consists of low, flat and fertile land. A network of rivers is important and their tributaries numbering about 230 with a total length of about 24140 K.M. covering the country flow down to the Bay of Bengal.

The total forest area covers about 17% of the land area. The country produces timber, bamboo and cane from this land. Plantation of rubber in the hilly regions of the country has been undertaken some years past.

Meaning of Co-operation

The simple meaning of Co-operation is to work together. Co-operation means where a group of persons economically weak actuated by a desire to strengthen their position and improve their condition, work together in some economic processes such as production, distribution, exchange, consumption etc and divide their profits arising from their joint efforts in an equitable manner.

In cooperatives, members pull some or all of their resources under joint management to solve their common problems which results in the increase in output of production and efficient management. A co-operative society by the observance of the principles of sharing profits, encourage the members to be loyal and to use its facilities as extensively as possible. As an economic organization a co-operative society does not aim at maximization of profit but services. It carries out its objectives in a way acceptable to its members. In cooperation the concepts of equality and democracy serve as incentives to its members.

Cooperation discourages high rewards associated with the ownership of capital. It encourages savings being formed through offering high incentives and rewards to individual savers.

Thus in cooperation both economic and non-economic types of incentives encourage people for joint economic action. Small resources and savings are pooled together and effectively utilized which results in increase of wealth. Members realize that they can jointly achieve something which is not possible through individual effort. Cooperatives provide a valuable means for introduction of experiments and new ideas because responsibility is shared by a group and risks are more wide spread.

Cooperative methods which are very effective for small, unorganized and illmotivated farm producers facing problems in production and marketing of their produces enable them purchase of consumption goods as well as farm inputs at reasonable prices, store grains and sell their farm products at a profitable rate and frees them from exploitation by the chain of marketing intermediaries. Cooperatives provide credit and irrigation facilities, technical guidance, extension services etc. necessary for increasing their production. Above all, their improved economic condition motivates them for harder work. Small producers in organized form are in a position to carry experiments and introduce innovations to develop their industries. Members get training in management and become capable of running their business on profitable lines.

Finally, cooperative may act as suitable medium for channeling government assistance for the development of the country, particularly in rural areas.

Co-operatives have been classified in different countries of the world on the basis of their objectives, functions scope and limitations. From the nature of activities cooperatives may be broadly classified into the following categories.

- i) Industrial cooperatives;
 - a) Producers cooperatives;
- ii) Marketing cooperatives;
 - a) Consumer's cooperatives;
 - b) Agricultural cooperatives;
- iii) Credit cooperatives.
- iv) Service cooperatives;
 - a) Housing societies
 - b) Insurance societies
 - c) Transport societies
 - d) Storage societies
- v) Workers societies
- vi) Sale societies
- vii) Wholesale societies
- viii) General societies including women cooperatives
- ix) International Co-operatives Alliance (ICA)

1. The existing status and state of agriculture, agriculturists and agricultural cooperatives in Bangladesh

Bangladesh is basically an agricultural country. About 80-85% of the population directly or indirectly depends on agriculture. For obvious reasons the rural economy of Bangladesh heavily depends on agriculture and it contributes around one-third of the G.D.P.

Bangladesh has got one of the most fertile lands but due to paucity of capital and implementation of new inputs and techniques its yield per acre is one of the lowest in the world. Rice, wheat, Jute, Sugarcane, Tobacco, Oilseeds, Pulses and Potatoes are the principal crops. Various kinds of vegetables and spices are produced. The country produce, about 96 million Lbs. of teas per year, a sizeable quantity of which is exported to foreign countries after meeting the internal demand. Bangladesh produces about 7 million bales of superior quality of jute annually and 75% of the export earning

come from raw-jute and jute manufactures. Among the fruits and nuts grown in Bangladesh bananas, papayas, pineapples, mangoes, jack-fruits, guavas, plums and coconuts are important. The principal, cereal crops is rice, which occupies nearly 75% of the total cropped land in Bangladesh. The introduction of seed fertilizer-water technology popularly known as the HYV technology in 1960s boosted rice production:

Bangladesh has a predominately agriculture economy. There has been a remarkable decline in relative importance of the agriculture sector, following recent efforts towards industrialization and growth of certain manufacturing industries like the ready-made garments, but this sector still accounts for about half of the country's economic activities and employs nearly three-fifth of the labour force. The crop farming alone accounts for about two-fifth and rice almost a quarter of the national output. This reveals the impact of agriculture on national economy, which is an important factor in determining the country's macro-economic priorities and strategies for development, including employment generation, poverty alleviation human resources development and food security. There has been, however, substantial progress in increasing rice production which has more than doubled in less than two decades, leading the country to near self-sufficiency in food, despite occasional loss of crops due to floods and other natural calamities as well as growth of population. Agriculture thus continues to remain the single largest sector of Bangladesh economy. Its contribution to GDP in 1995-96 was 32%. It employed 64% of the total labour force in that year. Agricultural commodities together with agro-based manufactures accounted for 27% of the export earnings with primary commodities contributing to 13%. Agriculture in Bangladesh is destined to play the most significant role in attaining food autonomy, poverty alleviation and sustainable economic development. Agriculture sector in Bangladesh consists of farming (73%), Fisheries and livestock (19%) and forestry (7%). In financial year 1996-97 agriculture recorded a growth of 6.0% against 3.7% in the previous financial year. GDP growth was 5.3% and 5.7% respectively during 1995-96 and 1996-97. Acreage under irrigation; use of fertilizers and disbursement of credit are on progressive increase in recent years.

The pace of technological transformation has accelerated over the years with progressive adoption of modern techniques, inputs and equipment. The process of modernization is of course, slow and far from complete with only about one third of the cultivable land having gone under irrigation. Many traditional antiquated and inefficient practices still persist, while there is considerable prospect for still higher yields with advanced techniques and improved varieties of seeds. Many of the impediments to faster growth of agriculture could not be removed due to the farmers' lack of knowledge and resources as well as absence of sufficient supportive infrastructure facilities. Generally, under-utilization of and under-investment in the agriculture sector persists despite the best intention of the policy makers and the best efforts of the resilient peasant community of Bangladesh, while accelerated growth of agriculture is an essential precondition for the overall growth, expansion and diversification of the economy through an agriculture-led development strategy. Since agriculture is the major source of income and employment, the linkage between agriculture and non-agriculture sector in terms of value addition is such that a given amount of increase in agriculture leads to a more than proportionate increase in value addition. This sector, again, must continue to supply necessary food stuff for a balanced nutritional requirement of the teeming millions and provide more employment opportunities for the growing labour force as the non-traditional sectors are unlikely to grow as fast as the labour force is growing. For the vast majority who depend on agriculture and live in poverty the only escape from poverty is through increased agricultural and related activities. The agricultural growth rate is required to significantly exceed the population growth rate in order to break through the deepening poverty trap. The prospect for achieving higher growth in agriculture still exists in Bangladesh provided appropriate policy and strategy can be worked out.

Almost all the suitable land in Bangladesh has already been brought under cultivation, about 50% of which yield double crops and a quarter triple crops a year. According to 1996 statistics cultivated area consists of 20,157,564 acres, with average per farm cultivated area being only 2.00 acres. There are 10,045,300 farm house holds, 7,065,956 of which own between 0.05 to 2.49 acres, while 2,483,210

hold upto 7.50 acres and only 496132 hold above 7.50 acres.

Again, land holdings in Bangladesh remain severely fragmented; 5 out of 8 farms consists of more than 6 fragments and one out of ten of more than 20 fragments. This structure of land holdings and the number of farms have remained largely unchanged for decades. However, inheritance under Muslim family laws leads both to further splitting up and fragmentation. Landlessness accelerates as small holders can not sustain on their land and are forced to sell to those who can afford to buy such land at the first possible opportunity. The process of land impoverishment and simultaneous land acquisition has been in a fair balance over the last several decades. But like the rural population, the number of rural house holds relentlessly proliferate, driving the marginal land holders out of land, to end up in the urban slums.

Small farm Operators are poor and without influence, and have little access to institutional credit and thus less opportunities to pay for fertilizers high yielding variety seeds and water for irrigation. However, available data indicate that small operators use more of such inputs in comparison to the large ones perhaps out of desperation to survive. The eagerness and ability of the small farmers to use their land intensively, and in more productive manner certainly deserve support through suitable credit schemes.

Bangladesh is one of the developing countries in south Asian region. Agriculture is the main occupation of the people employing 63.2% of the labour force. Agricultural cooperatives in Bangladesh stand divided into two parallel structures i.e. the traditional cooperatives handed by the Bangladesh Jatiya Samabaya Union (BJSU) following a three-tier structure and among farmers cooperatives following two tier cooperative pattern under the administrative control of Bangladesh Rural Development Board (BRDB).

Both the types of cooperatives serve the same target groups and have created the problem of overdues on the one hand and inadequacy of loans on the others. The apex organization of the traditional cooperatives is the BJSU. Which also serves as the umbrella organization of the movement. The Bangladesh Samabaya Bank Ltd. is the apex credit organization of the traditional agricultural cooperatives having 510 cooperative societies as its member.

The Bangladesh Milk Producers cooperative union Ltd. (BMPCCL) popularly known as Milk Vita was established in 1973 with the objectives of raising subsidiary income of the poor. Landless and marginal farmers living in relatively remote rural areas of the country by way of purchasing their produced milk at reasonable price through guaranteed market under cooperative fold and ensuring the regular supply and sale of hygienic and nutritious milk and milk products to the city dwellers at a fair price. It has 450 primary societies with approximately 6000 farmer members, who supply milk to the societies. The organization extends Medicare, vaccination, insemination, fodder extension, arrangement of Bathan (Pastureland), training, interest free loan etc to the farmers.

2. Objective assessment of informal farmers cooperative movement and their contribution to agriculture and farmer development and also their relationship with formal agricultural cooperatives

Bangladesh is one of the poorest countries of the world. It is basically an agriculture based country. About 85% of its total population live in villages and all of them directly or indirectly depends on agriculture. For obvious reason the rural economy of Bangladesh heavily depends on agriculture. About 55% of the gross domestic product (GDP) is contributed by agriculture. The major crops produced in the country are rice, wheat, jute, sugarcane, potato, pulses and oilseeds. Besides various types of tropical fruits and vegetables are also grown.

In the constitution of Bangladesh the cooperative has been give the status of second important sector of the national economy. So the cooperatives specially farmers' cooperatives both informal and formal have a vital role to play to solve the poverty alleviation in the country. The contribution of informal farmers cooperative to agriculture and their member's development is not very significant.

It is an admitted fact that the development of any cooperative movement depends on government support. Since 1989 the Government is not giving any financial support to the cooperatives and as such the activities of the cooperation have been reduced to a great extent. The activities of the agricultural cooperatives in the coun-

try are in stagnant position. At present the existence of primary agricultural cooperative societies is found in the statistical report of the cooperative department but their activities are not found in the field.

The object of the agricultural primary cooperative societies is to improve economic and social condition of their members. The primary agricultural cooperative society in the rural area are mainly engaged in collection of savings, Supply of credit, irrigation, supply of production inputs, sale of insecticides and pesticides and logistic support for marketing. The primary agricultural societies provide mainly credit support to members for production, economic growth and development. These cooperatives also provide deep tube wells, shallow tube wells, power pumps and irrigation facilities to members. The members undertake improved agricultural activities with credit support and others services from their societies. The primaries are supported by the secondary and the secondary are supported by the apex. The apex organize funds from Bangladesh Bank and other sources. Bangladesh Rural Development Board (BRDB), Bangladesh Agricultural Development Corporation (BADC), Water Development Board and in some cases few NGO's also provide development assistance to pro-cooperative groups and cooperatives. As on 30th June 2002 the number of primary agricultural cooperative societies of both traditional and BRDB was 135,395 with 72.37 million members who are engaged in agricultural activities in the rural areas.

Bangladesh Samabaya Bank Ltd. (National Cooperative Bank) used to get credit facilities from the Bangladesh Bank (Central bank of the country) at below 2% of the Bank rate for lending to the farmer members through respective central cooperative Banks and Primary cooperative societies against government guarantee to the extent of 25% which was the main source of agricultural credit. That arrangement and system has been stopped and no agricultural Credit is now being provided to the agricultural farmers of three tiers traditional cooperatives.

As regards relationship between the informal farmers cooperative movement with formal agricultural cooperatives it may easily be understood that as there is no function there is no relationship. If

the credit facility is started again, there will certainly develop some sorts of relationship between them.

3. The areas of institutional, managerial and governance reforms to enhance the cooperatives and competitiveness of agricultural cooperatives to enable them to utilize emerging opportunities from globalization

Cooperatives have been promoted in Bangladesh for rural development in general and agricultural development in particular. Although cooperatives provide an important institutional, managerial and governance frame work in economic development and poverty alleviation, it is confronted with number of problems. The constraints are different, e.g. management, financial, self-reliance and economic viability, operations of economic activities etc. During the year 1989, the government formulated the National cooperative policy. The policy dealt with the following objectives:

- i) Structural arrangement of cooperative societies.
- ii) Institutional arrangement for extension work for formation of cooperatives.
- iii) Proper application of cooperative laws in post formation periods.
- iv) Autonomy and self-management of cooperatives.
- v) Income, expenditure, economic solvency and financial management of cooperatives.
- vi) The role of cooperatives in economic development and poverty alleviation; and
- vii) Development of human resources in the cooperative sector.

Since poverty is the most pressing problem in the rural areas of Bangladesh a rural development plan must continue to effectively address the problem of poverty. For this the Fourth Five year plan had special focus on the poverty eradication and employment orientation through development of rural institutions for productive use of rural resources.

There are following institutional sources of agricultural credit in Bangladesh.

- a) Bangladesh Krishi Bank (BKRB) a government sponsored ag-

gricultural development bank, which is the principal Agency for lending agricultural credit in the country. Another bank called Rayshahi Krishi Unnayan (Agricultural development) Bank, which has been lending for the development of agriculture in Rajshahi Division.

- b) Nationalized commercial Banks (NCBS) which includes Sonali, Janata and Agrani Bank.
- c) Bangladesh Samabaya Bank Ltd (BSBL) a national apex co-operative bank.
- d) BRDB is providing credit support through thana central co-operative Association (TCCA) and Krishi Samabaya Samity (Agricultural Cooperative society) with financial assistance of BSBL, Sonali Bank and different donors.

4. The suitability and effectiveness of existing Policy and legislation

The government of Bangladesh issued a National cooperative policy in 1989. The main objectives that were sought to be achieved through the policy statement included; restructuring and consolidation of cooperatives, rationalization of administration of cooperatives and ensuring their autonomy and self-management.

After the independence of Bangladesh in 1971 the working of the cooperatives in Bangladesh began to flow in two different streams under guidance of cooperative department and IRDP (Integrated Rural Development Project). The old system functioning since 1904 and differentiated as traditional on the presumption of being outdated, had continued to be promoted and supervised by the cooperative department headed by the registrar of cooperative societies (RCS). The new stream of two tier structure of comilla model commenced replication since 1971-72 under the integrated rural development project (IRDP), which was upgraded in 1982 into Bangladesh Rural Development Board (BRDB). It is pertinent here that the two tier cooperative model was not evolved as a challenge to the old cooperative system. It was rather conceived in the IRDP project Profonna 1970-71 that through strengthening of Co-operative Department and Development of inter agency coordination (among BSBL, BJSU, UTDC, RWP, TIP and agricultural in-

put supply services) the two tiers model would be adjusted with the old structure and run under a separate board for expediting the economic growth of the rural bureaucracy, the concept, however, nipped in the bud, ultimately creating a harmful Shia-Sunni like schism in the movement.

Although the cooperatives hit by the liberation war were seldom rehabilitated with grant in aids there was sign of post liberation zeal among the people about cooperatives. This coupled with gradual expansion of two-tier model, led to sharp increase in the number of cooperatives to 135,820 by 30-06-02 as against 33,566 of 30th June 1971. The total area of Bangladesh is 145000 sq. kms. and total number of primary cooperative societies of both traditional and BRDB is 135,395. So there are in average one primary cooperative societies in per sq. km. village. The cooperative societies are organized and registered without thinking its suitability and effectiveness.

The cooperative societies ordinance of 1984 has been amended in the year 2001 but the rules of 1987 has not been amended as yet. The cooperative activities are strictly controlled by the registrar of cooperative societies instead of paving the way for healthy growth of voluntary leadership and democratic management of the cooperatives.

Previously there was a provision that on request of the managing committee registrar can depute his officer in cooperative society to manage its affaires. But that Act has been amended on the 1st December 2002 and the provision of request of the managing committee has been annulled and the authority has been given to registrar to depute his officer to the cooperative societies. There is also provision of nominating directors to the managing committee of the cooperative societies by the registrar and the ministry. But it is the general body of members and not the government, who should exercise the power to remove and replace the guilty managing committee, when it is called for.

To make the cooperative activities success both traditional and BRDB cooperative should be amalgamated into one and number of primary cooperative societies should be reduced at desired number to make them viable and effective.

Chapter 2

Country Profile

Climate

Bangladesh enjoys generally a sub-tropical monsoon climate. While there are six seasons in a year, three namely, winter, summer and Monsoon are prominent. Winter which is quite pleasant begins in November and ends in February. In winter there is not usually much fluctuation in temperature, which ranges from minimum of 7.22-12.77 Celsius (45F - 55F) to a maximum of 23.88 31.11 Celsius (75OF-85OF. The maximum temperature recorded in summer months is 36.66 Celsius (98OF) although in some places this occasionally rises upto 40.550 (105OF) or more. Monsoon starts in July and stays up to October. This period accounts for 80% of the total rainfall. The average annual rainfall varies from 1467 to 4720 Millimeters.

Basic Statistics of the Country

1. Population data

Total (in million)	131.50
Male (in million)	66.88
Female (in million)	64.62
Annual growth rate (percent) 2001	1.42
Sex ratio : (males per 1 00 females)	103.80
Density: (per sq. km)	834
Literacy rate (7 years and above):	54.6
Life expectancy at birth (1998): Both sex	61
Male	61
Female	61

2. Educational institutions and enrollments:

Govt. Universities (2002)	11
Non-Govt. Universities (2002):	19

Govt.-Medical colleges (2002):	14
Non-Govt. Medical colleges (2002):	11
Medical University	1
Engineering colleges (2002)	4
Agricultural University(2002)	1
Colleges (2002):	3344
Polytechnic institutes (2002):	20
Secondary schools (2002):	14069
Primary schools (2002):	65610
Govt. University enrollment (2002):	98438
College enrollment (2002):	1165131
Secondary school enrollment (2002):	7.21 million
Primary school enrollment (2002):	17.66 million

Health Facilities : 2001-2002

Hospitals (of which Thana Health Complex and Rural Health Complex, 402)	1362
Hospital beds:	32022
Persons per Hospital bed:	4107
Registered Physicians:	32498
Persons per physician:	4046
Households per physician:	674

GDP in 2000-2001:

At constant market price (1995-96=100):	217 billion
at current market price:	258 billion
Per capita GDP at 1995-96 price	19.6 billion Tk.
in US\$	\$369

Foreign trade, 1999-2000	(Billion Taka)	(Billion US\$)
Export (FOB):	289.89	5.76
Import (CIF):	422.75	8.40

6.	Total Civilian Labour Force (Million)	LFS 90-91	LFS 95-96	LFS 99-00
	Male	31.1	34.7	37.5
	Female	20.1	21.3	22.8
	Both Sex	51.2	56.0	60.3
7.	Active civilian Labour Force (Employed Pop. million)			
	Male	30.5	33.8	37.48
	Female	19.7	20.8	22.81
	Both Sex	50.2	54.6	60.29
8.	Basic Information on the Agricultural Census, 1996 (Rural)			
i)	<i>Number of holdings</i>			
	Number to total holdings			17828187
	% of male headed			96.52
	% of female headed holdings.			3.48
	Number of non-farm holdings			6029945
	% of non-farm holdings			33.82
ii)	<i>Number of Farm Holdings</i>			11798242
	% of Farm holdings			66.18
	% of small Farm holdings (0.05-2.49 acres)			52.85
	% of medium farm holdings (2.50-7.49 acres)			11.65
	% of large farm holdings (7.50 acres & above)			1.67
	% of holdings owning no land (pure landless)			10.18
iii)	<i>Number of agricultural labour holdings</i>			6401453
	% of agricultural labour holdings			35.91
iv)	<i>Cropped area of farm holdings ('000' acres)</i>			
	Area under Boro			6137
	% of gross cropped area			21.45
	Area under Jute			1304

% of gross cropped area	4.56
Area under Sugarcane	329
% of gross cropped area	1.15
Area under Wheat	1522
% of gross cropped area	5.32
Intensity of cropping	174.00
v) <i>Irrigated area (acres)</i>	
Holdings reporting irrigation	7570302
Irrigated area	8586222
% of holdings reporting irrigation	42.46
% of farm holdings reporting irrigation	63.75
% of irrigated area to cultivated area	48.31
vi) <i>Fertilized area (acres)</i>	
Holdings reporting use of chemical fertilizer	9782685
Net area treated with chemical fertilizer	1.1798879
% of farms reporting use of chemical fertilizer	82.32
% of fertilizer area to cultivated area	77.65
vii) <i>Poultry</i>	
Number of poultry	126667861
Number of poultry per holding	7.10
per capita poultry	1.04
viii) <i>Cottage Industry</i>	
Number of holdings with cottage industry	464353
% of total holding	2.60

Maintain Micro economic stability:

The achievement of Bangladesh in stabilizing the macro economic framework has been hailed both at home and abroad. The Challenge that lies ahead is to **maintain and consolidate**

this success to provide a profitable environment for sustained economic growth. The government of Bangladesh is firmly committed to pursuing this objectives.

Enhance competitiveness:

On going deregulation and liberalization of domestic markets and international trade and investment will ensure, that the economy continues to become more competitive and grows along the lines of its dynamic comparative advantage. This would also entail sustained efforts to strengthen the financial system.

Increase investment:

For increasing the growth rate of GDP there is no alternative to higher and more efficient investment.

Public investment:

The public investment will remain important for some time to come. The strategic issues here are (i) restraining current expenditure while increasing allocations to social sectors like health, education, the operation and maintenance of existing public capital stock and poverty alleviation; putting an end to the drain on public resources by state owned enterprises (SOES) through privatization (ii) raising the share of public revenues relative to GDP; This can be achieved by reforming the structure of taxes by expanding the tax base and reducing concentration on a few revenue sources. (iii) investing the consequent increase in public savings through higher revenues and restraint on public consumption in infrastructure and poverty attenuation; (iv) Letting all public investment pass rigid efficiency tests; (v) accelerating reforms in public management to insure among others the speedy and efficient implementation of public investment programs; and (vi) Continuously reviewing public investment to explore whether public involvement can be replaced by the private sector.

Private Investment:

Private investment both domestic and foreign, will increasingly be the main source of growth. Strategic issues in this area are; (i) providing consistent and predictable policy sig-

nals to the private sector; (ii) reviewing and updating existing laws and institutions continuously to ensure appropriate framework for private sector development; (iii) addressing and identifying new areas that require regulatory oversight; (iv) ensuring speedy, non-discriminatory and affordable access to supporting services, be they legal, regulatory or administrative; (v) ensuring competition as well as consumers rights by monitoring performance of markets, (vi) developing clear and enforceable entry and exit policies, (vii) putting in place healthy competitive financial and capital markets capable of integrating with global markets; and (viii) letting government play an active role in human resource development, information dissemination, technology transfer, research and development and infrastructure development, for some time in the future, until private capital can gradually take over.

Generate employment:

The investment strategy outlined above contains the main thrust for higher employment which will come from (i) Labour intensive activities which will generate demand initially for low skilled labour which is abundant in the Country; (ii) the liberalization of the trade regime, which will remove the constraints on labour demand via accelerated export growth led by private sector; (iii) a diversified export base leading to wider labour demand as backward/forward linkages and market for new products are established; such diversification would encompass new agricultural and Rural activities facilitated by the development of rural infrastructure like roads, electricity, telecommunications and credit; (iv) the development of human capital (discussed) latter which allow activities over time to move higher value added markets while maintaining labour intensity, leading to higher wage income and the development of new skills; and (v) labour markets reforms and facilities for training and retraining which will allow the flexibility needed to adjust to structural changes in the demand for labour.

Development of human Capital:

A healthy and skilled labour force is the key to long term

economic growth and the development of a dignified civil society. Strategic issues in this area, which in immediate future mainly involve the public sector are (i) the availability and access to quality health care, for the rural population (ii) population control and family planning, addressing the special needs of mothers and children; (iii) access to and use of drinking water and sanitary latrines; (iv) Universal Primary education leading to universal secondary education in the long run with emphasis on Basic literacy and the vocational needs of the market place both at home and abroad; and (v) special attention to ensure that women (who constitute half of the population) are an integral part of the process.

Alleviate Poverty:

These strategies are all designed to address the root of poverty, and not only to alleviate it but also to prepare the nation to share the prosperity that lies ahead. In the short run, along with these policies special measures for the poor are envisaged (these may require redesign and expansion in coverage as time passes): (i) Specific programmes to assist the disadvantaged to obtain access to food, education, health and family planning services; (ii) employment generation programs for distressed and otherwise targeted groups and during periods when the rural labour market is slack; (iii) nutrition education and specific interventions for vulnerable groups, particularly among children and women; (iv) small credit programs to reach out to the extreme poor.

Improve Governance:

Good governance is an essential framework for economic growth, socio-cultural development is a prerequisite to ensure that ordinary citizens can get what is expected from those who govern them. It is thus about legitimacy, rule of law, accountability, transparency and competence of government. Value for money and satisfaction of customers who are the voters and the citizens of the country and who pay for the government should be the central concern in achieving good governance. Bangladesh is committed to achieving improved governance and measures are underway which would have to be enlarged and strengthened in future years.

Sustain Progress:

The long term sustainability of the development strategy is a key concern. It calls for increased awareness both at individual and national levels of the following principles (i) Levels of domestic savings and investment have to be raised to ensure sustained economic development, particularly since aid may fall; (ii) steady growth in export earnings has to continue to meet the foreign exchange requirements of an expanding economy; (iii) Investment in human capital particularly of disadvantaged groups, would have to be increased to ensure competitiveness and equity; (iv) the population would have to be stabilized to relieve pressures on the fragile environment and resource base; (v) an equation with the environment needs to be worked out so that present economic activities do not endanger the prospects of future generation.

Chapter 3

Place of Agriculture

Agricultural situation

Bangladesh is one of the developing countries in south-Asian Region. The total area of the country is 1,47,590 sq. km. with a population of 131.50 million. The economy of Bangladesh is basically agriculture based. About 80-85% of the population directly or indirectly depend on agriculture. Agriculture is the main occupation of 63.2% of the total labour force. This sector directly contributes around 32% of the gross domestic product (G.D.P).

**Table-I : Share of Employed Labour Force
by Sector, 1999-00(%)**

Agriculture, Forestry and Fisheries	62.3
Mining and Quarrying	0.7
Manufacturing	7.4
Electricity, Gas & Water	0.2
Construction	2.1
Trade, Hotel & Restaurants	12.0
Transport, Storage and Communication	4.6
Finance, Business & Services	0.7
Commodity & Personal Services	10.0
Total	100.0

(Source : Labour Force Survey, 1999-00)

Agriculture and Main Crops

Bangladesh has one of the most fertile lands. But due to paucity of capital and non application of quality inputs and modern techniques its yield per acre is one of the lowest in the world. Rice, wheat, jute, sugarcane, tobacco, oilseeds, pulses and potatoes are the principal crops. Various kinds of vegetables and spices are produced.

The country produces about 48.93 million kgs. of tea per year, a sizeable quantity of which is exported to foreign markets after meeting the internal demand. Bangladesh produces about 2,45,150 mt. of superior quality jute annually and 75% of the export earning comes from raw-jute and jute goods. Among the fruits and nuts grown in Bangladesh bananas, papayas, pineapples, mangoes, jack fruits, guavas, plums and coconuts are important.

The Present State of Agriculture

Bangladesh is a developing country. Agriculture is the primary sector of its economy employing 60% of the labour force and contributing around one-third of the GDP. Considering empirical evidences on the rate of growth of different sectors, agriculture will remain the single largest sector in the near future.

Agriculture in Bangladesh is beset with multifarious problems. The land man ratio is extremely low and the scale of operation is uneconomically small. Agricultural productivity and yield rates are also low. The principal cereal crop is rice, which occupies nearly 75% of the total cropped area in Bangladesh. The introduction of the seed-fertilizer-water technology popularly known as the HYV technology in the 1960s boosted up rice production. The 'green revolution' in HYV rice production has almost doubled food grain production from 1969-70 to 1992-93 (GOB : 1998). However, increased production of food grains was also associated with displacement of acreage under *Rabi* crops like pulses, oilseeds and spices. During the last one decade growth rate in cereal crop production has been stunted. Productivity indicators for both fertilizer and irrigation exhibit a declining trend of (-) 4.2% and (-) 6.9% respectively over the last two decades (Sobhan: 1997). Privatization of input supply, reduction of subsidy and other related factors have raised the cost of production. On the other hand, increased cropping intensity including rice monoculture and imbalanced use of chemical fertilizer have been depleting soil quality which have added, led to the problem and are posing a threat to sustainability of agricultural crop production.

Declining profitability of rice production has been creating a shift from rice mono culture to crop diversification. Production of spices, vegetables, tea and potato registered a growth of 3% or above over

the 1984-85 to 1994-95 period. Production of pulses and oilseeds initially stagnant in the late eighties but has recovered in recent years. Rice acreage has declined in recent years while acreage under wheat, vegetables and potato has displayed some upward trend (Sobhan : 1997).

Again, while the relative contribution of the crop sector to GDP has significantly declined recently, contribution of non-crop sector especially livestock (including poultry) and fisheries has been improving. Table 1 provides an indication of relative growth rate in agriculture and its sub-sectors.

Table 2: Gross domestic production growth rate of agriculture and its sub-sectors in percentage (at constant price of 1984-85).

Name of the sector & sub-sector	1991-92	1992-93	1993-94	1994-95
Agriculture	1.6	1.6	1.8	1.8
a. Crop	1.2	1.7	0.8	0.5
b. Forest	2.1	2.4	3.0	3.0
c. Livestock	2.2	3.6	6.2	6.2
d. Fisheries	5.8	6.5	6.6	8.7

The table shows that the recent growth rates in the livestock, fisheries and forest sub-sectors have been very impressive. The sharp fall in the growth rate of the crop sector in 1995-96 has, however, been reversed since that year.

Bangladesh agriculture maybe considered to be in a transitional stage at present. Diversification of the agricultural sector is a welcome sign for the Bangladesh economy which will move agriculture towards specialization. However, a successful shift from rice to higher return crop will ensure other enterprises needs fulfillment of certain prerequisites consistent with the specific potentialities and needs of the economy.

There are several structural constraints to development in Bangladesh agriculture. Among structural factors are a very low land man ratio, overwhelming dependence of the working population and an inequitable land tenure system inhibiting productivity and growth. The production technology is relatively backward and

inefficient with the level of capital investment too low. Access to high quality and adequate production inputs like credit, seeds, fertilizer and irrigation facilities are inadequate. Research and extension as vehicles through which production technology innovations are to be evolved and disseminated to the producer are very weak or inadequate. High rate of illiteracy also acts as an important constraint. Against this background, the needs and potentials of agricultural development maybe explored.

Under the conditions prevailing in Bangladesh extensive use of lands is virtually not possible. Intensive use of land is needed. At the same time soil quality needs to be replenished and land augmenting measures have to be undertaken. Appropriate action would help improve land quality. Leguminous crops can help nitrogen fixation. Balanced use of fertilizer by combining inorganic with organic fertilizer as per specific needs of the cultivated land has to be ensured. Green manuring and use of compost manures need to be systematically introduced and extended. Chemical fertilizers are today used without considering the actual needs of the soil, that is, without determining the specific deficiency of soil nutrients in different plots and soil types by soil tests.

To provide incentives to the producer, land tenure system needs to be reformed to ensure adequate share of the produce to the actual producer. In this connection among other means, absentee ownership of agricultural land needs to be drastically reduced and agricultural land transfer regulated. It is a pity that even after twenty-seven years of independence no rational and comprehensive land policy could be formulated and adopted by any government in power to ensure optimum economic use of the land resource in the country.

Crop diversification can help improve crop rotation and thus enhance productivity of the land. However, for encouraging crop diversification, relative profitability of alternative crops is an important factor. To improve productivity and profitability of inputs and other infrastructure facilities including storage, transportation, processing and marketing facilities need to be ensured.

Non-availability of quality seeds of improved varieties poses a serious problem in Bangladesh. The seed policy announced in 1992

emphasized the development of private seed growers. BADC restricted itself to production of HYV seeds of paddy, wheat, potato, jute, vegetables, pulses and oilseeds. But at present only 5% of the total certified seed requirement is met from BADC sources (PPYP: 1998).

Promotion of new crops like vegetables, pulses, oilseeds need supply of improved variety seeds of high quality. Bangladesh grows more than 60 different vegetables. Only 20% of the seeds used come from sources of organized production in the country imported from outside. Private traders are more interested in getting quick and early profit than in undertaking production of quality seeds. Very few of them have started production. However, the Grameen Krishi Foundation and NGOs like BRAC and PROSHIKA have started producing quality seeds for enhancing productivity. Research activities and development of quality seeds in the public sector also needs to be strengthened. However, the Fifth five-year Plan proposes to develop contract research programmes on seed for private sector and NGOs without giving due emphasis on strengthening public sector research institutions.

Access to credit is another major constraint for accelerating agricultural production. The small and marginal farmers who contribute significantly to agricultural production are by-passed by both the banking institutions/including Cooperative Bank and the NGOs. Again the decline in the importance of the banking sector in rural financing may be exemplified by a fall in their rural deposits from 24% of all advances in 1990 to 18% in 1997. Rise in rural deposits from 20% to 23% during the same period indicates a net outflow of funds from rural to urban areas. On the other hand, there has been tremendous growth of micro finance in the rural areas through the NGOs and the Grameen Bank. It is estimated that in 1997 the total amount of loan advanced by the major micro-financing institutions/NGOs stood at more than twice the total agricultural/rural credit advanced by all the nationalized commercial banks, specialized agricultural banks and other government development organizations.

Provision of agricultural credit, especially to the hitherto by-passed small and marginal farmers need to be ensured. Considering them

as the future poor, BRAC has recently started to cover, though in a small way, this group of producers in its agricultural and micro-enterprise development programme. Availability and rational use of other inputs like fertilizers and pesticides also need to be ensured to help promote productivity and sustainability of agriculture. NGOs have been playing an increasing role in these respects also. Some of them have also undertaken research and experimentation on the adoption of improved technology and in providing storage, processing and marketing services.

Extension services may play a significant role in improving the productivity and efficiency of agricultural production and thereby improving the socioeconomic status of the farming community as well as in helping develop a more sustainable agriculture. NGOs have an edge over the prevailing government extension services in this context since they usually combine the extension advisory services with provision of essential production inputs to make extension more effective and productive.

The above discussion points out the enormous scope for the growth and development of the agricultural sector in Bangladesh. The scope is even wider in case of the non-crop sector which has been showing encouraging growth rates in the recent past. With provision of improved breeds and high yielding varieties, easy access to credit, quality seed, disease control and adequate infrastructure facilities including marketing, livestock and fisheries sub-sectors can show higher profitability and growth.

Place of Agriculture – important, features - its place on national economy impact of globalization on country's agriculture/emerging issues

Agriculture is the main occupation of the people employing 66% of the labour force. This sector directly contributes around 35% to the gross domestic products.

Bangladesh has got one of the most fertile lands but due to paucity of capital and implementation of new inputs and techniques its yield per acre is one of the lowest in the world. Rice, Wheat, Jute, Sugarcane, Tobacco, oilseed, pulses and potatoes are the Principal crops. Various kinds of vegetables and spices are produced. The

country produces about 96 million LBS of tea per year. Bangladesh produces about 9 million bales of superior quality of Jute annually and 75% of the export earning come from raw jute, jute manufacture and tea.

Bangladesh is now almost self sufficient in food grains. All out efforts are being made by the government and the people to increase the production of food grains and diversify agricultural output.

Contribution of non-crop sector to GDP especially livestock (including poultry) and fisheries has also been improving

The rural economy of Bangladesh largely depends on agriculture which is subject to natural calamities and pressures which can not be endured much with existing minimum level of efficiency. A slight change downward in agricultural production is most prominently focused in the face of rural economy of Bangladesh. This is a dangerous situation for any economy. Agriculture in Bangladesh is characterized by low yield uneconomically labour intensive, frequent crop failure, outdated techniques of cultivation etc. These deficiencies must be corrected at all cost without which we can not think of survival.

Like all other sectors of the economy agricultural sector also needs credit because of the fact that agriculture needs sufficient investment for efficient production. In Bangladesh the lion's share of GDP comes from agriculture, the major portion of employment is in agricultural sector and that most of the trading etc. are directly or indirectly linked with agriculture. In such a situation the only resource of the country is to direct all its efforts towards extensive and intensive agriculture and to this end investment is a must which can not at the first instance be met by the farming community.

From the point of view of farmers also it is of vital importance, since they depend on agriculture for their livelihood with no other source of income earning activities. It is through agriculture that they can increase their earning and thereby their living standard. In case of small and marginal farmers agriculture is all the more important because of their being in marginal condition.

A slight fall in agricultural production will be a question-mark of

their existence and once the point of degeneration starts it may lead them to any extent. As such, effective measure must be taken by the government to protect their interest by way of facilitating increase in production. It is just a small sum of credit that will do a great good to them.

Status of Agricultural cooperatives

1) *Growth trends - Number -memberships, Coverage of population, Share Capital, Reserves, Business turn over, Number of cooperatives in profit.*

Cooperatives in Bangladesh has a traditional background, The growth of cooperative is termed as a movement. Cooperative movement is one of the accepted mechanism for supplementing of socio-economic condition of the people in Bangladesh. In Bangladesh cooperatives are in existence for many decades. Under this movement cooperative societies are formed to help develop the social and financial conditions of its members. In plain language cooperative society may be defined as a voluntary statutory association of individuals grouped together to achieve improvement in their social and economic conditions, through the common ownership and democratic management of the instruments of wealth. The societies are constituted by a varying number of persons organized corporately, which aims principally at contributing towards the economic prosperity of its members by joint action.

Expansion of Agro-based Industries

The Government has a rightly given high priority under the rapid expansion of both the Agriculture and Industrial Sectors by appropriate development of agro-based industries. The proposed expansion and strengthening of the industrial sector for the purpose of restructuring the national economy would be mainly concerned with the development of medium, small and cottage industries at the rural level to make greater use of local agro-based raw materials and human resources, in addition to the development of comparatively larger industrial units at urban industrial centers.

Education and research in Agriculture

In Bangladesh under the agricultural Ministry the Department of Agricultural Extension and other institutions provide education, training, research and extension services. Bangladesh Agriculture Research Institute (BARI), Bangladesh Rice Research Institute (BRRI), Bangladesh Jute Research Institute, Bangladesh Sugar-cane research institute are also providing necessary education and training services.

Industry

Although Bangladesh is predominantly an agricultural country but a large number of large-scale industries based on both indigenous and imported raw materials have been set up. Among them jute and cotton textile, paper and newsprint, sugar, cement, chemicals, fertilizers and tanneries are important. Other notable industries are engineering and ship building, iron and steel including re-rolling mills, oil refinery, paints, colors and varnishes, electric cables and wires, electric lamps, florescent tube lights, other electrical goods and accessories, matches, cigarettes, etc. Among the cottage industries, handlooms, carpet making, shoe making, coin, bamboo and cane products, earthenware, brass and bell metal products, small tool and implements, ornaments, etc. are important.

The industrial sector contributing around 19% of the targeted GDP is dominated by ready made garments and jute processing followed by cotton textile and cigarettes.

Chapter 4

Status of Co-operatives

Co-operative Movement in Bangladesh

The Sub-continent was partitioned with the end of British rule in 1947. But the Co-operative movement in Bangladesh (the then eastern part of British India) was started during British India with the enactment of co-operative Credit Societies Act. 1904. The co-operative societies in the villages were popularly known as village savings and Credit societies. Though these societies were organized at the initiative of the Government, the democratic values of the Co-operatives encouraged the people to become enthusiastic about their Co-operative.

In 1947 at the time of partition of British India, the Co-operative movement here inherited 32,418 number Co-operatives of which 26,644 were of agricultural credit.

After the liberation of the country in 1971, the Co-operatives in Bangladesh have been functioning on two different system-one under the sponsorship of Cooperative Department and the other controlled by Bangladesh Rural Development Board (BRDB). The system functioning since the beginning called general or traditional is being promoted and supervised by the Co-operative Department. The other system, "Comilla Model" under the sponsorship of BRDB has been functioning since 1971-72.

After British rule in India new problems due to partition, death of members etc were added to the hordes already existing and the condition of the cooperative societies were being aggravated further. Efforts to reactivate the societies were made in 1948 by establishing the East Pakistan Provincial cooperative Bank (Presently Bangladesh Samabaya Bank) in the same year, But till 1958 it existed in name only. However, efforts were made at a later stage to strengthen the cooperative movement through this Bank.

It conducted credit operation through the CCB-UCMPS channel

from its own funds till the Bangladesh Bank started financing of the cooperatives from 1957-58. Under a decision, all the 26 thousand village based agricultural credit societies were liquidated and in their places, union cooperative multipurpose societies (UCMPS) of limited liability were organized. This served as flog on the dead horse, in as much as the CCBs own investment of Rs. 29.0 million in the village societies could not be recovered due to liquidation, nor compensated by the Government. It was considered that the multifunctional character of the UCMPS would enable them to have enough members, funds, business opportunities and profits necessary for working out their objectives with efficiency and viability. Secondly, the richer sections of the people who generally refrained from membership of the village cooperatives for fear of unlimited liability would feel safe to join the UCMPS. Lastly, it was presumed that the UCMPS as a new concept, would remedy the diseases and weaknesses which the village cooperative suffered in the past. As federation of these UCMPS, Central Cooperative multi purpose societies (CCMPS) at Upazila/district levels were organized, and as a matter of policy, most of the Thana based CCBS whether good or bad, were converted into CCMPS for extending support to the working of the UCMPS.

The number of cooperative societies in erstwhile East Pakistan was 32,418 at the time of Partition but as a result of reform, the number of societies came down to 5,589 at the end of 1950 comprising 9 apex 144 secondary and 5436 primaries. Meanwhile, the Rangpur district cooperative consumers stores Ltd. (RDCCS) reportedly the largest consumer society in Asia with respect to its Membership of over 1.3 million was put to liquidation due to mismanagement. On the other hand the cooperative jute marketing society which was set up in 1950 to supplement the working of the jute Board, achieved remarkable success in the purchase of jute from internal markets and border belts through its affiliated cooperatives. In 1955-56 it was graded as the fifth largest jute shipper in the country. But for intriguing pressure of the powerful private jute trading circles, when the government withdrew its credit support to the scheme in 1958 on the plea of mismanagement, the society had to close down business to the frustration of the jute grower's interest. During the period the WAPDA (water and power

Development Authority now named as BWDA after bifurcation) and the BADC organized cooperatives and began to provide support services to the farmers of their project areas through those cooperatives.

Functions of Traditional Cooperative after Independent in 1971

Immediately after the independence in 1971 the working of the cooperatives in Bangladesh began with new spirit and enthusiasm. The old system functioning since 1904 and differentiated as traditional, on the ground of being outdated were continued to be promoted and supervised by the cooperative department headed by the Registrar of Cooperative Societies (RCS). Fresh ideas were generated and new strategies were explored for rural development. Emphasis was laid upon cooperative within a socialistic frame work. In the constitution of Bangladesh the sectors of economy were characterized as public, cooperative and privates. Cooperative ownership was termed as one of the important sectors.

Structure of cooperative societies:

Cooperatives are autonomous units. The share-holders voluntarily unite to form their cooperative society. They decide about the objectives, choose their area of cooperation and frame their own by-laws keeping in view the prevalent laws of the land, including the cooperative act. There is no legal obligation for them to seek permission for officiating from any higher body. The business needs of the organization would dictate their link with other organizations including other cooperatives.

1.2. The activities of the cooperatives are expected to centre round the primary societies; all other organizations are formed to serve these societies. Ideally, cooperative should grow out of the need felt by a group of individuals. They form the cooperative without external assistance; nurture them with their own resources and develop them into a vibrant organisation.

1.3. Cooperatives are included in the set of “group activities”. The size of the group is important, it has implications on the group integration, motivation movement style and economic viability. For cooperatives the minimum size is prescribed but no limit has been

set on maximum size. 10 or more adult persons can voluntarily join to form a cooperative society.

1.4. Primary societies are common in cooperative structure. In order to facilitate their work it is necessary for the primary society to form a central society. Similarly central societies are under obligation to affiliate themselves with any national society.

1.5. Hierarchical organization of the cooperative like societies in Bangladesh are as follows:

a) Type: I - National - Central - Primary societies : The Primary societies sponsored by the cooperative department are affiliated to their central societies namely, central cooperative bank or other central societies. These central societies in turn are affiliated to the national societies (also affiliated apex societies). The most important and effective national society is Bangladesh Samabaya Bank Ltd. (BSBL).

b) Type: II - Central - Primary Societies: The societies (primary) organized by the BRDB are affiliated to the Thana central cooperative Association (TCCA). These cooperatives are popularly known as two line cooperates. The hierarchical structure of these societies technically ends thus. The TCCA directly borrows funds from nationalized Banks under arrangements agreed between BRDB and nationalized Banks.

Growth of Cooperative in Bangladesh

Cooperatives have been promoted in Bangladesh for rural development in general and agricultural development in particular. Although cooperatives do provide an important institutional framework in economic development and poverty alleviation it is confronted with a number of problems. The constraints are different e.g. management, financial self reliance and economic viability, operation of economic activities etc. During the year, 1989 the government formulated the national cooperative policy. The policy deals with the following objectives:

- 1) Structural arrangement of cooperatives societies
- 2) Institutional arrangement for extension work for formation of cooperatives.

- 3) Proper application of cooperative laws in post formation periods.
- 4) Autonomy and self management of cooperatives.
- 5) Income, expenditure, economic solvency and financial management of cooperatives.
- 6) The role of cooperatives, in economic development and poverty alleviation and
- 7) Development of human resources in the cooperative sector.

This national cooperative policy was to be implemented in the fourth five year plan (1990-95).

Since poverty is the most pressing problem in the rural areas of Bangladesh, rural development plan has to effectively address the problem of poverty. For this the fourth five year plan has special focus on the poverty eradication and employment orientation through development of rural institutions for productive use of rural resources. During Third and fourth Five year plan the government emphasized more on the consolidation and strengthening of the existing cooperatives, than organizing new cooperatives.

Comilla Cooperative System

After the discontinuation of the village AID program in 1958, the comilla experiment started AID with the village Academy at Comilla in 1959. later renamed as the Pakistan Academy for Rural Development with Dr. Akhtar Hamid Khan as its dedicated and pioneering prime mover. The Academy under him sought to move away from the normal prevalent theoretical approach and tried to evolve a strategy for rural development based on action research. What ever have to be done for the rural people must come out of their felt needs, their own capacity to plan and administer, and with supporting services from the government. In fact, the strategy evolved was a pragmatic participatory process between the rural people through their own organizations in the form of local government institutions and cooperatives and the government agencies through provision of training, extension and input supplies.

In addition to its principal function of training government officers at various levels of the Nation Building Departments and con-

ducting research on rural problems the Academy undertook experimental work for evolving suitable patterns for rural development. It began in October 1959 by associating with Comilla Thana National Development Organization (formerly V-AID) and in February 1960 the Comilla Kotwali Thana was specially allotted to the Academy for experimental planning. The cooperative pilot experiment was the first project that the Academy undertook.

In April, 1961 a number of government officials and a Yugoslav cooperative expert team visited the Academy and its experimental projects. The comilla cooperative made a deep impression on all these visitors. The Agriculture Ministry was specially interested in the comilla programme for the accomplishment of farm mechanization through rural cooperatives. The ministry requested the Academy to carryout a full scale test model of the comilla cooperative system in the comilla kotwali thana. In September 1961, a scheme was presented to the planning Board of government. This was called the introduction of mechanized farming on a cooperative basis in comilla. Following several revisions the scheme was approved by the board in November, 1961. After several more revisions the plan was finally approved by the planning commission, in January, 1962. The scheme sanctioned the use of Rs. 48.69 lakhs to setup a central cooperative federation at Comilla under the sponsorship of the Academy for Rural Development. The comilla kotwali Thana central cooperative Association (KTCCA) Ltd. Started from December 1961 and was registered in January, 1962.

The Additional Experimental Centres

The viability of this approach, popularly known as 'Comilla approach' was first tested for three years in this one thana and by the end of the third year sufficiently tested procedures were developed to encourage government to launch similar programme in others areas. Three thanas in other districts away from the Academy were chosen. These were Gouripur in Mymensingh, Gaibandha in Rangpur, and Natore in Rajshahi districts. Under the scheme "Creation of three Additional Experimental Demonstration centres in Rural Development were conceived on the comilla experience". The scheme was approved by the central development working party

in December 1962 and the work in these three projects areas was started in July 1963. The general applicability of the comilla approach was thus further tested and demonstrated in the divergent situations of these three new areas.

The comilla district integrated Rural Development programme

The Seven Thanas:

This Programme arose in response to the government expectation that the 'Comilla Approach' developed in the experimental project at comilla kotwali thana and further tested in the three more experimental areas be extended to other thanas of comilla district as rapidly as possible. The government passed the scheme for expansion of the programme to the remaining 20 thanas of Comilla district to be executed over five years commencing in 1964-65. To start with, however, the work was taken up in July, 1965 only in the seven thanas namely, Laksam, Chadina, Sarail, Hajigonj, Quasba, Brahmanbaria and Chandpur.

The Thirteen Thanas

The Progress of the above seven thanas was evaluated in September 1967. The evaluation committee recommended for extension of the programme in the remaining thirteen thanas of comilla district. Accordingly the programme was launched in these thanas in October, 1968.

Adoption of the programme in other thanas

The comilla type programme has been adopted in other places in Bangladesh such as 7 thanas of the Chittagong district, 8 thanas of Thakurgaon sub-division of Dinajpur district, 4 thanas of the Kushtia district, 3 thanas (in partial) of the Dhaka-narayangonj-demra project area and 16 central Associations of the districts of Rangpur, Bogra, Dinajpur and Rajshai at the initiative of other agencies.

The same approach has also been adopted in the agricultural development Estates of the Bangladesh Agricultural Development corporation at Savar, Dhaka, Patiya, Chittagong, Pabna, Rajshahi and Kotwali, Jessore.

As explained earlier basic objectives of the researches and experiments undertaken by the Academy was to find out a model of rural development programme suitable for the country. The Academy considered the isolated problems in a comprehensive manner and tried to find out a solution. The research ultimately helped evolve a two tier cooperative system popularly known as the Comilla Approach which earned fame in and out of the country. The first tier of this system is the primary society and the second tier is the thana central cooperate Association.

The size of the primary societies are small and are formed with small number of members. As such the financial capacity of these societies are also comparatively less. So to provide financial support and other help setting up a relatively powerful central Association at Thana level was essential. The central Association will play the role of a supporting agency on one side and on the other will act as adviser, banker, trainer and supervisor. The central Association because of its relatively stronger organization with a wider scope, can arrange procurement of inputs from various government and other agencies and distribute them to the primary societies. Also it can maintain coordination with other development agencies. One of the major findings of the Academy, which has been accepted as a basis for national and local planning is the thana as the focal point for rural development. A Thana in Bangladesh is an administrative unit with about an area of 100 to 150 square miles and population averaging about 1,50,000.

Another suggestion, which provided the thana with a functional developmental administration was the thana training and development Center (TTDC) where the thana level local govt. unit availed of the new set of thana level officers of what are called the "nation building departments" of the government.

There was a three fold gain in this approach, firstly. planning and administration for rural development is decentralized and brought closer to the people in an effective institutional frame work, Secondly, the linkage of coordination both planning and implementation of developmental efforts by the local institutions through their participatory process gave it a much higher capability to forge ahead than it was achieved through centralized planning process; thirdly,

the rural areas for the first time received effective priority not on paper but in reality and could make a dent in the urban -industrial oriented planning for development dominating so far.

In addition to developing these models for institutional frame work, comilla also contributed three other complimentary programmes:

- i) The Rural works programme (RWP)
- ii) The Thana irrigation programme (TIP)
- iii) The new cooperative programme through integrated Rural Development programme (IRDP)

Integrated Rural Development programme (IRDP)

Organizing small and medium farmers to take fuller advantage of the innovations and new inputs in the purview of the fragmented land holding in Bangladesh became the major focus of the cooperative institution building program under IRDP. Gradual self reliance and insistence on local resource mobilization underlined the frame work of a forum which would initially be directed to boost up agricultural production, release the overwhelming majority of small and medium farmers from the clutches of money lenders and traders through unorganized credit system and was expected to be farmer's institution for self-reliance. This could be used also as a forum for bringing other desired changes in marketing, processing, rural industries, family planning, education, health etc.

The integrated rural development programme has three primary objectives:

- a) To create physical facilities necessary for productive economy through the mobilization of under employed and unemployed human resources. Creation of employment opportunities for landless labour is essential. This can be accomplished through wide spread labour intensive projects to develop roads, local drainage, irrigation and flood control, water management facilities etc.
- b) To organize farmers into viable units so that they can take advantage of modern agricultural technology. Under the thana Irrigation Programme the farmers will be grouped into viable units for joint use of agricultural inputs. The farmers are thus

provided services of water at subsidized rate, responsible through their groups to pay for the subsidy being progressively reduced. It has also been noted that unemployment in Bangladesh is concentrated in winter and dry season. With irrigation, additional demand for agricultural labour is created.

- c) To create in the rural areas farming units of an economically viable size with the aim of cooperative sharing of agricultural inputs and economic functions. Under the programme a two-tier system of cooperatives with village agricultural cooperatives having supplies and services by Thana level Co-operative Federation will be established. The programme will concentrate on establishing a system of agriculture credit and savings. Subsequently, the village and Thana Cooperatives will take-up storage, marketing and processing operations. Thus, through this programme beside channeling institutional credit for small farmers and linking of credit with marketing, agricultural processing industries such as rice mills, cold storage etc. will be established and managed to the maximum extent possible by agricultural cooperatives. Rural electrification is also being taken up as a part of the Rural development programme, firstly for using electricity for running of agricultural machines like pumps and tube-wells and secondly, for the growth of processing industries in the rural areas.

Co-operative and Rural Finance in Bangladesh

Co-operative and rural finance is rather synonymous and at one time there was hardly any other formal source of rural finance other than the Co-operatives. During Pakistan period with the establishment of Agricultural Development Bank of Pakistan in early 1960's by merging two institutions, namely the Agricultural Development Finance Corporation and Agricultural Bank of Pakistan set up earlier by the Government of Pakistan, a new dimension in rural & agricultural finance was in sight. Before that the Co-operatives played the sole role in the field having a tough competition with informal source of credit. As such it will be very pertinent to try to trace out the history of Co-operatives and its role in the field of agricultural credit in the subcontinent.

Towards the middle of the 19th century, the rural economy in the subcontinent got crippled as a result of repressive administrative policies by the British Empire. The British policy of using this country as hinterland for development of British industries, the land tenure system which clearly stratified the rural people into two classes, viz. the master (land lord) and the poor tenants class coupled with the whims and caprices of nature under which farming had to be done, degenerated the peasantry to a level at which they could hardly earn their livelihood from land and thus they were subjected to absolute poverty. During the last quarter of 19th century repeated crop failure caused famine and the peasantry was thus passing through the hardest time ever faced.

The rural poor having no education had to depend on agriculture and allied activities for income generation. In the event of crop failure they had no other alternative but to starve. With such events like marriage of the daughter or illness of any member, the gap between their income and expenditure widened. Naturally they had to borrow, but having no formal source of borrowing they borrowed from the local private money lenders at a very uncomfortable terms which led to loss of their land and other properties. The money lenders used to accept land and other assets as security or hypothecation of future crop. But due to high rate of interest the farmers were never able to repay the loan in full and the compounding rate of interest made the loan amount manifold. So it has been said that farmer was born in debt, lived in debt and died in debt by transferring the burden of debt on their children.

The sufferings of the peasants in the hands of the money lenders led to some and uprisings of the debtors against the creditors. The Deccan Riot of 1875 brought these problems in the forefront and the Government decided to provide the farmers with credit at a low and fixed rate of interest. Agricultural loans Act of 1884 for providing "Taccavi" loans and a number of other special legislations for dealing with tenants right, settlement of debt and restraint on usury were passed in different parts of the Sub-continent. Meanwhile, a committee under Sir Fredrick Nicholson was formed to study agricultural Banking and the problems of rural areas. The Nicholson committee submitted reports in two volumes in 1885 recommending introduction of village banks of Raiffeisen type.

On the other hand, the Indian Famine Commission of 1901 strongly advocated for formation of agricultural banks in the lines of Mutual Credit Associations of Europe. In the backdrop of these actions that the co-operative credit societies Act of 1904 codifying Government support to the movement was adopted in the sub-continent.

Role of agricultural Co-operatives in the development process

The co-operative credit structure in Bangladesh comprises of a three-tier system with Bangladesh Samabaya Bank Limited as the apex institution, CCBs at the intermediate level and the primary societies at the village level. In the context of Bangladesh efforts for rural development the importance of co-operative especially for the purpose of disbursing agricultural credit was significant. This tree-tier system is called general (traditional) co-operatives, another is two-tier system which is known as BRDB-TCCA Co-operatives.

Table 3 : Basic Statistics on Co-operatives in Bangladesh (30th June, 2002)

Sl. No.	Particulars	Central Societies			Primary societies		
		Under Coop Directorate	Under BRDB	Total	Under Coop Directorate	Under BRDB	Total
1.	Number of Societies	425	640	1065	49429	85966	135395
2.	Number of members	41742	85961	127703	4278238	2959076	7237314
3.	Share Capital (Fig. in lakh)	85.91	528.26	614.41	1257.57	528.80	1786.37
4.	Deposit (Fig. in m.Taka)	104.65	1099.30	1203.96	1729.85	1093.77	2823.56
5.	Reserves (Fig. in m.Taka)	123.84	671.61	795.45	273.80	99.12	372.92
6.	Loan Disbursed (Fig. in m. Taka)	42880.52	19140.64	23428.69	6716.63	1905.59	25772.57
7.	Loan Recovered (Fig. in m. Taka)	3098.51	15166.27	18264.78	42231.19	15056.78	19279.98

Source : Co-operative Department Quarterly Statistical Journal, June, 02)

Efforts made for development of Co-operative Management Practices:

For training on Rural Development and Management of Rural Industrial and Agricultural Projects, the Government has set up Bangladesh Academy for rural Development (BARD) at Comilla and Rural development Academy (RDA) at Bogra. BRDB has set up a Rural Development Training Institutes at Sylhet for the same purpose.

The Co-operative Department has set up one Co-operative college and Eight Zonal Training Institutes at suitable places for providing training on Co-operative Management practices for Co-operative officials as well as the representatives of the different levels of the Co-operative societies.

Apart from those training centers, the UCCAs are providing training facilities for the Co-operatives on modern farm practices.

Measures for Financial Management Inventory and Personnel Management

Co-operative societies in Bangladesh have their own financial policies. These policies may not be similar but in most of the cases it is identical. The objective of the policy is to ensure maximum return through investment of financial assets. Now a days many societies are using modern capital budgeting techniques such as ROI, ARR, Pay back period, Break even point, Cash flow statement, BCR, NPV and IRR to select profitable investment projects. The Co-operative societies at different stages assess the financial needs covering credit programme, and any other business and manage the required capital from different sources such as collection of share capital, mobilization of savings, borrowing, aid, grants etc. The societies are maintaining accounts and other records in modern process. To control the operation and performance of the society the financial budget is used as controlling technique. To check and confirm physical and financial activities the societies are audited by the concerned departmental officers. In case of Co-operative societies debt/equity ratio has been fixed at 80:20 encouraging its business and undertaking local resource based project. For this encouraging policy the Co-op societies are mobilizing

shares and savings deposits from the members to improve their position as well as to undertake profitable projects. Though some UCCAS and other Co-operative societies have their own godowns for timely supply of production inputs at reasonable cost but these are very insufficient as per requirement and as such BADC's godowns are used to meet the requirement.

Though no major problems arise in case of preservation and supply of inputs, problems arise in case of preservation of agricultural produce. Go-down/ware-house constructed at different places at different capacities, by the public agencies are not enough to preserve the agricultural produce scientifically. To mitigate the above situation the Co-operative societies are taking steps to construct new godowns and cold storages as per requirement of the farmer members, on the one hand and managing the necessary working capital for marketing the surplus produce of the farmer members at attractive prices to protect the benefit on the other.

At present there is a practice of deputing Government officers to manage the affairs of the Co-operative societies in which government participation is more than 50% of share capital or loans and advances or guarantees. The Government deputed officers perform their duties under the direct control of the managing committee but the management of the societies cannot initiate any administrative action against them in case of their negligence of duties as they belong to the Government.

Planning Approaches

The objectives of the short and long range planning is to improve the living standard of the members through economic and social gain. Preparing draft plan the operational management places it to the Board Meeting and the Board checks and examines the objectives, strategies, alternative course of action and policies before placing the same to the AGM for approval. In Co-operative planning major emphasis is given for ensuring members benefits by providing them all sorts of development and promotional services. The development/progress of physical and financial activities are checked and controlled by the competent authorities as per budget provision.

Traditional Co-operatives

Traditional or general co-operatives was introduced in this part of subcontinent in 1904, with a view to support agricultural credit in kind and cash to increase the agricultural production by the farmer members. Under this system loan is channeled through three-tier viz. (1) National Level which is called apex co-operative society. (2) Secondary level, which is, called Central Co-operative Bank Ltd./Central co-operative Society Ltd. and (3) Primary Co-operative Society at village level. Ten or more primary societies in order to facilitate their work, may form a central society.

National or apex co-Co-operative society provides necessary credit and other services to the Central Co-operative Banks/Societies. The Central Co-operative Banks/Societies are generally located at district level. These societies support credit and other services to the primary co-operative societies. Primary co-operative societies are located at villages and these provide credit and other development services to the individual farmer members.

Bangladesh Samabaya Bank Ltd. is the only apex Co-operative society which is engaged in agricultural credit operation throughout the country.

The Co-operatives and the Co-operative Department

With the enactment of Co-operative Societies Act 1904, Co-operative Department was created as a government organization with a view to make provisions for the formation, guidance and support of the co-operative societies and also for betterment of living conditions of the rural people. The department is working under the Rural Development and Co-operative Division of the Ministry of LGRD and Cooperatives of the Government.

An officer of the rank and status of the Additional Secretary of the Government is posted as Registrar of the Co-operative societies who is the head of the Co-operative Department and custodian of the Co-operative societies Act. and the rules. He is assisted by sufficient number of officers at the head quarter, divisions, districts, and also at *upzilla* levels in the field. The main function of the department is to conduct audit, inspection, supervision, training and other regulatory services besides registration. For the pur-

pose of imparting training to the cooperators and officers, the department has set-up a co-operative Academy at Comilla and eight Zonal Training Institutes, at different places of the country. The Co-operative department is playing an important role for the development of the Co-operatives. But the success of cooperatives in our country for about a century is not mentionable.

Bangladesh Rural Development Board (BRDB)

The new system of two-tier structure of comilla model commenced replication since 1971-72, under the integrated rural Development Programme which was upgraded in 1982 into Bangladesh Rural Development Board (IRDP), (BRDB). Because of multi-agency and multi-disciplinary components of the projects.

IRDP started to face serious coordination problems, though there were coordination committees at all levels. All these affected implementation of the project.

Under GOB/IDA review a study was mounted in 1981 to see the efficacy of IRD programmes and a report was published. That report indicated that the system was proving useful for promoting agricultural development and recommended that it should be expanded. Combined with the need to institutionalize the status of RDP which the project created this led in 1982, to the creation of Bangladesh Rural Development Board (BRDB), the successor to IRDP.

With the launching of the IDA funded RD-2 project, in which support to a rural poor programme (RPP) was a distinctive component, BRDB started to play a significant role in improving the income and well being of the marginal farmers and the landless (owing up to 0.5 acres of land). RD-2 was followed by south west rural development project, operated in the district of greater Faridpur and Jessore from 1983 to 1990, in terms of having an RPP component to benefit the poorest segment of the rural areas. In 1983-84 an RPP component was incorporated in the normal programme of BRDB and it was termed as "Normal RPP".

All these RPP components of the above three projects/Programmes functioned through the normal TCCA-KSS system and no special or separate federation was setup, though the target people were

different. But soon it was realized that TCCAKSS which is a forum of all categories of farmers and obviously dominated by large farmers. Was not a very effective organization to cater for the special needs of the assetless people.

To respond to the needs of the increasing number of assetless (land less poor) people and most importantly to create a separate homogenous body for them, new kinds of primary societies have been developed. These are known as BSS (for men) and MBSS (for women). At the second tier they are federated under Thana Bittyaheen central cooperative Associations (TBCCAS). These are similar in all respects to the TCCAS, except for the fact that they intended to unite the groups for assetless people into associations which are separated from the main scheme TCCAS. RD-12, funded by CIDA is being operated since 1988-89 in the six greater districts of Dinajpurs, Bogra, Mymensingh, Jamalpur, Khulna and Barisal (having a total of 139 upzillas) and can be treated as a model of such approach.

All through in the 1980's there has been a relatively rapid aid-led increase in the government's spending on rural development and poverty alleviation. This made it possible not only to expand the two-tier cooperative programme, but has also permitted development of a whole range of poverty alleviation interventions outside the cooperate frame work. Instead of formal groups as an instrument for improving the socioeconomic conditions of the poor, two different projects funded by two different donors were undertaken by BRDB based on the informal group approach. RD-5 or productive Employment project (PEP) funded by SIDA/NORAD, was initiated in 1987 and has by this time been implemented in 16 thanas in Faridpur, Madaripur and Kurigam districts. The EEC-financed RD-9 project started working since 1989 in Rangpur, Gaibandha, Lalmonirhat and Nilphamari districts, also working with in formal groups. Both these two projects are dealing with informal groups of the project, segment of rural poor and have the same objectives like upliftment of socio-economic conditions. RD-12 works with the same target group organized into formal groups. Even if there are basic objectives in common, the project design, modus operandi, organizational structure, strategy and approach differ from one another. Thus we see that there are 3 projects dealing exclu-

sively, with the same target groups (asset less rural people) but the modus operandi and structure of the groups are different.

In addition to projects which are implemented directly by BRDB, the organization participates in irrigation projects, which are managed by the Bangladesh water development Board (BWDB). These are setup at Bhola, Barisal, Muhuri, Kamaphuli and Chandpur, Besides, BRDB in association with BADC, LGED and DAE, helps implement Irrigation Management Programme (IN4P) which was introduced in 1979-80 in the seven upzillas of RD-1, Project. The basic objectives of the project was to insure capacity utilization of minor irrigation equipment like DTW, STW and LLP. The Programme is still continuing. Specialized or classified projects for women and children development were also being improved by the organization.

Results of RD Interventions

Consolidation of BRDB

The main focus of BRDB so far has been to promote the two tier cooperative, system, enabling village based primary cooperative society linked together in a TCCA at thana level, to become autonomous, self-managed and financially viable vehicles for increasing agricultural production, employment generation and rural development. Support of these cooperative societies has been provided in the form of irrigation facilities and other agricultural inputs, supply of institutional credit, promotion of members accumulation of shares and savings etc.

BRDB during its thirteen years of operation has managed to expand such promotion and assistance of cooperative societies to nearly all of rural Bangladesh and that such cooperatives have contributed to increase income of cooperative members.

Macro-economic aspects

The green revolution, through a multi-agency partnership programme, contributed a lot in boosting agricultural production in Bangladesh. BRDB it is believed, has assisted substantially in creating the conditions through establishing a network of farmer's cooperatives which have enabled the country to increase its food

production almost twofold since 1972-73. On the other hand like in many other countries the green revolution in Bangladesh played a significant role in the marginalization and landlessness process among farmers.

Landlessness itself would not have posed problems if more opportunities outside agriculture were adequately available and the landless had other assets and skills to earn sustained income. But neither did any significant development in the industry/non-farm sector to facilitate income and employment generation for the rural poor took place, nor could the RD interventions made any headway to handle the widespread under/unemployment problem. Unchecked population growth added fuel to the fire. All these made situation more difficult leading to a prevailing high level of poverty in the rural areas.

Nature of cooperative/group

The BRDB groups/cooperatives may be broadly classified into three - the KSS cooperative of mainscheme BRDB, the BSS/MBSS of main scheme as well as of RD12 and informal (non-cooperative) groups under RD-9 and RD-5. Except the groups nursed by RD-5 and RD-9 other are registered cooperatives.

Experiments with the informal group based projects being implemented in Bangladesh for alleviating the poverty of the rural assetless people tend to indicate that these groups have a range of advantages over the registered cooperatives groups. Those advantages are:

- Informal groups are flexible in size and nature
- Infiltration by non-target group is relatively difficult.
- Informal groups are less burdened with formalities.
- Fewer books Registers need to be maintained.
- More democracy prevails.
- More cohesiveness and solidarity is developed.

The formal cooperative groups on the other hand, have some advantages over the informal groups. Traditionally or conventionally, these groups have more access to public resources/facilities

and most importantly the registered cooperatives are in a better position from the -perspective of long term sustainability.

Experience gained by BRDB

Since the start of IRDP/BRDB the organization had to handle a large number of different projects with different rural development profiles, dissimilar components with different donars and with different implementing methodology/approach. As almost all projects are different slightly or widely, this on one hand, makes the implementing process difficult or inconvenient, but on the other hand, it gave BRDB ample opportunity to have a wide range of experiences and learning in rural development. The potentials for learning and passing experiences between projects were not effectively utilized. if not overlooked in BRDB. Findings of the monitoring and evaluation reports of one project are not properly disseminated among the personnel of different projects, being implemented for the same purpose. Perhaps most important of all there is no strong or well organized forum within the organization which would allow free exchange of ideas and information among officer, who work on different projects.

Again the BRDB projects specifically targeted towards the landless population have also not been very successful in creating an impact on BRDB at large. The projects have separate and independent administrative structure, they are limited in time by the duration of earmarked donar funding), the approach and interventions required are very different from mainscheme BRDB approach and moreover there is lack of uniformity in approach within these projects due to variation in the priorities set by the various donars. Different donars have different philosophies and the emphasis/priority differs from one project to another. Close integration and coordination has always been taking in BRDB.

Credit for Rural Poor

As regards credit for the rural poor specific arrangements are made by individual projects and agencies. Some NGOs have started their own credit line, Grameen Bank is totally confined to its own groups only and the commercial Banks, as experienced in cases of some RD projects, are not tuned to the special services required for the

rural poor and the incidental costs are too high. The majority of rural poor are still dependent on the money lenders. The initiatives are isolated ones and there is no specialized bank in the country to deal with credit operations for the poorest people of the rural areas.

Role of GOB and BRDB

Where as the small farmers have often prospered, the economic situation of the assetless villagers, by now constituting about 60% of the rural population, has further deteriorate during recent years. The functionally landless rural population actually represents half the nation and their welfare consequently constitutes one of the biggest development challenges to Bangladesh in the years to come. In addition to the efforts made by the donors and NGOs direct state intervention with explicit strategies and special programmes devised to improve the socio-economic condition of the rural poor will be needed to compensate for the slowness of the 'trickle down' process. State intervention is a must for many other reasons. In a third world country like Bangladesh where people are still largely dependent on public services and deliveries (a typical example may be that a drinking water tube well is left unrepaired in Bangladesh for months together unless attended/repared by government personnel working in the department of public health engineering). Government should intervene at a large scale and shoulder the major responsibility in alleviating poverty.

Among the various GOB agencies, BRDB has already through some of its projects made inroads to address the needs of the assetless and should definitely be in the vanguard of a substantial national effort at poverty alleviation.

Policy guidelines

A policy guideline to alleviate poverty should immediately be framed to address related issues/factors like institutional arrangement, prioritization of the area issues, prioritization of the groups of assetless people, the gender issue, strategy to be followed etc. Political commitment, it should be kept in mind, is a must to translate the policies and plans into reality.

First it requires to decide about an acceptable degree and extend of

poverty alleviation/reduction and efforts in this regard to remove poverty in the shortest possible time. Also more long term targets will have to be set.

It is also necessary to enlist other objectives of development, besides poverty alleviation. However it is important that poverty alleviation programmes do not get diluted among a host of other priorities of development. To ensure that poverty alleviation is achieved, a separate five year plan or long term plan along with annual plans, need to be devised. The total amount of resource which are ready to be spent, should also have to earmarked before hand. However, firm resolve to alleviate poverty is more urgent factor than money and resources.

Poverty Alleviation Unit

In will be worth while if BRDB considered the establishment of a central poverty alleviation unit at headquarters, to begin the process of unifying the management of all its RD projects, especially those having the same target group of rural people (owning not more than 0.50 acres of land). Such a unit should be involved at a policy/advisory level and not with direct day to day management of the rural poor projects. Contacts and sharing of experiences between the projects would help BRDB to refine its thinking and to choose the approaches which it feels are most appropriate.

Approach and strategy of BRDB

As a first effort to streamline BRDB interventions to address the needs of the rural poor some standardization of project components may be desirable. However, the projects should also be allowed due flexibility as they carry an important element of experimentation but the experience from these experiments should always be brought home to BRDB to finally determine which of the approaches are the most sustainable ones. A more or less uniform approach is required for arriving at a rural poor programme, and not scattered project approaches bound together mainly by nomenclature.

Structure and Nature of Groups:

BRDB needs to clarify the issue as to whether it is trying to promote cooperatives that will be commercially, viable, or whether it

is content with maintaining a system that is never likely to be self sustaining, but which provides useful channels for the disbursement of project benefits.

The well motivated and classwise homogenous groups of poor people could, with the help of well trained and dedicated staff, contrast infiltration by the protracted class deposit regular saving, manage credits and repay loans without collateral and make decisions on productive activities. Now two different models of informal groups of genuinely poor members, as mentioned earlier are being nursed by two different BRDB projects.

It is important that the BRDB groups of assetless men and women are allowed to be organized in a manner different from mainscheme BRDB, also after their possible absorption at the termination of projects. They should be cohesive informal groups of like minded people of similar income, not formal cooperatives, and they should not be linked up with a central cooperative society at thana level, but will rather form an informal apex structure of their own. Past experience shows that institution for the poor must be kept separate and independent from organizations representing the more powerful. So long the project remains in execution, it is suggested, the groups should remain informal. There after the option of cooperative registration or not should be left open to the groups or to the members.

Experiences of the projects dealing with informal groups can be transmitted by rotation to main stream programme staff. Care needs to be taken in this respect, and the decision as to whether this is feasible will depend upon the extent of reform within the BRDB as a whole. If the reform is meaningful and seriously intended rotation may be desirable, if not it will be pointless.

Chapter 5

Agricultural Cooperatives

Terms of Agricultural Cooperatives

Historically it was an effort to tackle the problems of rural and agricultural indebtedness, that the Co-operatives were introduced in our country at the beginning of last century. Agricultural co-operatives particularly, the credit co-operatives have continued to dominate the co-operative activities of the country even to this day. The following are the Co-operatives in agricultural sector of the country:-

A. National Level:

- a. Bangladesh Samabaya Bank Ltd.
- b. Bangladesh Samabaya Marketing Society Ltd.
- c. Bangladesh Milk Producers Co-operative Union.

B. Secondary Level:

- a. Central Co-operatives Banks.
- b. Central Co-operative Multipurpose Societies.
- c. Central Sugarcane Growers Co-operative Societies.
- d. Central Salt Producer's Co-operative Societies.
- e. Thana Central Co-operative Associations.

C. Primary Level:

- a. Co-operative Land Mortgage Banks.
- b. Union Co-operative Multipurpose Societies.
- c. Sugarcane Growers Co-operative Societies.
- d. Krishi Samabaya Samity (KSS).
- e. Krishak Samabaya Samity (KSS) [BRDB]
- f. Milk Producers Co-operative Societies.
- g. Salt Producers Co-operative Societies.

h. Landless Farmers Co-operative Societies.

Bangladesh Samabaya Bank Ltd.

The Bangladesh Samabaya Bank Ltd. (BSBL) was established primarily to cater to the needs of agriculturists of moderate and small means, with an authorized capital of Tk. 10.00 million in 1948, the capital was increased to Tk. 60.00 million in 1966 and was raised again after liberation to its present level of Tk. 100.00 million. Dispensation of agricultural credit through the Co-operative societies both central and primary is the main business of the Bank. The prime objective is to improve the socio-economic conditions of the peasants under the orbit of Co-operatives.

Details on Bangladesh Samabaya Bank Ltd. is discussed in the next chapter.

Bangladesh Samabaya Marketing Society Ltd.

The Bangladesh Samabaya Marketing Society Ltd. was registered in the year 1962. The main objective of the society is to create proper marketing arrangement for the products of the member organizations. There are 158 central Co-operative societies in its membership. The society is maintaining 5 cold-storages, 3 rice mills and a departmental store in Dhaka City.

Bangladesh Milk Producers Cooperative Union Ltd

The Bangladesh Milk Producers Co-operative Union Ltd. popularly known as Milk Vita is only organization for production of milk, milk processing and marketing in the co-operative sector. The society has created a network throughout the country for its milk, ghee, Butter, Chocolate milk and ice cream.

Bangladesh Rural Development Board

Bangladesh Rural Development Board is the institution for implementing the two-tier Co-operative system evolved at the then Pakistan Academy for Rural Development in early sixties. Under the BRDB level the farmers are organized in KSS and these associations are federated into Thana Central Co-operative Association

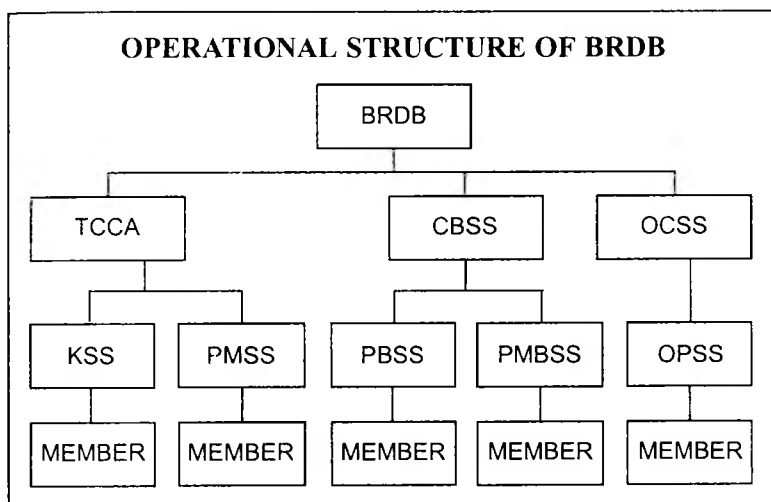
(TCCA). The TCCA provides production inputs, training, Credit and other services to the primary societies.

The main features of co-operative system as described by BRDB are as under:

- i) Organization of Farmers into Krishi Samabaya Samity (KSS) at the village level.
- ii) Federation of KSS into Central Co-operative Association (TCCA) at the Thana level.
- iii) Linking the TCCA with other Thana level organization and agencies.
- iv) Introduction of supervised credit for productive purpose.
- v) Accumulation of own fund through weekly thrift deposits and sale of shares.
- vi) Arrangement of continuous training for the Co-operative leaders to disseminate new ideas and technology.
- vii) Arrangement for timely supply of different production inputs to the farmers.
- viii) Provision of marketing facilities to ensure a reasonable price to the growers.
- ix) Study and experiment on related fields of rural development to add new components and dimensions for meeting changing needs of rural development and preparation of plans accordingly.

From the salient features of the BRDB as enumerated above, it is apparent that a great emphasis has been laid on development of farmers own organization at various levels in order to build up a cadre of trained leaders from amongst the farmers. Lack of trained leadership within the BRDB Co-operative has been identified as a major cause of failure of the Co-operative movement of the country in the past.

At present 14681 general primary agricultural Co-operative societies and 55523 BRDB primary agricultural Co-operative societies are functioning for increasing agricultural productivity and net farm income in the country.



- TCCA Thana Central Co-operative Association
 CBSS Central Bittahin Samabaya Samity
 OCCS Other Central Samabaya Samity
 KSS Krishi Samabaya Samity.
 PMSS Primary Mahila Samabaya Samity
 PBSS Primary Bittahin Samabaya Samity
 PMBSS Primary Mohila Bittahin Samabaya Samity
 OPSS Other Primary Samabaya Samity

Out of the total of 10.05 million farm households in the country 4.5 million farm households are the members of agricultural Co-operative which is 45% of the total farmers. The Co-operative farmers hold 10.35 million acres of farmland out of 21.87 million acres of cultivable land in the country.

As a whole, agricultural sector contributes about 32% in G.D.P. of which 14% is contributed by the Co-operative Farmers 18% by the non Co-operative Farmers.

In Bangladesh BSBL and BRDB are the only sources of formal co-operative agricultural credit which covers around 15% of total agricultural credit in the country. The rest is covered by the commercial Banks and others.

The agricultural Co-operative societies are rendering about 25% of irrigation services by installing deep tube-well, shallow tube

wells, power pump and in other ways. Both the agricultural Co-operatives of BRDB and that of general provide about 25% of fertilizers, 20% of pesticides and 40% of irrigation machineries and equipment to their farmer members through their primary Co-operative societies.

Following problems are observed in the operation of different levels of Cooperative societies.

- 1) The apex, secondary and primary Co-operative societies are independent organizations. The apex Co-operative society has no administrative control over the Secondary level societies and similar is the position of the secondary societies over primary societies.
- 2) Board of Directors is elected/nominated for three years only, which is not enough time to take any effective plan for improving its operational and financial position.
- 3) The budget prepared by the society requires approval of the concerned Cooperative officer which takes unusual time and thereby hampers the operation of the society.
- 4) Proposed budget of the society is sometimes curtailed by the concerned officers which also create problems in the operation of the society.
- 5) The lender society may supervise the financial activities, check the **records** and cash position of the affiliated loanee societies but **cannot** take any action for any irregularities.
- 6) For developing Co-operative movement there is no appropriate economic planning in various stages of Co-operative organization.
- 7) In most of the cases there is no efficient management.
- 8) The above mentioned problems create non-homogenous atmosphere among the various levels of the societies. Besides above some other major problems are small size and low membership of primary societies, domination of Rural Powerelite in the management of Co-operatives, poor financial performance, overlapping of area of operation and poor loan recovery performance.

Chapter 6

Bangladesh Samabaya Bank Ltd. (BSBL)

Background

Established in 1948 after Partition of India, The National and the most, important of all agricultural Co-operative institution is the Bangladesh Samabaya Bank Ltd. (BSBL). After liberation of Bangladesh in 1971 the Bank assumed the position of the National Co-operative Bank. The membership of the Bank is open to all classes of Co-operative societies dealing with agricultural credit. At present it's affiliated Banks and Societies are 501 as follows:

1. Central Co-operative Banks (CCB)	71
2. Thana Central Co-operative Banks (TCCB)	2
3. Central Sugarcane Grower's Co-operative Societies (CSGCS)	13
4. Thana Central Co-operative Associations (TCCA)	52
5. Co-operative Land Mortgage Banks (CLMB)	53
6. National/Apex Co-op. Societies	4
7. Other Secondary & Primary Co-op. Societies	306
Total	501

Management

The Bank is managed by a Managing Committee consisting of 12 members (Chairman, Vice-Chairman and Directors) 2/3rd of the members including Chairman and Vice-Chairman are elected by the members and 1/3rd is nominated by the Government as it is having share in the Bank.

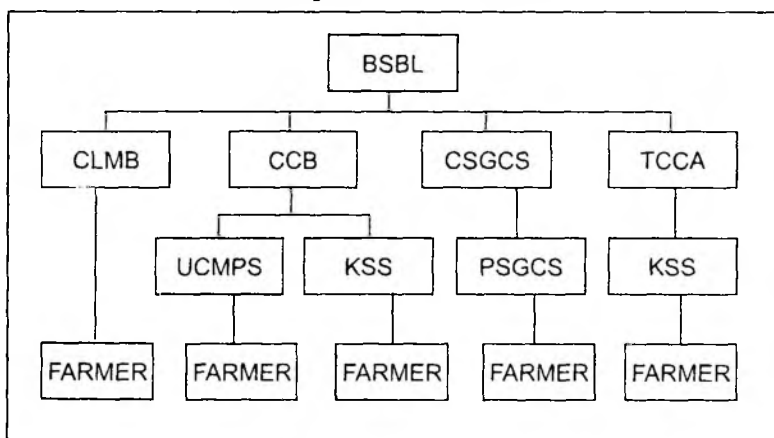
Financial Position as on 30th June, 02

(Tk. in million)

Liabilities		Assets	
Share Capital	32.6	Cash & Bank balance	480.8
Deposit	28.6	Investment in shares & securities	5.87
Borrowing	794.8	Loans and Advances	1005.7
Reserve	898.2	Fixed assets	13.4
Other liabilities	1748.8	Other assets	1997.0
Total	3502.9	Total	3502.9

The Bank earned a net profit to Tk. 729.50 Lac during the Financial Year 2001-2002.

Loan Operational Structure



The Agricultural Credit is issued by the Bangladesh Samabaya Bank Ltd. through three tier System. The Bank provides short and medium term loan to the central Co-operative Banks and societies. The Central Co-operative Banks-and societies in their turn provide the loan to their affiliated Primary Co-op. Societies. The Primary Co-operative Societies then disburse the same to the member farmers. On the other hand the Bank provides the long-term loan to the Co-operative land Mortgage Banks and the Co-op. Land Mortgage Banks disburse the same to their member farmers. After

establishment the Bank started credit operation in small scale from its own resources. But it extended its credit operation from the year 1958-59 with the sources of Bangladesh Bank (Central bank of the country) which continued up to 1988-89. The Bangladesh Bank provided concessional credit facilities i.e. below 2% of the Bank rate to the BSBL for lending to the farmer members against Government Guarantee upto 1988-89.

Total loan received from Bangladesh Bank with Repayment Position

1. Total loan received (Principal)	Tk. 3543.05 million
2. Total amount repaid	Tk. 3256.4 million
3. % of repayment	Tk. 91.91 %
4. Outstanding at field (Principal & Int.)	Tk. 2540.3 million

Remission of Loans by the Government

The then Government in March 1991 announced remission of agricultural loan up to Tk.5000/-(Five thousand) including interest and penal interest at farmer's level. But the farmer members of the co-operatives were not allowed the benefit of remission of loan up to Tk. 5000/- like other NCBS- and BKB. Instead of remission of 100% interest and penal interest including principal, a circular was issued to repay the principal amount in 10 installments within 5 (five) years. The farmer members have not responded to it and as a result the recovery of old/overdue loans is not satisfactory.

Problem of Guarantee

The Government reduced the rate of Guarantee gradually and from the year 1989-90, it has been totally stopped. As a result the BSBL could not draw any fresh loan from the Bangladesh Bank under the annual Credit program from the said year. The Government decisions regarding the remission of loans and interest and withdrawal of guarantee have terrifically affected the credit operation of the Bank.

Own Fund Loan Operation

In these circumstances, for the greater interest of Co-operative credit operation the BSBL extended project financing and started long

and short term credit through few CLMBS, CCBS and societies from its own fund. In long term credit operation, the Bank has so far selected 20 CLMBS for financing from its own fund.

The Bank is also issuing cash credit against pledge of gold through the Narayangonj Co-operative Credit Society Ltd. The bank also issuing project loan from own fund to various projects under co-operatives.

Problems

The healthy growth and viability of the co-operatives in our country have been under constraint mainly by:

1. Weak organizational foundation.
2. Inadequacy of member education and management training.
3. Dearth of able voluntary leadership.
4. Limitation of democratic character.
5. Problems of financial discipline.
5. Lack of dynamic guidance and services.

The conceptual difference of two streams of co-operative system leading to structural complexity in the movement as a whole may be added as another factor. Causes for failures of the co-operatives in Bangladesh in details are given below:

- i) The Apex, Secondary and primary Co-operative Societies are independent organizations. The Apex Co-operative Society has no administrative control over the Secondary level societies and similar is the position of the secondary societies over primary societies.
- ii) Hasty and target minded organization of co-operatives without preparing grounds for them.
- iii) Weak leadership at all levels.
- iv) A general lack of management skill.
- v) Slow capital formation.
- vi) Excessive government control.
- vii) Weak system of accountability in the management.

- viii) Dual administration.
- ix) Domination of rural power structure.
- x) Frequent government policy changes in respect of cooperatives.

Reforms Needed

From the above situation it appears that BSBL is facing manifold problems for which it requires reforms in its different field of activities to meet the credit and Banking requirements of the country specially for the Co-operatives. It should be strengthened to meet the Credit and Banking need for the 30 million Co-operators of the country. For these reasons reform is needed in the following aspects of the Bank:

- a. Reforms in Management System.
- b. Reforms in Financial System.
- c. Reforms in Credit Operation.
- d. Reforms in Banking System.

a. Management System

BSBL should run under a strong and efficient Management. Under the present Board of Management an Executive Committee may be formed with the persons expert in Finance, Credit, Banking etc. The Committee will prepare development plans and programs for the Bank and supervise the implementation of the same continuously.

b. Financial System

1. BSBL should be supported with all financial help and assistance by the Government.
2. BSBL cannot carry on business with individuals, firms or companies other than central level Co-operative Societies due to legal bar imposed under the existing Co-operative Acts, Rules and Byc-Laws. This is hindering the expansion and healthy growth business of the Co-operatives. Necessary amendments in the Cooperative Acts and Rules should be made to enable the BSBL to carry on its business smoothly.

3. The Capital base of the BSBL is not sound enough to carry on its business smoothly. Govt. should provide adequate seed capital to the BSBL.
4. Long term Loan/Grant should be provided to the BSBL by Govt. to meet the Credit needs of the Co-operators.

C. Credit Operation

1. Non implementation of Govt. declaration to waive agricultural loan up to Tk. 5,000/- has created a sense of frustration among the Co-operators. In this situation the Co-operative societies are not in a position to recover their overdue loans which again has in turn defaulted them to get fresh loans. For revival of confidence of the people in Co-operatives, Govt. should implement the declaration of remission of agricultural loans up to Tk. 5,000/-
2. There are two types of Co-operatives functioning in this country - the traditional BSBL system and the two tier BRDB by system. This has resulted in overlapping of functions at various levels. For its healthy growth Co-operative movement should be brought under one umbrella with financing responsibility placed on BSBL.
3. Govt. should provide guarantee against loans from Bangladesh Bank as before.
4. BSBL should provide not only agricultural loans, but also all other types of credit like credit requirement in poultry, fishery, marketing, consumer items etc. for the overall socio-economic development of the different sectors of the co-operators.

Banking System

1. BSBL should be a scheduled Bank under the Companies Act to have confidence of all types of people in it.
2. As the BSBL cannot render any Banking services like granting of overdraft, cash credit, loans, open letter of credit etc. to the individuals, firms, companies other than central level co-operative societies, it also can't attract deposit business from these type of business community. There is a bar on

deposit mobilisation of BSBL which requires immediate solution through necessary amendments in the Co-operative Acts, Rules and Government Orders.

3. BSBL should introduce all types of general banking services like cash credit, overdraft, pledge, hypothecation, International Trade, Foreign Exchange etc.
4. BSBL should open branches in suitable places upto up-zilla level towards business expansion.

Trends in Agricultural Co-operatives

During the past twelve years the performances of BRDB Co-operatives have increased in comparison with traditional agricultural Co-operatives. Government has encouraged the agricultural Co-operatives to purchase agricultural machinery, equipment and other necessary input from BADC at easier terms and conditions for modernization of agriculture in Bangladesh.

Besides, Govt. has planned to create year round employment opportunities on the co-operative basis at the village level for effective utilization of the unemployed labour force. During the past 12 years agricultural sector has been partially modernized with positive result to accelerate position of the farmer members as well as non-cooperative farmers.

Areas For Planned Development

In Bangladesh, there is no scope of full time employment in agricultural sector. During off farm season marginal and small farmers including farm labourers become fully unemployed which creates financial and economic crisis for them. Besides, the small farmers cannot gain through farming because they sell their products at lower price during harvesting period and purchase it at higher price sometimes after the harvesting. To overcome this situation and to make the farmer prosperous through gainful farming, there is need of creation of additional productive base and employment facilities.

For these, marketing facilities and rural based profitable industrial project implementation is essential. The Co-operative society, as the promoter, can originate project proposal through its manage-

ment and submit it to the Bangladesh Samabaya Bank Limited for financial support. UCCAs and its member societies can originate project proposal and apply for necessary financial assistance and other services to BRDB which may sanction project to any UCCA or primary Co-operative societies.

Chapter 7

Food Security Issues, WTO and Agricultural Cooperatives

1. Introduction

Essentially, food security means that all people at all times have access to safe and nutritious food to maintain a healthy and active life. This definition implies three dimensions to food security, namely: availability, access and stability and various levels of aggregation i.e. global, national, household and individual. It thus becomes obvious that achievement of universal food security at the individual level, which implies achievement at the more aggregate levels, is constrained or facilitated by a combination of social, political and economic conditions.

The world today is facing many challenges; prominent among these are sustainable development, environmental degradation, and food security for growing population. The United Nations population projections indicate that world population will increase to 8.3 billion in 2025 and 10 billion in 2050 from the present level of 5.8 billion. Such unprecedented growth in population necessitates food production to be almost doubled by 2050. The UN estimates also indicate that almost 800 million people in developing countries today face chronic under-nutrition, and some 200 million children under the age of five suffer from protein and energy deficiencies. At present, as many as 88 nations fall into the category of low-income food deficit countries, 42 in sub-Saharan Africa, 19 in Asia and the Pacific, 9 in Latin America and the Caribbean, 6 in North East/North Africa and 12 in Europe/Commonwealth of Independent States.

Decreasing per capita availability of arable land is further complicating the slowing pace of growth in agricultural output. Thus, the need to intensify agricultural production from the finite natural resources has assumed greater significance. In meeting this chal-

lenge, fertilizers have an important role for two; reasons. Firstly, they facilitate the adoption of yield-increasing technologies and thereby promote sustainable growth of food production on limited cultivable land. Secondly, they help to replenish nutrients removed by crops and, therefore, prevent soil degradation and preserve the resource base.

As the world economy becomes more integrated it becomes more difficult for a country to insulate itself from the decisions and actions of others. At the same time, this same integration offers the potential for spreading the effects of production shortfalls in one country over the world and thus greatly reducing the negative impact on food security in any one country.

“Because they affect agriculture, global, national and local shifts in national political and economic relations and structures have implications for food security. First, how food is to be produced and distributed are fundamental concerns of national economies and contribute to ongoing policy debates about how to restructure economic and political systems.” (Food and Agriculture Organization of the UN WFS96/Tech.-5).

Population growth, poverty, deforestation, environmental degradation, over-fishing, refugees, climatic changes, concentrated resource ownership and/or management, and disease also affect food security. Nations increasingly understand that one country or a group cannot resolve most of these problems; they transcend national borders, spreading instability and suffering throughout the region and around the world. Population growth is probably the single most important global trend influencing food security.

Food security has now become an important issue that is before the international community. Well over 80 million people are food insecure; almost 40,000 people die every day due to malnutrition. Food security is a fundamental prerequisite for maintaining the international order and socioeconomic stability. Stable availability at the national regional and household level is a cornerstone of nutritional well-being. Strengthening food production base is necessary for improving nutrition in most low-income and food-deficit countries. In addition, agriculture, including fisheries and forestry and related rural industries, provides income for the landless

and their families, who are often among the most nutritionally vulnerable groups. Some of the most urgent problems to be addressed today are: the need to increase the productivity and living standards of small-scale producers and the disadvantaged; the need to maintain returns to producers that will enable them to adopt productivity enhancing and labour-optimizing technologies and the need to give adequate support to agriculture within development budgets which are already strained.

Bangladesh is also limited with the land of 58,000 SK. But she has a population of 130.00 million. After long time Bangladesh has attained self-sufficiency in production of food grains i.e. rice. But not in food production. She is dependent on other countries for food. She has to import other food items.

World Trade Organisation – WTO

The agreement establishing the World Trade Organization (WTO) came into force on January 01 1995. In many ways, the WTO is different from its predecessor, the General Agreement on Trade and Tariff (GATT). WTO members have to accept all obligations of GATT and other relevant agreements. The agreements constituting the WTO are multilateral in character and involve commitments for the entire membership. The WTO also incorporates the mechanisms of consultations, safeguards, fair-trading, disputes settlement and enforcement of settlements. Countries cannot veto judgements against them. It has also been observed that until now most of the settlements reached under the banner of the WTO have gone in favour of developing countries. But still the powerful partners have been having their way. It is also assumed that the WTO agreements would serve the interests of developing countries. Agriculture has been the main interest of the developing countries, and therefore in the near future trading in agricultural products will come under a sharper focus. It rests with the developing countries to watch their interests more carefully while, entering into international trading agreements. It is also likely that questions like subsidies and patents will continue to persist and politicians might try to confuse the issue to gain some short time advantages. The World Trade Organization (WTO) provides a permanent forum for consolidation and negotiation on an ever-broadening agenda

affecting global trade and investment in goods and services. The stakes in international trade are high. It has been estimated that by 2000 world trade in merchandise goods and commercial services will exceed US\$8 trillion -or \$2 trillion more than in 1995. By then the WTO may have more than 130 member-countries, accounting for about 95% of the world trade.

The general impression among many in developing countries is that the WTO is a power block with the leadership of the United States, European Union and G-8 Group. It is feared that the developed countries would withdraw the existing preferential treatment and would expect greater access to make in developing countries. Many developing countries hoped that the WTO would provide them with greater security in their negotiations and disputes, but the developed countries often resorted to unilateral action to settle disputes, thus leaving the developing countries to fend for themselves.

World Trade Organization and Farmers' Organizations And Agricultural Co-operatives

All countries in the world today are trying hard to gain access to market, some to bring advantages to their farmers and some others to feed their populations. It is expected that through the globalization of trade in food-grains process there will be a fair distribution of food. Farmers' organizations including agricultural cooperative's consider that dumping of imported food-grains would result into certain difficulties for the local farmers – imported commodities would be cheaper and would consequently usher disaster to the local products.

Some countries feel that globalization would result into spread of farm technology and contribute to higher production of food in other countries. From the foregoing discussions, the following main points have emerged:

1. Cooperative institutions and farmers' organizations have been deeply involved in the chain of food production, its processing and marketing, and their activities relating directly to the consumers as well as the producers;
2. The means of production, quality of farm inputs, quantum of

farm credit, provision of education, training and extension, are not only traditional but also grossly inadequate and antiquated;

3. The level of farm technology in crop protection (through crop insurance, farm extension etc.) and post-harvest (through application of appropriate technology etc.) needs extensive improvement to be self-sufficient in food production;
4. Although the governments have promoted a variety of farmers organizations (cooperatives, farmers organizations, farmer companies) their continuity of existence and sense of purpose has not been sustained enough. Such institutions are the closest to the farmer producers and can play an important role in growing more food for the people. Instead, they appear to have been used for achieving short-term political advantages (loan waivers etc.);
5. There is a virtual absence of agro-processing for value-addition in the agricultural cooperative sector, which invariably has attracted private enterprises of all types (national and multi-national) to enter the food processing sector;
6. Almost all farmers organizations and agricultural cooperatives have been unanimous on the following points:
 - Establishment of infrastructure for enhanced food production has to be done by the government. Farmers, as individuals or their respective organizations, do not have the required capability and capacity. This infrastructure includes: farm roads, irrigation, grading, warehousing, shipment, electricity etc. Joint ventures are, however, a good possibility;
 - With the opening of the market, as a part of WTO agricultural agreements, local farm production and local farmers would suffer if adequate safety-nets were not installed. In the absence of such safeguards, the developing countries might consequently turn into dumping grounds for the surplus products of developed countries at cheaper rates resulting into the collapse of domestic farming structures and farmers suffering losses;

In order to effectively participate in the 'consensus' exercise, farmers of developing countries need adequate and realistic empowerment, effectiveness and efficiency of their own organizations duly supported by the respective governments. There cannot be any 'consensus' among the unequal;

For developing countries in the Asian Region international agricultural trade agreements are not on a priority agenda. Increase in domestic agricultural production to cater to the home requirements, its processing and marketing within the region is considered to be on high priority to sustain the interest of farmers in agriculture and to avoid possible social and political conflicts;

Farmers' organizations should have greater access to farm input supplies in sufficient quantities and at reasonable prices (e.g., fertilizers, farm chemicals, improved seeds) through their local increased manufacture. A certain amount of subsidies are essential (developed countries also give incentives, concessions and provide subsidies to their farmers).

7. Food security cannot be ensured through imports alone, self-sufficiency in domestic production is a security for itself. There is an urgent need for the international organizations e.g. the WTO and the FAO, and the national government to earnestly review the implications of free trade in agricultural products and incorporate necessary changes in their policies and programmes to the advantage of food-importing and developing countries.
8. The Region has a positive potential to produce food for others provided there are firm requests and agreements, which are transparent, just and fair. Such arrangements should improve local technology, expand agricultural research opportunities, farm extension and develop professionalism in agriculture.
9. There is a strong need to initiate an intimate and sustained dialogue between the respective governments and a variety

of farmers' organizations on one hand, and among the farmers' organizations themselves on the other, to discuss and understand the implications of WTO agricultural trade negotiations with a view to overcome the anticipated problems which might arise out of such negotiations.

10. Contours which are prone to food deficiency either due to shortage of land but having farm experience and advanced farm technology (e.g. Japan and Korea), increased population or other reasons should discuss food security issues with other countries in the Region (e.g. Bangladesh, India, the Philippines, Thailand and Sri Lanka) which have potentials to increase food production but possessing limited means.

Challenges before Farmers' Organizations and Agricultural Co-operatives

The present day agricultural cooperatives in the Region, particularly in developing countries like Bangladesh are now faced with several challenges vis-a-vis the multinational companies.

The membership of a majority of these cooperatives consists of small, marginal and resource-poor farmers. They have no bargaining power as individual units. Their sole objective is to produce more and market more to meet their consumption and production requirements. They cannot invest in high-tech farming. In this endeavor they expect: timely supply of fertilizers, farm chemicals, farm extension, farm credit, irrigation- facilities and marketing intelligence. In increasing farm production chemical fertilizer alone is a contributory factor up to 40-50%. India happens to be self sufficient in chemical fertilizer to the extent of 80% and is the third largest producer and user after the United States and China. Farm reduction level is, however, among the lowest in the world. The Indian Farmers' Fertilizer Cooperative Limited (IFFCO) holds 13 % market share and cooperatives as distributors of the material is around 3 1 % as compared with other outlets. Primary agricultural cooperatives in the country satisfies almost 50-60% of farm credit requirements, although farm extension services are grossly inadequate. In other countries of the Region chemical fertilizer production rests in the hands of either the State or private enter-

prises. Agricultural cooperatives have generally been used as distribution points.

The challenges faced by agricultural cooperatives in developing countries in the face of globalization and open market systems can be classified as under:

- Need to improve professional management skills of those who provide advisory or guidance services to cooperatives and of the managers and some key members of primary level cooperatives;
- Establishment of a marketing intelligence system within the Cooperative Movement to enable the farmer-producers follow market trends and plan their production and marketing strategies;
- Assured supply of farm inputs (quality seeds, chemical fertilizer, farm chemicals, credit and extension services);
- Establishment of business federations through cooperative clusters to undertake primary agro-processing, marketing of local products and to cover financial requirements;
- Be aware of quality controls and standardization of farm products to be able to compete effectively in the open market;
- Participate in efforts to conserve natural resources, which directly and indirectly, positively influence farm production and rural employment;
- Need for providing information to the farmers and farmers' organization on the implications of restructuring, globalization and WTO agreements;

WTO Agreement and its Implication for Bangladesh Agriculture

The General Agreement on Tariff and Trade (GATT) was established in 1947 to create a framework that would regulate international trade and stimulate international commerce. The principal mechanisms for progress of trade liberalization within the GATT have been periodic multilateral negotiation rounds. In all, there have been eight such rounds, starting with the Geneva Round of 1947 that established the GATT and concluding with the Uruguay

Round (UR) that ended in 1994. In fact UR was one of the longest and yet unique round because of the inclusion of agriculture for the first time under the GATT rules. The negotiations under UR were initiated in 1986 and concluded in 1993. WTO established in 1995 was the outcome of the successful negotiations of the UR. WTO is the formal world body to put in practice the agreements reached during the negotiations in UR. However, in the following few chapters the different agreements of WTO related to trade in agricultural commodities and their implications for Bangladesh agriculture have been described in brief under respective headings.

The Agreement on Agriculture (AOA)

Among different agreements that have been emerged due to the negotiations in UR. AOA is particularly concerned with trade in agricultural commodities. The basic principle of AOA is to create a level playing field for all nations in agricultural trade activities by reforming the principles of and disciplines on, agricultural policy as well as to reduce the distortions in agricultural trade caused by agricultural protections and domestic support. The policies that are supposed to have distorted effects in agricultural production and trade can be divided in to the following three categories: market access restrictions, domestic support and export subsidies. Each of these categories of policy is dealt with in turn by different Articles and Annex. within the AOA.

Sanitary and Phyto-Sanitary (SPS) and Technical Barriers to Trade (TBT) Agreements.

These two agreements are also very much important to make agricultural trade free and fair worldwide, and are viewed as positive outcomes of the UR as they should minimize disguised protections in the name of health and food safety. The TBT agreement provides that the mandatory product standards set by the importing countries should not be so applied as to cause unnecessary obstacles to international trade. Furthermore these standards should be based on scientific information and evidence. The rules, which the Agreement on the application of SPS lay down, are similar to those applicable to mandatory product standards. There are, how-

ever, some important differences. The TBT agreement requires mandatory product standards to be applied on nondiscriminatory basis to imported goods. The SPS agreement permits countries to apply measures on a discriminatory basis, taking into account such factors as the differences in the level of prevalence of specific diseases or pests. It further permits countries to take measures to restrict imports on a provisional basis, as a precautionary step, in cases where there is imminent risk of the spread of disease, but the “Scientific evidence is insufficient”. There is no such provision in TBT Agreement.

Agreement on Trade-Related Aspects of Intellectual property Rights (TRIPS)

The Agreement on TRIPS lays down minimum standards for the protection of intellectual property rights as well as the procedures and remedies for their enforcement. It establishes mechanism for consultations and surveillance at the international level to ensure compliance with these standards by member countries at the national level. Its provisions apply to following intellectual property rights:

- patents;
- Copyright and related rights;
- Trade marks;
- Industrial designs;
- Layout designs of integrated circuits;
- Undisclosed information; and
- Geographical indications.

The Agreement provides a transitional period of five years for developing countries to bring their Intellectual property Right (IPR) legislation in conformity with the provisions of the Agreement. For least developed countries the transitional period is 11 years.

Implication of the AOA in General

General Impact on Developing Economies

Agricultural trade and growth of developing countries will be impacted particularly by the liberalization in agricultural trade postu-

lated in the AOA. Some reviews of possible impact of the AOA on the developing countries trade and growth appear to suggest modest short-term gains in general for such economies, with possible negative impact for net food-importing countries because of expected increase in global grain prices. However, these economies can expect to gain in the long run from the AOA and the overall global liberalization.

Short-Run Impact

This impact comes from two opposing kinds of effects on production and consumption of agricultural products in developed and developing countries. The expected outcome of agricultural liberalization in developed countries in the forms of subsidy cuts and tariff and domestic support reduction is a shrinkage of domestic production and an increase in domestic consumption and a consequent upward pressure on the world prices of agricultural products. On the other hand, developing countries, on account of agricultural liberalization, face the prospects of increased domestic production and reduced domestic consumption of agricultural products in view of the fact that agricultural policies in these countries have in general tended to tax agriculture through greater protection to non-agricultural products, exchange rate distortion, monopoly of marketing boards and subsidization of urban consumption, the effects of which have a downward pressure on the world prices of agricultural products.

Long-Run Impact

Apart from these what could be called price or substitution effects of the AOA, there will be long-run gains of the overall trade liberalization attributable to the entire UR Agreement through income and growth gains to both developed and developing countries, which will also reinforce the UR trade creation impact for developing countries' agricultural products.

Implications of the Related Agreements of WTO for Bangladesh Agriculture Implications of AOA

The partners of agriculture offer limited opportunities for Bangladesh. Bangladesh has so far a relatively low and stagnant

participation in world agricultural trade. Agricultural trade was mostly in imports. Exports accounted for only a tiny share of agricultural trade in recent years. Agricultural exports have been almost entirely in primary products. Export trade in processed agricultural products has been virtually nonexistent. In recent years, some nontraditional primary agricultural products such as vegetable and fruits have entered the export trade, but except vegetables none have grown yet in recognizable export importance.

Trade growth during the last decade in agricultural products in OECD countries has been more rapid for processed than for primary agricultural products. Some developing countries such as the Latin American economy, Chile, distinguished itself in showing a rapid development of exports of agricultural products in recent years. Bangladesh's trade matrices by country of recent years also show that it imported processed agricultural products principally from two other Latin American countries, Brazil and Argentina, and a South Asian developing economy, Malaysia.

By the end of the implementation period of AOA, i.e. by the year 2000 in developed countries and 2004 in developing countries, tariffs will be cut from bound levels in the former countries by an average 36% and in the latter countries other than the LDC's by an average 24%. It is expected that tariff cuts that will be effected on some broad groups of products such as coffee, tea, cocoa, fruits, vegetables and tobacco in the OECD, EU, the United States and Japan range between 21% and 41%, although from a low tariff base. Since Bangladesh exports tea, fruits, vegetables, and tobacco, it should stand to gain some advantage, net of loss of GSP, from such tariff cuts on these products in these regions or countries. Moreover, Bangladesh should be able to export some of the agricultural products in transitional economies and other developing countries because of greater access that will be gained to these markets due to tariff cuts.

The implementation of the export subsidy cuts that are stipulated by the AOA is likely to yield greater benefits for developing countries such as Bangladesh. Nontraditional and processed agricultural products of developed countries, are dairy products, fruits and vegetables, while other agricultural products that will also be

affected by the export subsidy cuts include wheat and wheat flour, coarse grains, some animal meat, oilseeds, vegetable oils, and sugar. Since developed economies have been maintaining heavy subsidies on such products, a reduction in both export subsidies and domestic support may lead to higher world prices and may open import substitution possibilities for such products as edible oils, dairy products, processed fruits and vegetables, and cereal products.

Implications of SPS and TBT Agreements

The key challenge in this area is to upgrade sanitary and phytosanitary standards if Bangladesh wishes to take advantage of growing world agricultural trade, especially in processed products. Its standards are to be upgraded for external markets, they will also need to be upgraded for the home market itself, which will require first and foremost effective national strategy on food quality control and safety. There is an urgent need for reviewing and updating food legislation. Special emphasis should be placed on improving the national export food inspection and certification programme in order to boost importers' confidence. Training of governmental and food industry personnel in all aspects of food quality and safety is another priority.

Implications of the TRIPS Agreement

The possible consequences for agriculture of the provisions of the TRIPS Agreement related to the patenting of biological materials have been given little attention in Bangladesh. There is still confusion and sense of uncertainty about the consequences of patenting seeds, plants and animals in respect of such matters as security of seed supply and its cost, sovereign rights over generic resources, communities, bio-safety and food security in general. Obviously, a thorough review of how the relevant Articles of this Agreement can affect Bangladesh deserves high priority.

Bangladesh is endowed with fertile alluvial soils and ecological diversity, and has vast surface and groundwater resources for irrigation. These have given Bangladesh a good potential to develop its agriculture from subsistence to commercial level. Bangladesh has no option but to increase her agricultural export if she wishes

to promote commercial agriculture. WTO agreements are supposed to create opportunity for countries having comparative advantages to be benefited from trade liberalization. As Bangladesh has comparative advantages in some of the agricultural commodities, she will have to prepare herself without further delay in order to reap the advantage that will be generated from trade liberalization. Proper policy and planning both at macro and micro level, entrepreneurship development in private sector, contract farming, database preparation and information management, institutional and capacity building, etc are the important tasks to be given due attention in this regard.

Chapter 8

Recommendations of the Report

What is needed at this moment for the development of cooperatives is to take immediate decision by the government to remove the hindrances and obstacles facing the cooperatives for its smooth functioning and development.

From the review of literature, research studies, observations made in the field and opinions received from the cooperative leaders and officials, the following measures may be taken for the solution of the problems of cooperatives in Bangladesh;

- i) The members themselves may according to their needs form cooperatives, determine the structure, size and scope so as to make them viable.
- ii) The process of democratization of the cooperatives should have to be expedited. Instead of controlling the Cooperatives, the government and the cooperative department should extend all possible help, guidance and support to the cooperatives.
- iii) The tendency of government and the Department of Co-operatives to depute their officials to the cooperative organisations should be discouraged with a view to give the opportunity to grow professionalism from among the officers of the cooperative organisations.
- iv) Government policy should be made to provide support and service to the primary agricultural cooperative societies through the national and second societies.
- v) Continuous training and education programmes should have to be organised for cooperators and field staff.
- vi) Government should take the initiative to remove the obstructions now facing the cooperatives.
- vii) The government will have to unify 3 tiers and 2 tiers cooperatives into a single national system. Primary cooperatives

at the base level have to be viable and operational in terms of productivity, marketing and employment.

- viii) After unification the number of primary cooperative society should be reduced. One village should not have more than one society of same nature.
- ix) The Bangladesh Samabaya Bank Ltd. should be the absolute authority of cooperative credit disbursement. BSBL will have to maintain statistics of the productivity by the members and the cooperatives.
- x) The BRDB segment should provide development assistance to cooperatives for member education, training of office bearers and employees of cooperatives.
- xi) Educational and professional qualifications and record of good performance in primary and secondary should be the criteria for seeking election of office bearers in national apex and National cooperative union.
- xii) Conduct rules fixing responsibilities and accountabilities and remuneration need to be enacted for Primaries, Secondaries, Apex and National Co-operative Union.
- xiii) The honest, dutiful and dedicated local leaders should be identified and encouraged to be the office bearers of the cooperatives.
- xiv) The Government should declare a policy for the Co-operative delineating the nature, extent and area of activities to be undertaken by them.
- xv) In the policy, the Government should state clearly the nature and extent of the support and assistance to be provided by the government to the co-operative sector.
- xvi) The statements of commitment to be made in the policy should have to be reflected in the Annual Development plan and the five-year plan documents of the country and allocations shall have to be made accordingly in the name of the Co-operative sector.
- xvii) Agricultural credit supplies should be in accordance with its importance and contribution to GDP. Agricultural credit flow should be increased to nearly 40 percent of credit tar-

get. Easy terms should be introduced for delivery and recovery of credit.

- xviii) Crop loan should be sanctioned on the basis of annual production plan and farmers credit requirements for the whole year. However disbursement may be made at least one month before growing time to help farmers in deciding the type of crop to be grown, selection of variety and procurement of production inputs such as seed, fertilizer, pesticides etc. Loan recovery schedule should be made in such a way that farmers are not forced to sell the produce immediately after harvest. Three or four months time after harvest may be allowed for normal loan repayment.
- xix) Interest rate in agricultural credit should be fixed on the basis of overall macroeconomic consideration. However, the interest rate must be adequate to cover cost of supervision, risk and other elements.
- xx) Agricultural Credit must be strictly supervised. For that more technical staff should be given fresh appointment and the both existing and new recruited staff be given intensive training on agricultural credit management and operation.
- xxi) Credit discipline must be restored in the lending institutions. Frequent announcement of interest revision/write off, exemption of credit must be stopped. Farmers should be given chance to realize that credit is not relief money; they must return the money in order to move forward the wheels of production and prosperity of the country.

Conclusion

Bangladesh is a developing Country having 130 million people in a very small territory of 145000 sq. km. About 80% of the total population directly or indirectly depend on agriculture. So, development of agriculture in the country is a must for economic and social development of the rural people. The constitution of Bangladesh recognises co-operatives as one of the three sectors of the economy, along with the public and private sectors. The history of co-operatives in this country is not full of many success stories. Nevertheless, cooperative movement has over the years

played a significant role in the rural economy, although it has not been exploited to its full potentialities. Cooperation usually means working together in order to achieve common objective. The history of cooperative is therefore as old as human civilization.

In some countries cooperatives have brought about miracles, in some others its role is rather very marginal – all these happenings perhaps due to variations in Local conditions. Cooperative has been defined as a form of organization in which persons voluntarily associate together on the basis of equality for promotion of their common economic interests. A cooperative society enables the members to put in their best to attain a higher standard of living for themselves without, in anyway, exploiting others.

Although Bangladesh Krishi Bank, Nationalised Commercial Banks, Grameen Bank and NGOs are working for the development of agriculture they do not have direct link with the individual farmers which cooperatives have. So, those institutions are not at all a challenge for the development of agricultural cooperatives in the country. What is needed at this moment for the development of cooperatives, is to take immediate decision by the Government to remove the hindrances and obstacles facing the cooperatives for its smooth and efficient functioning and development.

Most of the problems and hindrances in the path of the co-operative movements enumerated above are old, well known and repeatedly analyzed and have accompanied the evolution of this entire rural sector through generations. In contrast the new economic global order passing under the generic term of “Globalization” poses novel challenges to the rural economics of developing countries which are previously largely unencountered and in the face of which the rural sectors so far stand almost defenseless. It is a major task of the highest political priority for Governments of the developing countries to devise mechanism with which to parry the coming tidal wave of unbridled market forces with the grace periods the recent GATT, WTO and others agreements grant to developing countries. Any such defensive strategy must set out from the recognition that developing rural sectors are still very largely in the informal sphere where the parameters of the new system do not apply, at least not in the forms in which they were formulated.

There are therefore no clear and established patterns of response and counter moves. This condemns the sectors to a totally passive role of sufferers from an onslaught for which they are not ready, at least not right at this point of time. They will therefore be further weakened in extreme cases perhaps even fatally. By treaty, Government will be disqualified from coming to the help of their agriculture by virtue of the stipulated provisions in the agreement. If one looks around for other, intra-sectional wave breakers, one can hardly perceive any but the cooperatives, no matter in what condition they presently are. Hence by necessity, a sudden and immense upgrading in their socioeconomic and therefore political importance for a balanced future in the developing economics.

In financial respect, cooperative, especially the Saving and Loan co-operative societies are expected to function as the agents of intra-sectional capital accumulation, siphoning-up the saving and excess liquidities of their members and offering low interest credit to participants. In almost all developing countries of the Region, this faculty has remained woefully under developed and the savings and credit societies cover only a fraction of the total loan requirements of their members.

With a view "to identify the measures needed to be taken in the short-term and to prepare a strategy and longer term action plan for improving the performance of the cooperatives sector and in particular its contribution to poverty alleviation among women and the poorer and disadvantaged sections of its membership", the Government should take immediate decision for unification of two streams of cooperatives in to one, and arrange to finance and guide them for their upliftment.

We must be hopeful in organizing the cooperatives in a better way with the peoples participation at the field level and the things be looked into a planned way. The Government should always be helpful in under taking prospective cooperatives so that it may help establishing genuine cooperatives with sincere, honest and active cooperators who will definitely be able to achieve self-sufficiency in the economic programmes and ultimately attain success in the implementation of the business activities of the cooperatives.

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ICA CO-OPERATIVE IDENTITY STATEMENT

DEFINITION

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The Principles of Co-operation are guidelines by which Co-operatives put their values into practice.

First Principle: Voluntary and Open Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control: Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary Co-operatives, members have equal voting rights [one member one vote], and Co-operatives at other levels are also organised in a democratic manner.

Third Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

Fifth Principle: Education, Training and Information: Co-operative provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their Co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Co-operation.

Sixth Principle: Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for the Community: Co-operative development of their communities through policies approved by t

